

**THE PROCEEDINGS OF
4th INTERNATIONAL
STRATEGIC MANAGEMENT
CONFERENCE**

*Exploring for International Competition and Cooperation
Strategies
to Foster Regional Development*

***June 19-21, 2008 Hollywood Hotel, Sarajevo,
Bosnia-Herzegovina***

**4th. INTERNATIONAL STRATEGIC
MANAGEMENT CONFERENCE**

*“Exploring for International Competition and Cooperation Strategies
to Foster Regional Development”*

*June 19-21, 2008
Hollywood Hotel, Sarajevo, Bosnia-Herzegovina*

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PREFACE

Dear Participants;

I, as a chairman of this 4th Strategic Management Conference, would like to welcome all of you with my love and respects. We feel happy and honorable to organize the Strategic Management Conference in Sarajevo city of Bosnia-Herzegovina this year that we had commenced to organize in 2005. We are excited as we were four years ago and we are here today with our feelings of the first day. I would like to thank to our partner of this year, International Bosnian University Rector and other managers, who gave us an opportunity to organize this conference in this beautiful city. In our fourth conference, there are 189 participators from 15 countries with 97 papers. In fact, we received 142 announcements from 20 countries but 45 of these announcements were reasonably refused by the peer review committees.

As it is seen, the participators want to participate in this international activity with great excitement like us. My dear colleagues and guests; with this excitement and motivation, we had programmed to publish an international journal under support of the International Strategic Management Conference. As a result of this, our journal titled “Journal of Strategic Management” we began to publish last year is now one year of old. Today, we present to you the first issue of the second year in your conference bags. Both the quality of articles published in the magazine increases day by day. Our purpose is to make this journal a publication that is scanned and referred in international indexes. I would like to thank to all my friends who worked hard on this matter. We established an association named “‘International Strategic Management and Managers’ to ensure assistance both for our conference and publication of our journal. We wish you to be member of this association and continue our international endeavors together with synergic power.

The other pleasing event of our fourth conference is that world wide known two gurus in field of strategic management will honor our conference as key-note speakers. I would like to thank to Prof. A. Lonie STRICKLAND and Prof. Richard LYNCH in my name and our organization committee.

I would to sincerely thank to our honored rectors who helped us and gave every support in organization of the conference in perfect manner, to our colleagues who made valuable contributions as members of peer reviewer and Consultant Committee, to Beykent University Board of Trustees who made contributions in organization of the conference as a sponsor and its estimable chairman Mr. Adem ÇELİK and Cuma Bayat Rector of Beykent University, to Mr. Güçlü KAPLANGI, Executive Director of Fagor Industrial Company, Çanakkale On Sekiz Mart University Rector and Co-Chair Prof. Ali AKDEMİR who realized publication of our conference book and to Prof. Alinur Büyükkaksoy, Rector of Gebze Institute of Technology, who supported preparation and publication of the conference program and file as a sponsor. I wish this conference will be helpful and beneficial to us and all academic participants. I present my love and respects.

*Prof.Dr.Erol EREN
Chairman of the Conference*

PREFACE

We are honored to welcome you to the 4th International Strategic Management Conference in Sarajevo. This year's theme is 'Exploring for International Competition and Cooperative Strategies to Foster Regional Development'.

We convened here, coming from different parts of the world, to discuss and explore for international competition and cooperative strategies in regional development. We are going to debate on different approaches and models in strategic management, industry analyses, ethical issues, innovation and many other issues, not only economic and technology point of view, but also addressing mainly the problems and issues of regional development.

Academicians from different countries submitted original papers for conference presentation and for publication in this Proceedings Book. All competitive papers were subject to a peer review. The results of these efforts produced 97 empirical, conceptual, and methodological papers involving all functional areas of strategic management with a specific focus on regional development and international aspects. I would like to express our appreciation to the reviewers for reviewing the papers that were submitted to this conference. We also thank to all those who submitted their work to be considered for presentation at the Conference.

All of us here worked very hard to make this conference a success. The conference could not have been held without the diligent work of Professor Erol Eren, Dean and Chairman of the Conference who made great effort to perfect all arrangements. Special thanks to him for his leadership and execution of 2008 Conference. I want to extend special appreciation to Mehtap Özşahin for her hard work and commitment to the conference development.

We hope that you will benefit from the Conference and enjoy your stay in this great, historic land, Sarajevo.

*Oya Erdil, Ph.D.
Co-Chair of the Conference
Gebze Institute of Technology*

FOREWORD

The concept of “strategy” and the concept of “Strategic Management”, which were being used almost exclusively for business administration and economic areas up until about 20 years ago, have now become concepts that can be adapted in all areas of activity.

All cities and towns in the world have 10, 20, 30, or 40 year plans to achieve their strategic objectives; even plans exceeding 50 or a hundred years. The shape of the future is being achieved by means of the concept of “Strategic Planning”. From an economic, social or intellectual point of view, the answers to problems that arise, wherever and however, are being met via Strategic Planning. Furthermore, it is striking how much “SWOT Analysis” is being valued in Strategic Management at individual, institutional, regional, and national level. And, it is satisfying to see that the terms “mission” and “vision” have now become an integral part of administrative and managerial thinking in every department.

That strategic management would achieve such an important and enduring place in our country was previously forecast by the writer, Prof. Dr. Erol Eren, at a congress. The first congress took place in Çanakkale in the year 2005 and since then, has been held every year. This year, in Bosna-Hersek, will be the fourth time that the Strategic Management Congress has been held. Four universities will organize it: Beykent University, Gebze Institute of Technology, the International University of Sarajevo, and Çanakkale Onsekiz Mart University. This fourth congress, therefore, carries even more weight than previously. In this context, I sincerely thank my dear colleague Prof. Dr. Erol Eren for his most meaningful contribution to the success that this congress has achieved.

For their participation in this productive collaboration between our universities, I wish to thank Prof. Dr. Cuma Bayat, Rector of Beykent University; Prof. Dr. Alinur Büyükkaksoy, Rector of Gebze Institute of Technology; Prof. Dr. Erkan Türe, Former Rector of the International University of Sarajevo; and Prof. Dr. Ertuğrul Taçgin, current Rector of the International University of Sarajevo.

In addition, I would like to thank Prof. Dr. Oya Erdil, Assoc. Prof. Lütfihak Alpkan, Assoc. Prof. Dr. Cemal Zehir, Research Assistants Mehtap Özşahiner and Erdal Aydın – each and every one of them – for their contribution towards ensuring the successful organization of this congress.

I would also like to thank Prof. Dr. Lonnie Strickland, Prof. Dr. Richard Lynch, Ass. Prof. Dr. Tanses Gülsoy, Dr. Meral Elçi, E. Görkem Kayaalp Ersoy, and Ayşe Gürsel for their significant contributions.

I wish everyone a successful congress.

*Prof. Dr. Ali Akdemir
Rector,
Çanakkale Onsekiz Mart University*

FOREWORD

On behalf of my university and staff members I would like to welcome the delegates of the 4th International Strategic Management Conference with the theme 'Exploring for International Competition and Cooperation Strategies to Foster Regional Development' organized by Beykent University, Gebze Institute of Technology, Çanakkale 18 Mart University and International University of Sarajevo.

As Gebze Institute of Technology, we are extremely pleased to have participated in the organization and realization of this series of conference and many of others which contributes our aim of concentrating on scientific events. This year, we provide our support for the success of the 4th International Strategic Management Conference which is held in Sarajevo.

My special thanks go to Professor Cuma Bayat, Rector of Beykent University, and Professor Ali Akdemir, Rector of Çanakkale 18 Mart University who give the excellent example of cooperation to realize this successful event. I would like to express my sincere hope that this cooperation will continue in the coming years.

Professor Dr. Erol Eren, Dean, and the President of the Organizing Committee, successfully lead the organization the last three years. I would like to thank to Dr. Eren for his valuable efforts. I also would like to thank to colleagues and staff of our Faculty of Business Administration for their hard work.

It is our sincere hope that you will enjoy both the academic discussions and social events of the Congress and your stay in Sarajevo.

*Prof. Dr. Alinur Büyükkaksoy
Rector,
Gebze Institute of Technology*

FOREWORD

My Dear Colleagues, participants and guests

I, as Beykent University Rector, would like to welcome all of you with my loves and respects.

We are very pleased to organize the fourth of this international activity this year that has been organized since 2005. Organization of the fourth conference in an international atmosphere in Sarajevo city of Bosnia Herzegovina and participation of the international Sarajevo University in Sarajevo to this conference is a very pleasing event for us. We plan to organize the 5th International Strategic Management Conference in 2009 again out of Turkey in any other country of world in an arena where international scientists meet.

Beykent University leads organization of such international activities or is one of the leaders that participates such activities. We endeavor to make our university an institute that performs global activities and carries the science to all the world people. Today, with our remote education programs, we develop to give education opportunities in all the Balkan countries, Asia and Europe. We employ in academic staff our university the instructors who have academic experience in various countries of world. This year we will extend our university with educational departments to be opened in İzmir, Edirne and Kocaeli cities of Turkey. In following years, we plan to establish science institutes depended on a joint investment partnership with universities active in the Asia Turkish Republics and Balkan countries. This conference and similar international activities will ensure scientific exchange of views and besides, academicians will find an opportunity to work together with the scientific institutes we plan to establish a partnership and cooperation with.

I would like to sincerely thank to Gebze High Technology Institute Rector, Çanakkale Onsekiz Mart University Rector who gave their assistance in organization of this conference in scientific cooperative manner and established a model cooperation in this matter, to International Bosnia University Rector who finally decided to make cooperation with us this year and all other managers of these institutes who helped us. Besides, I would like to thank to the chairman and his assistants in charge of organization of this conference and to all other estimable persons who work in secretariat, consultancy and arbitrator committee, and I wish this conference will be useful and beneficial for our science world.

*Prof. Dr. Cuma BAYAT
Rector,
Beykent University*

FOREWORD

International University of Sarajevo (IUS) is a young foundation university established in 2004. It consists of 3 faculties that currently offer 14 academic programs in undergraduate level, and also consists of 5 graduate programs offering master and doctorate degrees. In one of the graduate program, initiating a dual diploma program with an American University has been agreed. Another dual diploma agreement with Cyprus International University in undergraduate and graduate programs have recently begun.

IUS brings a new approach and organization to higher education in Bosnia. It will be a learning–and students-oriented university. IUS keeps curricula and methodologies up-to-date and makes transition between faculties a smooth and easy process. It aims to endow students with knowledge and skills required by the organizations of the 21st century.

As a foundation university carrying social responsibility, IUS has a mission to serve Bosnian community by education, research, and scientific and social activities. It currently has students from 12 countries, more than one third of which have scholarship from various sources. These students are either highly talented students, or successful needy students.

IUS aims at playing a significant role in Bosnia's development to achieve progress and prosperity in peace. In order to achieve this aim, It has taken part in several organizations and activities with international participation. IUS recently organized a conference and workshop with two days on setting a bridge between the East and the West with the collaboration of ADAM, Ankara Center for Thought and Research. IUS also had the chance on participating in the organization of the Regional Workshop of the 5th World Water Forum in Sarajevo.

We are very pleased to take part in this organization of the 4th International Strategic Management Conference in Sarajevo. We believe that such world wide organizations will contribute Bosnia's development in every aspects and will help reverse the brain-drain of the country's scientists.

*Prof.Dr.Ertuğrul TAÇGIN
Rector
International University of Sarajevo*

***COOPERATION AND
COMPETITION
STRATEGIES IN
STRATEGIC
MANAGEMENT***

STRATEGIC SUPPLIER ALLIANCES IN THE NATURAL STONE INDUSTRY: THE CASE OF TURKISH COMPANIES

Süleyman BARUTÇU
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ABSTRACT

The natural stone industry is one of the oldest industries in the world, and Turkish natural stone companies face with high competition from Italy, China and a few more countries in the world. In highly competitive business environment, strategic alliances and supply chain management are some of the important strategies for the natural stone industry as well. The main objective of this paper is to shift the focus of strategiest from strategic alliances among companies or rivals towards strategic supplier alliances involving the owners of quarries, manufactures, logistics service providers and distributors in the natural stone supply chain. The survey results conducted on 32 respondents showed that the managers or owners of the companies (1) found strategic supplier alliances mutually beneficial for all partners in a supply chain, and (2) were eager to improve their relationship, cooperation and collaboration with their suppliers and customers, (3) preferred informal agreements to mergers or full partnerships, and (4) were more enthusiastic to establish production-based strategic supplier alliances with Italian and Spanish than Chinese companies and marketing-based strategic supplier alliances with many companies from all over the world.

Keywords: *Strategic Alliances, Supply Chain Management, Strategic Supplier Alliances, Natural Stone Industry*

INTRODUCTION

Nowadays, much of international attention in natural stone industry has been centered on Turkey, Italy, China and India for their reserves, production capacity and competitive pricing. Currently, Turkey is one of the few countries capable of producing over 5 million m³ of rough blocks that are spread all over the country and is now beginning to play an important role on the international natural stone markets, particularly in finished marble and travertine production in the world (Turkey at the Tops of the Worlds, 2006). According to Porter's Five Forces analysis, strong buyer power, high rivalry, low cost ceramics substitute and threat of new entrants makes natural stone industry very competitive business environment not only today but also in the future (Barutçu, 2007a). Therefore, Turkish natural stone companies face high competition from due to the Italian brands and Chinese lower prices although Turkey has very important natural stone reserves. Moreover, many Turkish natural stone companies that enter global markets use a direct exporting model. This model as an entry strategy for global marketing is usually quicker and less risky. On the other hand, the importers can change their suppliers very easily, because there is no changing barriers in natural stone industry. As a result, there is highly competitive business environment in the natural stone supply chain.

Under these competitive circumstances, Turkish companies are searching for new ways to improve their competitive positions in natural stone markets. Forming the strategic alliance among rivals or strategic supplier alliances among suppliers in a supply chain is one of the major ongoing interests in the strategic management literatures. Therefore, the natural stone exporters need to turn suppliers and customers into partners willing to cooperate enthusiastically in supplying, marketing and distributing the natural stones, because the emerging area of supply chain alliances or strategic supplier alliances have received considerable attention in the academic and managerial literatures (Monczka et al., 1998). For example, the Chamber's President of Industry and Commerce of Afyonkarahisar-Turkey declared that "Italy should have been our partners not rivals in the natural stone industry because not only Turkish but also Italian natural stone companies could not generate enough revenues and profits" (Gürel, 2008). Firstly, for these reasons, the concepts of strategic alliances, supply chain management and strategic supplier alliances are explained. Secondly, the competition level of the natural stone industry and natural stone supply chain are analyzed. Thirdly, managers' attitudes and behaviors towards strategic supplier alliances in natural stone industry are investigated. Lastly, the survey results are presented.

LITERATURE REVIEW

The strategic supplier alliances have been conceptualized with two components, supply chain management and strategic alliances and contained important parts of them (Barutçu, 2007b).

Supply Chain Management and Strategic Alliances

The supply chain management has been considered as the most popular operations strategy for improving organizational competitiveness in the twenty-first century, because this system incorporates the entire exchange of information and movement of products between suppliers and final customers, including manufacturers, distributors, retailers, and any other companies within the extended supply chain (Gunasekaran et al., 2008). The Global Supply Chain Forum defines Supply Chain Management as the integration of key business processes from end user through original supplier that provides materials, products, services, and information that add value for customers and other stakeholders (Lambert et al., 1998).

The competitiveness in global economy requires companies to focus on core competencies, reduce their number of suppliers and develop strong partnership relationships built on shared information and trust with the remaining suppliers. The trend to outsource more materials and services made companies more reliant on their sources of supply. This led to a move towards increasingly collaborative supplier relationships (Stuart and McCutcheon, 1996; Stuart and McCutcheon, 2000). Today, in order to emphasize core competencies and skills, companies assume narrow and specialized roles within supply chains while they ally themselves with supply-chain partners for mutual benefits (Myhr and Spekman 2005).

The strategic alliances can be defined as a long-term cooperative arrangement between two or more independent companies that engage in business activities for mutual economic gains (Tsang, 1998). The strategic alliances provide benefits to companies that can't obtain alone. There are several reasons for the formation of strategic alliances. They may be formed to enter new business, gain quick access to new market, overcome trade barriers, share risks, absorb a key local competitor, and avoid predatory competition (Hitt et al., 1995). Joint ventures, licensing, franchising, equity ownership and marketing, distribution or logistics-based alliances are well-known types of strategic alliances. There are several well-known successful examples of strategic alliances in different industries such as Mercedes and Chrysler, GM and Toyota, Canon and Kodak, Siemens and Philips etc. Most of them are actually among international companies like Ford and Volkswagen for sharing a distribution and service center in South America and Ford and Nissan for building minivans in the USA (Griffin, 1999). Briefly, there are 37,538 strategic alliances in the USA, 9,417 strategic alliances in Japan and just 212 strategic alliances in Turkey between 1990 and 1999 among 30 OECD countries (Tekinay, 2004).

The success of strategic alliances in a supply chain requires seeking close, long-term working relationships with critical suppliers, and then developing interactive buyer-supplier relationship through sharing information, jointly solving problems, of involving suppliers in the early stage of the product and process development (Spekman et al., 1998). Because many companies have escalated their level of outsourcing, they are now forming long-term strategic alliances with their suppliers referred as strategic supplier alliances (Lin and Chen, 2004).

Strategic Supplier Alliances

Individual businesses no longer compete as autonomous entities but rather by joining a supply chain alliance due to the highly competitive business situation. Therefore, suppliers, manufacturers, logistic companies and retailers in the supply chain always forge stronger alliances, vertically or horizontally, to compete against other supply chains (Lin and Chen, 2004). The strategic supplier alliance, also termed as a supply chain partnership, is a relationship formed among companies in the supply chain to achieve specific objectives and benefits. This specific alliance is usually formed to increase operational performance of each member through reductions total production, inventory, and quality control costs, and increased shared information and profits. Theoretically within a strategic supplier alliance, traditional competitive barriers between supply chain members are mitigated to create mutually beneficial relationship, thus leading to increased information flows, reduced uncertainty, and a more profitable supply chain. Rather than concerning themselves only with price, manufactures are looking to suppliers to work cooperatively in providing improved service, innovations and product design (Maloni and Benton, 1997). Furthermore, the strategic supplier alliances

emphasize a direct, long-term association, encouraging mutual planning, problem solving, improvement and success sharing. Mutual problem solving can result in a win-win solution among partners, because this can help to improve quality, performance, reduce cost etc. after establishing Strategic Supplier Alliances. Supply quality can be improved through forming Strategic Supplier Alliances with key and few important suppliers (Maloni and Benton, 1997).

A fundamental purpose of strategic supplier alliances is to enhance the long-term competitiveness of strategic partners in the supply chain. In order for strategic supplier alliances to be viewed as strategic, they must enable the cooperating companies to achieve some type of competitive advantage in the supply chain. Although some of them are ended, Laura Ashley and Business Logistics Services, McDonald's and Coca Cola, McDonald's and Disney, Vestel and Horoz Logistics, E-stores and Superonline, ITO Kilit and Ingersoll Rand, Aydınlı Textile Group and Pierre Cardin are examples of the effective strategic supplier alliances. A distribution-based strategic supplier alliance exists between Laura Ashley and Business Logistics Services, a subsidiary of Federal Express. Business Logistics Services has taken over Laura Ashley's distribution operation. Business Logistics Services restructure, improve and manage every aspect of flow of goods and information within the Laura Ashley supply chain (Albaum et al., 1995). The strategic supplier alliances between Vestel and Horoz Logistics is an example of logistics-based and between Aydınlı Textile Group and Pierre Cardin is an example of production-based strategic supplier alliances.

As suppliers play very important role for competitiveness of the companies, many of them are facing the challenge of selecting the right suppliers in order to enhance the likelihood of success of their strategic alliances and also improve the performance, innovation, competitiveness, and long-term survival of the members of the supply chain (Famuyiwa et al., 2007). There are many studies for selecting the most favourable companies in the supply chain. For example, Lin and Chen (2004) employed the fuzzy decision-making procedures with 183 evaluation attributes to select appropriate suppliers for alliances. Famuyiwa et al. (2007) presented a fuzzy logic-based model to handle the vague and imprecise information available during the early formation of strategic partnerships. Büyüközkan et al. (2008) proposed a multi-criteria decision-making approach to effectively evaluate e-logistics-based strategic alliance partners. Hereby, companies should select their strategic partners in a specific supply chain carefully.

To determine the critical factors associated with the success of strategic supplier alliance is necessary. For example, Hoffmann and Schlosser (2001) identified the eight critical factors so as to have effective partners as following; (1) precise definition of the rights and duties of the partners, (2) contribution of specific strengths based on complementary resources, (3) establishing required resources, (4) awareness of time requirements, (5) equal contributions from all partners, (6) deriving alliance objectives from business strategy, (7) building trust, and (8) speedy implementation and fast results.

There are four main partners of strategic supplier alliances - Manufactures-Suppliers-Customers-Logistics Providers. They can be formed among suppliers, manufactures, customers and third party logistics (3PL) or fourth party logistics (4PL) providers. Adopters of the supply chain language focus on the flow from source (suppliers) to sink (customers). Another set of common terms in the supply chain language are upstream and downstream partners. These terms reflect the continuous nature of the physical supply process using a flow. Upstream partners refer to suppliers, but downstream partners refer to customers (wholesalers, distributors, and retailers). The strategic supplier alliances include links upstream (supplier-manufacturer or manufacturers-suppliers-logistics providers) and downstream (manufacturers-customer or manufactures-customers-logistics providers) strategic supplier alliances (Sherer, 2005; Barutçu, 2007b).

Because managing a complex natural stone supply chain requires coordination all many activities performed by many suppliers, the forming strategic supplier alliances is very important strategy in the natural stone industry as much as many industries.

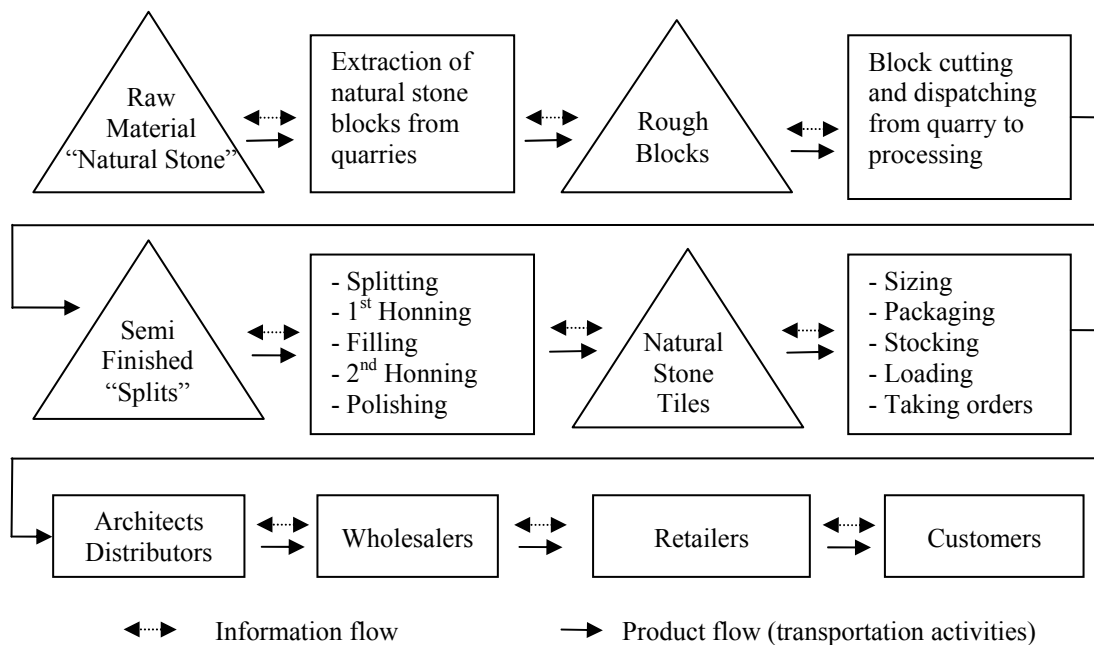
NATURAL STONE INDUSTRY AND NATURAL STONE SUPPLY CHAIN

In the global natural stone industry, international competition is observed among limited countries like Italy, Spain, Portugal, Greece, Turkey, Iran, India, Brazil, Mexico, Peru, Egypt and China which have had important progress in recent years. Today, twelve countries account for 73% of the world natural stone production. Turkey's natural stones production have grown tremendously in the last few years, and Turkey is in 7th place among natural stone producers, and 12th among exporting countries. Thus, Turkey, with an important place in terms of the world's travertine reserves, has a very high market opportunity with its variety of natural stones having about 400 different colors and texture qualities (Çalapkulu, 2003; Nasuf,

2003). Turkish natural stones present much variety of colors, and are well adapted interior and exterior decoration purposes in buildings. Especially, Denizli Travertine is very special natural stone mined in limited countries in the world. Although Turkey is rich in terms of the marble and travertine reserves, it is not up to the sufficient production level with respect to reserves. Turkey has almost 40% of the total marble and travertine reserves or block production capacity. However, only 1% of these reserves are currently being utilized and the marble and travertine production of Turkey have shown a gradual increase in production and export in the world starting from 1980s (Çetin, 2003). In other words, Turkey provides approximately 3% of the world natural stone production and exports just a little more than 2% of total exports by weight (Çalapkulu, 2003).

The natural stone companies are inextricably connected together all through the entire sequence of events that extract of blocks from quarries through to the ultimate customer as processed natural stones. The generic supply chain of natural stone industry and the various stages are illustrated in Figure 1.

Figure 1. Natural Stone Supply Chain



The natural stones go through several stages prior to final customers. There are many processes, suppliers and customers in the natural stone supply chain. Extraction of natural stone blocks from quarries, transportation to processing plants and block cutting are the main three stages. After cutting rough blocks, the processes of splitting, first honning, filling, second honning, polishing, sizing, packaging, stocking and loading activities are implemented. Moreover, architects are added in natural stone supply chain because of their influences to in the special construction projects. The most important stage is to take orders and distribute the processed natural stones to final customers. Therefore, collaboration among supply chain members is necessary to improve their competitiveness in this natural stone supply chain. If they establish strategic supplier alliances in their supply chain, they will have very important competitive advantage in the highly competitive natural stone industry.

THE RESEARCH FOR EXPOSING MANAGERS' ATTITUDES TOWARDS STRATEGIC SUPPLIER ALLIANCES

The strategic supplier alliances in the natural stone supply chain and industry are formal alliances of quarry owners, manufactures, distributors, architects and retailers. Despite the importance of strategic supplier alliances in many industries, there are limited studies for natural stone industry. Thus, the purpose of this empirical study is to determine the probability, conditions, criterias and barriers of forming strategic supplier alliances in natural stone industry.

Research Methodology

The data was collected from the managers of natural stone companies in several cities in Turkey and especially in Denizli, which is the one of the most important region for the quarrying natural stones such as travertina and marbels. There are 15 questions on three sections designed for the questionnaire. The four of them are the characteristics of respondents and companies. The two of them are about the future of natural stone industry in Turkey and in the world. The one of them are whether respondents wanted to form strategic supplier alliances or not. The one of them is what kinds of strategic supplier alliances are preferred. The rest of them are open-ended questions related to strategic supplier alliances in natural stone industry. Some of the open-ended questions are (1) what do they think about the future of natural stone industry in Turkey and in the world? (2) What do they think about strategic supplier alliances in natural stone industry? (3) Have you ever wanted to establish strategic supplier alliances with the members of natural stone supply chain? (4) What are the main characteristics of the companies that you want to form Strategic supplier alliances? (5) Do you want to for Strategic supplier alliances with Italy, Spain and China or other countries? etc.

Both face-to-face and online survey methodologies are used to collect primary data. The face to face surveys and many informal negotiations were conducted with the managers of natural stone companies from 8th - 12th April 2008 in Denizli-Turkey. In the online survey, the questionnaires were sent to several companies' e-mail addresses obtained from the list of marble exporter companies (General Secretariat of Istanbul Mineral and Metals Exporters' Association, 2008) and marbltrade@yahoo.com. In the sampling stage, the respondents are chosen with judgment sampling method. The data collection was completed in 15th April, 2008, and 32 completed questionnaires were returned. In data analysis stage, the frequencies of six questions used nominal scale are given, and the answers of nine open-ended questions coded and categorized for analysis purposes.

Research Findings

As seen in Table 1, in terms of the respondents' positions, among the 32 respondents, 50% were general managers, and 28,13% were owners of natural stone companies. In terms of the year of the company foundation, 15 of them were found between 1996 and 2000, 8 of them were found between 1991 and 1995, and 5 of them were found before 1990. In terms of company sizes, there are 21 natural stone companies employed less than 100 workers, 7 companies employed between 101 and 200 workers. Among the 32 companies, 13 of them have between 4-6 quarries, and 4 of them have more than 10 quarriers. To sum up, most of the respondents are general managers of companies, most of the natural stone companies have been found since 2000, employed less than 100 workers, and have less than 6 quarriers. Therefore, the surveyed companies are mainly composed of small and medium sized companies (Table 1).

Table 1: The Characteristics of Respondents and Natural Stone Companies

<i>Variable</i>	<i>Frequency</i>	<i>%</i>	<i>Variable</i>	<i>Frequency</i>	<i>%</i>
<i>Respondent's Positions</i>			<i>The number of workers</i>		
Owners	9	28,13	Up to 100	21	65,63
General Manager	16	50,00	101-200	7	21,88
Marketing Manager	5	15,63	201-300	2	6,25
Others	2	6,25	301-400	2	6,25
<i>The year of foundation</i>			More than 401	-	-
Before 1990	5	15,63	<i>The number of quarriers</i>		
1991-1995	8	25,00	1-3	8	25,00
1996-2000	15	46,88	4-6	13	40,63
2001-2005	4	12,50	7-9	7	21,88
After 2006	-	-	More than 10	4	12,50

According to the categorized answers of open-ended questions, some of the important points were given as following;

- The twenty-five respondents think that there is tremendous market potential in developed countries in spite of the economic impact of the mortgage crisis in developed countries like USA and England, and expect that the production growth rate will be more than consumption growth rate of the natural stones. They are just worried about the advantages of Chinese low cost production. Thus, most of the respondents see increased competition as a threat to decrease their profit margin and increase customers' expectations. At the same

time, the twenty respondents anticipate extreme reductions in their profit margins due to decreasing natural stone prices down. Despite increased competition and decreased their profit margin, the manager and owner of companies are hopeful the future of the natural stone industry.

- The most of the respondents remain weak to the competition in global natural stone markets and want to increase their competitive advantages by decreasing their costs and getting incentives from the Turkish Government. Therefore, they expect that the Turkish government will increase financial and tax incentives, and solve their problems about transportations and logistics.
- The most of the respondents are increasingly aware that they need to work together with their suppliers and customers so as to best serve their customers. They have positive attitudes towards strategic supplier alliances, and hope to strengthen their competitive positions in the natural stone markets through the strategic supplier alliances. Consequently, they are ready for strategic supplier alliances in their natural stone supply chain.
- Twelve respondents are eager to establishing marketing-based strategic supplier alliances with distributors, wholesalers and retailers. The seven respondents are interested in forming strategic supplier alliances with companies supplied machines, diamonds and equipments for natural stone production. The three companies formed Strategic supplier alliances with their distributors and retailers. In other word, there are nineteen respondents who are eager to establishing strategic supplier alliances.
- Most respondents featured the partner selection in the supply chain. They take into consideration financial power, recognized brands, quality, the number of customers and selling points for partner selection.
- In order to work together successfully in strategic supplier alliances, some respondents think that there should be the supports of owners and managers, open communication, trust, commitment, collaboration, cooperation, disposed of information sharing, joint problem solving, the same long-term strategic goals and strategic fit among partners. These characteristics are necessary to not only form strategic supplier alliances but also increase the success of strategic supplier alliances.
- In terms of alliances' forms, most respondents prefer informal structures. For example, twelve natural stone companies established alliances as increased relationship with partners, the seven companies formed as handshake agreements, and the two natural stone companies make formal agreements with logistics service providers for one year. The three companies that produce decorative dimensional stones formed Strategic supplier alliances with quarries. Therefore, there are twenty-four companies formed strategic supplier alliances. On the other hand, the alliances' forms of merger and create new partnerships are not preferred.
- A variety of reasons have been mentioned why they want to form Strategic supplier alliances. According to the survey results, the most cited reasons are to market and export their natural stones more easily, share the potential risk in new markets, work more reliable in highly competitive natural stone industry and enlarge their production capacities. The four respondents are interested to access new markets and form strategic supplier alliances with domestics and international companies keen on expanding the markets.
- The eleven respondents want to establish with Italian companies, eight respondents want to establish with Spanish companies, and just three respondents want to form with Chinese companies as production-based strategic supplier alliances. Therefore, the respondents are more enthusiastic to establish production-based strategic supplier alliances with Italian and Spanish companies than Chinese ones.
- According to informal negotiations with respondents, the some important points are come out as following. (1) The three respondents signify that some of their distributors and retailers do not form long-term strategic supplier alliances because they prefer to import natural stones from different countries or companies so as to decrease risk and get more discounts. (2) The one respondent indicates that a natural stone manufacturer should be a member of the natural stone supply chain in order to decrease the competition level. (3) Just two companies are submitted strategic supplier alliances proposals from their customers. (4) Two respondents indicate that the companies in natural stone industry should establish cost accounting systems for offering a price. (5) The five respondents indicate that the raw or unprocessed natural stone can not be exported and shipped to some countries like China and Italy because the unprocessed and rough natural stones exports are decreasing the international competitiveness of the Turkish natural stone industry. (6) Two respondents claimed that many natural stone companies do not have effective cost management and accounting systems. The lack of cost accounting systems make them offering lower price and decreasing their profits.

As a result, most of the respondents want to establish production-based strategic supplier alliances with Italian and Spanish companies, and marketing-based strategic supplier alliances with many companies from all around the world. The respondents have some criterias for partner selections. The respondents who want to establish strategic supplier alliances need professional supports for formal agreements.

CONCLUSION AND RECOMMENDATIONS

Turkey has great reserves of various types of natural stones including marble, travertine and granite etc. Thus, the Turkish natural stone industry presents great opportunities for many companies. Many natural stone companies are searching ways to improve their competitiveness. For example, in order to increase their sales and profits, Turkish natural stone companies should prepare the effective marketing programs, use differentiation strategy instead of cost leadership, establish natural stone promotion group and apply relationship marketing, internet-based marketing and pull and push promotion strategies (Barutçu, 2007a). Moreover, one of the ways is to establish strategic supplier alliances. Undoubtedly, the strategic supplier alliances are not the best solution in many situations. However, the establishing global strategic supplier alliance is a critical strategy to stay competitive for today's business in natural stone industry.

Some recommendations can be addressed what and how the owners and managers of natural stone companies ought to do in natural stone industry. Firstly, the managers or owners of natural stone companies should be encouraged to come to strategic supplier alliances and enter into strategic supplier alliances within their supply chain members. Secondly, they need to help in forming alliances process to save both partners time and efforts. Thirdly, they should establish strategic supplier alliances, as a group or companies in a natural supply chain, produce and supply high quality natural stones. Fourthly, they should promote themselves across the world to increase interest and awareness of the retailers and final consumers. Finally, they should develop marketing program to increase the architect's understanding and appreciation for natural stones and form strategic supplier alliances.

To sum up, effective strategic supplier alliance is one of the essential strategies for success in the highly competitive natural stone industry, and the natural stone companies should seek for establishing the strategic supplier alliances. According to survey results, the owners and managers of Turkish natural stone companies are eager to establish strategic supplier alliances with Italian, Spain and Chinese companies in natural stone supply chain. In further analysis, the new surveys should be conducted on the owners and managers of international natural companies in order to determine their attitudes and expectations from strategic supplier alliances. According to survey results, the special programs should be prepared and applied to increase strategic supplier alliances in the natural stone supply chain.

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A REVIEW OF THE TERM “TRUST” IN THE BUYER-SELLER RELATIONSHIPS

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ABSTRACT

This study aims to introduce a review of the history of “trust in the buyer-seller relationships” as a relational behavior norm in marketing and also management literature. The term, trust, became more popular in the 90s in the marketing literature. In the 90s and 2000s the trust level was measured between firms in the ongoing business relationships, so this term was defined as a two-sided benevolence, that helps managing the relations. There are several definitions in literature on trust.

Morgan and Hunt (1994) defined trust as a parties’ confidence in an exchange partner’s reliability and integrity; Ganesan (1994) added also benevolence and credibility to the definition of trust as components, focus on the motives and intentions of the exchange partner. According to Moorman et al. (1992) trust is the willingness to rely on an exchange partner in whom one has confidence. All dimensions suggest that trust is a positive behavior, prepare a continuing and long-term buyer-seller relationship.

This review aims to sum up these kind of definitions and studies to see the overall findings about trust with a literature summary table. The table includes shortly the definitions, the authors, the study dates and the findings about the term trust.

The study’s limitation is that the only behavior (norm) of the channel (buyer-seller) relationships was chosen, while there are other norms that effect the business relationships such as satisfaction, conflict, information exchange, flexibility, etc. Another limitation is that we limited defining trust in only buyer-seller relationships literature in 90s and 2000s, beside there are many definitions about trust in management literature.

Many of the questions to measure the level of trust were also developed and examined by the researchers, who dealt with the channel behaviors. The paper involves the most widely-accepted scale questions lists in addition to the literature summary table, as well.

Keywords: Trust, Business Relationships, Literature, Buyer-Seller.

INTRODUCTION

There are several definitions about the term trust in the marketing and also management literature. The studies are mostly related between “buyers and sellers” (e.g. Doney and Canon, 1997; Ganesan, 1994; Andersen and Kumar, 2006); also given as “relationship marketing” (e.g. Morgan and Hunt, 1994) or specifically in the business area as “supplier-retailer relationships” (Lusch et al., 2003) or “manufacturer-distributor relationships” (Anderson and Narus, 1990), etc.

Trust at relationships defined also in other disciplines, such as social psychology and economics, to understand the behavioral aspect of inter-organizational (Moorman et al., 1992, p.318) or interpersonal (Doney and Cannon, 1997; Andersen and Kumar, 2006) processes. It is highlighted also the importance of interpersonal trust in the studies about the business relationships (Andersen and Kumar, 2006). Anderson and Narus (1990) explained the difference between interpersonal and inter-organizational relationships: “In interpersonal relations, participants expose themselves and their own resources to potential loss whereas in inter-organizational relations, it is the firm that potentially will incur the loss.”

In the subsequent sections, we first introduce the definition of trust, referred to the literature history. In the second section we present the role of trust in relationships between buyers and sellers and discuss whether it is a positive behavior, or not. Then, in the third section we report the scales designed by the authors who has the most cited studies to measure the trust levels. In the next section we give a summary table about the term trust. In conclusion we sum up the term trust and its usage.

Defining Trust

In an organizational relationship model, trust is an independent variable, which occurs to one as a norm of the relationship, as well as commitment, satisfaction, long-term cooperation (Sahay, 2003), etc. The term “trust” is generally defined as “a willingness to rely on an exchange partner in whom one has confidence” (Moorman, et al. 1992). They explained their point of view from two components: belief and behavioral intention, which must be presented for trust to exist. According to Moorman et al. (1992), trust is the central determinant of relationships.

Morgan and Hunt (1994) defined trust as a parties’ confidence in an exchange partner’s reliability and integrity. In both definitions; the parties’ confidence is highlighted. Confidence is a result of positive beliefs in business relationships. Ganesan (1994) gives three trust affects for vendor’s side and second of them was; “it (trust) increases the confidence of the retailer that short-term inequities will be resolved over a long period.” Ganesan (1994) added also benevolence and credibility to the definition of trust as components, focus on the motives and intentions of the exchange partner.

According to Kumar et al. (1995) trust exists when a firm believes its partner is honest and benevolent. Anderson and Narus (1990) described trust as the firm’s belief that another company will perform actions that will result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm. So many dimensions of trust suggest the positive expectations or outcomes in the relationships. For example, Geyskens et al. (1996) introduced that high-trust parties maintained positive feelings toward their partners by discounting negative elements in ways that confirmed their positive trusting attitudes.

Doney and Cannon (1997) defined trust as the perceived credibility and benevolence of a target of trust, this definition was based on Ganesan’s study (1994). Sahay (2003) stated that trust is an expectancy of positive (or non negative) outcomes that one can receive based on the expected actions of another party in an interaction characterized by uncertainty.

Schurr and Ozanne (1985) described that trust is the belief that a party’s word or promise is reliable and that a party will fulfill his/her obligations in an exchange relationship.

The Role of Trust in Relationship

Trust is a critical driver of risk-taking in exchange relationships (Yilmaz et al. 2005), because in exchange relationships both trustor and trustee (Sahay, 2003) will be sure that the exchange partner is trustworthy. As an example; if an organization suddenly gets a rush order from a major customer that requires material currently not in stock, there is a need for this supplier to procure such material in less conducive conditions, and maybe schedule workers an extra shift in order to meet the delivery on time (Sahay, 2006). This situation is not a every-day work, but it is an exceptional case. In the long-term and ongoing relationships it is an expected outcomes from a partner on whose integrity one can rely confidently (Morgan and Hunt, 1994).

Trust reflects a firm’s confidence, positive expectations and attributions that its partner is honest and responsive to the firm’s needs. (Geyskens et al., 1996)

Moorman et al. (1992) characterized the role of trust in the relationships in two ways: trust was conceptualized 1) as a feature or an aspect of relationship quality, (e.g. along with the other variables such as satisfaction, opportunism); 2) as a determinant of relationship (e.g. determinant of communications between parties).

Morgan and Hunt (1994) theorized that trust is central to all relational exchanges based on previous studies. They suggest that both commitment and trust are “key”, because commitment and trust lead directly to cooperative behaviors that are conducive to relationship marketing success.

It might be impossible to cover all contingencies in a formal contract for sustained cooperation, but if the partners have trust it may be unnecessary to cover all contingencies (Dwyer et al. 1987).

Measuring Trust

Moorman et al. (1992, p.315) argue the level of trust; they stated:

“if one believes that a partner is trustworthy without being willing to rely on that partner, trust is limited. However, if one is willing to rely on a partner without holding a belief about that partner’s trustworthiness, reliance may be more a function of power and control than trust.”

So how can we measure the trust level? In the marketing literature there are several measurement scales, but the authors generally focus the prior studies about the scale. To measure the trust level, the questions can implement to both buyers and sellers, also there are two-sided scale questions. The reliability of measurement of trust is generally high, between .80 and .95 (α).

In the literature the most cited studies are Morgan and Hunt (1994), Anderson and Narus (1990), Doney and Cannon (1997), Moorman et al. (1992), Kumar et al. (1995) and Ganesan (1994)’s studies. Morgan and Hunt measured trust on retailers and their suppliers using 7 items with a reliability of .947 (α). They identified trust and commitment as key mediating variables in the relationships. They stated: “If cooperative relationships are required for relationship marketing success, our results suggest that commitment and trust are, indeed, key.” (Morgan and Hunt, 1994).

Anderson and Narus posited trust and cooperation in the relationships with their antecedent constructs and consequent constructs. They measured trust with two-sided questions, from distributor firm perspective and from manufacturer firm perspective.

Another measurement scale is in the Doney and Cannon’s study (1997). They measured trust level of supplier firm (8 items) and trust level of its salesperson (7 items) separately. The measure of the factors exhibits high reliability for supplier firm (α :.94) and for salesperson (α :.90). They analyzed also two dimensions of trust; credibility and benevolence. Their results confirmed that buying firms develop trust in both the supplier firm and the supplier’s salesperson.

In the buyer-seller relationships, a partnership with high trust will enjoy open communication and willingness to take risks. (Kwon and Suh, 2004). Therefore it brings long-term relations with exchange partner. When trust is low, firms are more likely to carefully scrutinize and monitor the other partner’s behavior to guard against the partner’s opportunism. (Geyskens et al., 1996). The opportunistic behaviors in the business relationships utilize only short-term benefits.

Table.1 Literature Summary of Studies on Trust

<i>Author</i>	<i>Relevant Variables</i>	<i>Scale</i>	<i>Relationship</i>
Schurr and Ozanne (1985)	Experimental checks, Message-sending behavior, Concession-making behavior, Outcomes of bargaining.	Trust (7 Items, α :.90)	Buyer-Seller
Dwyer et al. (1987)	1) Awareness, Exploration, Expansion, Commitment, Dissolution . 2) Trust, Commitment, Disengagement.	NA	Buyer-Seller
Anderson and Weitz (1989) members	Continuation (expectation), Trust, Communication, Imbalance (of power), Reputation (negative), Age, Congruence (of goals), Support, Competence, Similarity (cultural), Stakes.	Trust (2 Items, α :.84)	Manufacturers conventional channel

<i>Author</i>	<i>Relevant Variables</i> <i>Relationship</i>	<i>Scale</i>	
Anderson and Firm-Narus (1990) Firm	Influence by/over partner firm, Relative dependence, Communication, Conflict, Trust, Cooperation, Outcomes given comparison level, Satisfaction.	NA	Manufacturer Distributor
Moorman et al. organizational (1992)	User trust, Perceived quality, Researcher involvement, Commitment, Research utilization .	Trust (5 Items, α :.84)	Inter-
Ganesan (1994) Vendors	Long-Term Orientation, Dependence, Environmental Diversity, Trust (Credibility / Benevolence), TSIs, Reputation, Satisfaction, Experience.	Trust – Credibility (7+4 Items) (α : .90, vendor side, .80, retailer side) Trust – Benevolence (5+3 Items) (α : .88, vendor side, .76, retailer side)	Retailers-
Morgan and Hunt (1994) suppliers	Relationship benefits, Relationship termination costs, Shared values, Communication, Opportunistic behavior, Relationship commitment, Trust, Acquiescence, Propensity to leave, Cooperation, Functional Conflict, Uncertainty.	Trust (7 Items) (α : .947)	Tire retailers-
Kumar et al. dealers (1995)	Dependence, Conflict, Trust, Commitment.	Trust – Honesty (5 Items) Trust – Benevolence (5 Items) (α : .91)	Automobile /Suppliers
Geyskens et al. dealers (1996)	Commitment (Affective/Calculative), Trust, Dependence, Replaceability	Trust – Honesty (5 Items) (α : .81, in Netherlands) (α : .85, in USA) Trust – Benevolence (5 Items) (α : .90, in Netherlands) (α : .93, in USA)	Automobile /Suppliers
Andaleeb (1996)	Trust, Dependence, Satisfaction, Commitment.	Trust (2 new items + 4 items from prior studies, e.g. Schurr and Ozanne, 1985.)	Buyer-Seller
Doney and Cannon (1997)	1) For Supplier Firm Trust: Reputation, Size, Willingness, Information sharing, Length of relationship, Trust, Purchase choice, Future interaction, Delivery performance, Relative price/cost, Product/Service Performance, Purchase experience with supplier. 2) For Salesperson Trust: Expertise, Power, Likability, Similarity, Frequent Contact, Extent of social interaction, Length of relationship, Trust.	Trust – Supplier (8 Items) (α : .94, for supplier) Trust – Salesperson (7 Items) (α : .90, for salesperson)	Buyer-Seller
Selnes (1998)	Competence, Communication, Commitment, Conflict, Trust, Satisfaction, Enhancement, Continuity.	Trust (1 Item) / not sig.	Buyer-Seller
Hagen and Supplier Choe (1998)	Trust	NA	Buyer-

Hewett and Bearden (2001)	Vertical Dependence, Trust, Individualism/Collectivism, Acquiescence, Cooperation, Performance, Market program orientation.	Trust (6 Items, adopted from Doney and Cannon, 1997, α : .84)	Marketing Operations
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<i>Author</i>	<i>Relevant Variables Relationship</i>	<i>Scale</i>	
Lusch et al. Suppliers (2003)	Pre-Trust, Post-Trust, Support, Commitment.	Pre-Trust (7 Items, α : .93) Post-Trust (7 Items, α : .94)	Retailers-
Eyuboglu et al. (2003)	Dependence (current/future), Opportunism, Trust.	Trust (6 Items, α : .86) (adopted from Doney and Cannon, 1997; Kumar et al. 1995; Morgan and Hunt, 1994) – 6 Items address credibility, honesty and benevolence.	Wholesaler / Supplier
Sahay (2003) Supplier	Trust	NA	Customer-
Bigne and Blesa (2003)	Inter-functional coordination, Intelligence generation, Dissemination of information, Design of response, Implementation of response, Trust, Satisfaction.	Trust (3 Items, α : .692) (adopted from Ganesan, 1994 and from Morgan and Hunt, 1994)	Manufacturer / Retailer
Kwon and Suh (2004)	Trust, Commitment, Asset Specificity, Behavioral uncertainty, Information sharing, Perceived satisfaction, Partner's reputation, Perceived conflict.	Trust (10 Items, α : .94) (adopted from Kumar et al., 1995)	Supply Chain Partners
Yilmaz et al. dealers (2005)	Dealer relational behaviors, Trust, Dealer dependence, Supplier dependence, Dealer relation, Supplier relation, Supplier role performance.	Trust (8 Items, from Morgan and Hunt, 1994, α : .95)	Automobile /Suppliers
Andersen and Kumar (2006)	Emotions, Trust, Behavioral outcomes, Relationship development.	NA	Buyer - Seller
Emberson and Storey (2006)	Collaboration, Commitment, Trust.	NA	Buyer-Supplier
Sheu, Yen and Retailer Chae (2006)	Supply chain interdependence, Duration and supply chain employee stability, Trust, Long-term orientation, Communication and information sharing, Inventory Systems, Information technology capabilities, Supply chain coordination structure, Supplier-retailer Collaboration, Supplier-retailer performance.	NA	Supplier-
Claro, et al. (2006)	Trust, Information Network, Transaction specific investments, Collaborative joint efforts.	Trust (6 Items, α : .78)	Wholesalers - Distributors
Chung et al. (2006)	Long-term orientation, Trust, Dependence, Functionality of conflict, Satisfaction.	Trust (3 Items, adopted from Doney and Cannon, α : .66)	Retailer – Buyer Supplier
Chu and Fang (2006)	Trust, Commitment, Perceived Satisfaction, Partner's Reputation, Perceived Conflict, Communication.	Trust (10 Items, α : .8568) (adopted from Kumar et al. 1995)	Manufacturer / Supplier
Ryu, Park and	Satisfaction, Relational norms, Trust, Power, Long-term	Trust- Credibility (3 Items,	Manufacturer /

Min (2007)	orientation, Environmental uncertainty.	α : .91) Trust – Honesty (3 Items, α : .90) (adopted from Eyuboglu et al, 2003.)	Supplier
Sezen and dealers Yilmaz (2007)	Dealer dependence, perceived supplier dependence, Trust in supplier, Dealer flexibility, Dealer information exchange, Dealer solidarity, Dealer relationship specific investments, Perceived supplier relationship specific investments.	Trust (8 Items, adopted from Morgan and Hunt, 1994, α : .95)	Automobile / Suppliers
<i>Author</i>	<i>Relevant Variables</i>	<i>Scale</i>	
	<i>Relationship</i>		
Black (2008)	Trust (Dispositional, Credibility, Benevolent), Commitment (Calculative, Attitudinal).	Trust (Dispositional, α : .63, Credibility, α : .90, Benevolent, α : .90)	Buyer-Supplier

Conclusion

Today, manufacturers (sellers) and retailers (buyers) are recognizing the importance of working together to provide the maximum value at the lowest cost. Creating trust between cooperative channel partners can reduce transaction costs and also help to develop more creative ways jointly serving the end customer. (Anonymous, 1998)

Trust is a prerequisite for the development of commitment between two channel partners (Black, 2008). Both buyer and seller firms must make significant investments to develop and maintain the partner's trust. The partners can take action before they make mistakes and may collaborate. Also in the buyer-seller relationships, "the parties can discuss problems openly because they do not fear malevolent actions by their parties" (Morgan and Hunt, 1994).

The measurement of trust level can guide the channel managers to imagine the relationships' future and evaluate their suppliers (also their buyers), as well. This study aims to sum up the antecedent studies in the literature to present the researchers and managers to find what kind of relations have been examined over the years.

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IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT AND INFORMATION SYSTEMS STRATEGIES IN SMEs: EVIDENCE FROM TURKEY AND BULGARIA

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ABSTRACT

Relying on the perceptions of executives, this paper empirically tests a framework identifying the impact of supply chain management (SCM) and information systems (IS) strategies along with SCM-IS related enablers and inhibitors on operational performance of SMEs in Turkey and Bulgaria. Based on exploratory factor analyses, an attempt is made to identify empirically validated parsimonious set of variables to determine the underlying dimensions of SCM strategies, IS strategies, SCM-IS related enablers and inhibitors. Finally, the results of regression analyses reveal that there are some differences between Turkish and Bulgarian SMEs regarding the impact of SCM and IS implementation, and also regarding the impact of SCM and IS related inhibitors on operational performance of SMEs. No significant difference, however, is noted between Turkish and Bulgarian SMEs with regard to the impact of SCM and IS related enabling factors on operational performance of SMEs.

INTRODUCTION

Differences in terms of input prices, market conditions, logistics infrastructures, legal and political contexts of emerging country markets provide new opportunities for global businesses. Investigation of the impact of SCM and IS strategies of emerging country SMEs along with the impact of enabling and inhibiting factors on their operational performance is particularly useful to better understand the effective use of SCM and IS strategies. In their recent study, Chow et al. (2008) argue that SCM and IS strategies are structurally or contextually dependent, as there may be different perceptions from country to country concerning the implementation of SCM and IS strategies. Each country's context may have its own idiosyncrasies and should be carefully assessed to better implement SCM and IS strategies To this end, Turkey and Bulgaria have been chosen as the appropriate survey settings. These neighboring countries constitute two of the most important South East European countries, exhibiting both similarities and dissimilarities in terms of cultural and business contexts. Bulgaria had been under the reign of Ottoman Empire for nearly four centuries and thus shares common historical and cultural ties with Turkey. Until 1989, the Bulgarian economy was a centrally planned economy under the influence of communist regime. Since then, tremendous efforts have been exerted to transform the country's formerly planned economic structure to a market-oriented economic and business structure. These attempts have produced its results and paved the way for European Union (EU) membership. While still continuing negotiations with EU membership, Turkey has had a relatively much longer tradition and experience with market economy as compared to Bulgaria. Recently, several Turkish companies have already moved or been in the process of moving to the close-by South East European countries including Bulgaria, Romania and Macedonia to enhance their competitive edge under the assumption that they can obtain better input prices and gain presence in relatively untapped markets. Both Turkey and Bulgaria represent two crucially important strategic locations for establishing manufacturing bases with possible market expansion into the neighboring countries of Central and Eastern Europe (CEE), the Former Soviet Union (FSU) countries and the Middle East (Bloomen and Petrov, 1994; Ulengin and Uray, 1999). Proper implementation of the SCM and IS strategies and improvements in logistics operations have long become the central issues especially for SMEs to enhance their competitive advantage in those newly emerging markets and also enable the internationalization of SMEs from both Turkey and Bulgaria.

Relying on perceptual data obtained from the executives of SMEs from Turkey and Bulgaria, this study provided a timely account of examining the effects of SCM and IS strategies along with SCM-IS related enablers and inhibitors on operational performance of Turkish and Bulgarian SMEs. There is also scant literature concerning SCM and IS strategies in the region. With the exception of a recent work by Ketikidis et al. (2008), the majority of the existing research in South East Europe is single country-focused (Kotsifaki et al., 2007; Bloomen and Petrov, 1994; Ulenin and Uray, 1999). This study, however, provides both academics and practitioners with an understanding of the current state of SCM and IS strategies in SMEs along with their impact on their operational performance, and serves two main objectives. First, this study aims to identify the underlying dimensions of SCM strategies, IS strategies, SCM and IS related enabling and inhibiting factors. Second, an empirical testing of a research framework based on regression analysis is undertaken to identify the relationships among SCM and IS strategies, SCM and IS related inhibitors and operational performance of SMEs in Turkey and Bulgaria from a comparative perspective.

LITERATURE REVIEW

A research framework is proposed to explore to what extent the implementation of SCM and IS strategies in SMEs will influence their operational performance in both country contexts. In doing this, the framework also considers the impact of both SCM-IS related enablers and inhibitors on the operational performance of SMEs. A detailed description of both the SCM and IS strategies constructs along with SCM-IS related enablers and inhibitors constructs is provided in the following subsections.

Supply Chain Management Strategies

SCM includes a set of approaches and strategies to effectively integrate suppliers, manufacturers, distributors and customers in order to improve the long-term performance of the individual firms and the chain all together in a cohesive and high-performing business model (Chopra and Meindl, 2001). While SCM targets inefficiencies caused by the uncertainties along the chain, it involves effective anticipation of customer demand, optimal positioning of resources commensurate with this demand and its efficient fulfillment through better management of materials, information and cash flows (Bayraktar et al., 2007).

The literature is replete on the dimensions of SCM strategies from variety of perspectives, but there is a lack of compromise concerning a common set of constructs (Burgess et al., 2006). In order to assess the SCM strategies of Turkish manufacturing industries, Ulusoy (2003) uses a set of 14 strategies summarized under four dimensions: Logistics, supplier relations, customer relations, and production. Li et al. (2005) develop a measurement instrument for SCM strategies. Their instrument has six empirically validated and reliable dimensions which include strategic supplier partnership, customer relationship, information sharing, information quality, internal lean strategies and postponement. Burgess et al. (2006) consolidate the constructs proposed by the authors such as Chen and Paulraj (2004) and Min and Mentzer (2004) suggest the following dimensions to classify the existing studies: Leadership, intra/inter-organizational relationships, logistics, process improvement orientation, information systems, and business results and outcomes. In order to audit the European value streams, Geary et al. (2006) utilize the following areas for the identification of "best strategies": Simplified material flow, supply chain relationship, information system, and schedule stability. For measuring supply chain delivery performance, Zhou and Benton Jr. (2007) consider only three factors: Supply chain planning, JIT production, and delivery practice. In the search of underlying dimensions of SCM strategies contributing to performance of Turkish manufacturing SMEs, Koh et al. (2007) have grouped 12 individual SCM strategies under two empirically tested and validated factors: Strategic collaboration and lean strategies, and outsourcing and multi-suppliers.

Relying on the extant literature, this study identifies a set of SCM strategies, contributing to operational performance of SMEs. Among these SCM strategies, *close partnership with suppliers* and *customers* requires long term relationship establishment with suppliers and buyers for the sake of better cooperation, coordination and collaboration among each other. Partnership with suppliers includes unification of work-flows, information sharing, joint planning and other mechanisms that facilitate the just in time (JIT) system, and could lead to lead-time reduction in production. Customer relationship covers the strategies such as complaint handling and customer satisfaction, will result in better demand forecasting, and hence improve resource planning and operational efficiency.

JIT supply requires the suppliers to produce and deliver to the manufacturer the right quantity at the right time with the objective of continuous and consistent conformance to performance specifications (Canel et al., 2000; Mistry, 2005; Kros et al., 2006). With such SCM practice, it is envisaged that lead-time in production, inventory level and holding cost could be reduced. *Electronic procurement* (e-procurement) as a virtual

purchasing application also enhances visibility of data by leveraging supplier negotiations. It helps a company to reduce its purchasing cost (Rahman, 2004). Firms increasingly *outsource* some non-core activities to gain competitive advantage, while freeing their resources to focus on a limited number of selected activities (Sink and Langley, 1997). Many firms also find quite popular the option of logistics outsourcing in order to streamline their value chains (Franceschini et al., 2003; Lambert et al., 1999). A *Third-Party Logistics* (3PL) is a type of services of multiple distribution activities provided by an external party (assuming no ownership of inventory) to accomplish related functions that are not desired to be rendered and/or managed by the purchasing enterprise (Sink et al., 1996). Coyle et al. (1996) state several key benefits of logistics outsourcing, including operating cost reduction, service level improvement, core competence prioritization, and capital cost reduction.

Conventionally, *strategic planning* focuses on various functional areas such as manufacturing, finance and marketing. Firms deploy strategies in each of these areas to produce and sell high-quality products at a low cost through the use of efficient distribution networks (Tan, 2001; Lin and Tseng, 2006), improved quality and reduced total cycle time, better post-sale service and higher responsiveness to customer needs (Carter et al., 1997). On the other hand, *benchmarking of supply chain* performance enables the comparison between peer's and competitor's supply chains. This stimulates continuous improvement and hence allows key performance indicators such as delivery speed and service quality to be re-positioned and re-valued over time subject to market forces and dynamics.

Traditionally, vendors are selected from among *many suppliers* based on their ability to meet the quality requirements, delivery schedule and the price offered. In this approach, suppliers aggressively compete with each other. The relationship between buyer and seller is usually adversarial. The main purchasing objective in this approach is to obtain the lowest possible price by creating strong competition between suppliers. In contemporary business, many firms however prefer a strategy of using *few suppliers* (Chandra and Kumar, 2000; Chen and Paulraj, 2004). This strategy implies that a buyer wants to secure a long-term relationship and the cooperation of a few dedicated suppliers, in return, with expectation of lower transaction and production costs in the long run. In addition, *holding safety stock* has been widely accepted SCM practice to cope with uncertainties in a supply chain (Koh and Tan, 2006). It should however be noted that most SMEs may not have the required capacity and resources to maintain safety stock.

The literature above clearly demonstrates that these SCM strategies will lead to higher levels of operational performance, and this argument can be generalized to all manufacturing enterprises regardless of firm size and country of origin. There is, however, no specific indication on which particular SCM strategies will enhance SMEs' operational performance.

Information Systems Strategies

Managing a manufacturing operation includes wide range of activities ranging from material sourcing to production scheduling, logistics and distribution network optimization. The necessary information flows within and between departments and enterprises to enable such an operation cannot be possible without a support of relevant information systems. Therefore, capability of managing information is critical to develop a competitive advantage. Information technology is one the major driving factor influencing the performance of the supply chain (Lin and Tseng, 2006). Most manufacturing firms implement various IS strategies to improve their operational performance, which include Material Requirements Planning (MRP), Manufacturing Resource Planning (MRPII) (Stevenson et al., 2005), Enterprise Resource Planning (ERP), Supplier Relationships Management (SRM) and Customer Relationships Management (CRM) (Tang et al., 2005). This study identifies a number of IS strategies with each having its own specific purposes and benefits.

MRP and *MRPII* are production planning and control systems used to coordinate order fulfillment by synchronizing material and resources availability according to customer demand. *ERP* is a software application program that attempts to integrate enterprise-wide business operations. ERP technologies have been designed to address the fragmentation of information across an enterprise's business, to integrate with intra- and inter-enterprise information (Sharif et al., 2005), and to provide an integrated platform for an enterprise-wide information system which is an extensive upgrade from its ancestors, i.e. MRP and MRPII. Not every enterprise could afford an ERP system. Although there has been an increase in the number of SMEs adopting mid-range ERP systems (Loh and Koh, 2004), its predecessors, MRP and MRPII, are still very popular particularly among the manufacturing SMEs (Loh and Koh, 2004). With effective use of MRP, MRPII and ERP, it is envisaged that lead-time in production and inventory level could be reduced; resource planning and operational efficiency could be improved.

Within the downward supply chain, *SCM* and *SRM* systems manage the procurement and relationships with suppliers in order to secure delivery of bought-out materials and components required for in-house production. These IS strategies also enable partnership building, performance evaluation and effective purchasing strategy development, thus reducing lead-time in production, improving resource planning and operational efficiency, and reducing inventory level. For the upward supply chain, *CRM* system could be used to build relationships with customers and customize future marketing strategy according to specific customer needs, which in turn would lead to better demand forecasting. Firms combine these IS strategies in order to optimize the supply chain and improve operational performance.

E-business has received significant research attention over the past few years. With the advent of Internet, many enterprises have set-up e-business applications to reduce direct and indirect costs in the business. E-business enables an enterprise to market their product/service on the web and also allows on-line transaction and payment systems to take place, while integrating this system to the backward supply chain, i.e. replenishing the supplies on-line in tandem with receiving customer orders. Therefore, enterprises that adopt e-business strategies are also considered to employ ERP, SCM, CRM and SRM applications.

Radio Frequency Identification (RFID), *Electronic Data Interchange (EDI)*, and *bar coding* are normally used along with IS systems to allow ubiquitous flow of information in the supply chain. Hence, these technologies can be classified as part of the IS strategies. EDI has been used widely to transfer information between suppliers and customers in a supply chain. Bar coding is still widely used to ensure part and product tagging. These long-established technologies are not expensive as compared to RFID, when considering their robust implementations at all micro-macro and backward-forward levels in a supply chain. Although the cost of RFID tag is declining rapidly (Smith, 2005), the reader standards and interoperability with suppliers persist to be a constraint for its integrated applications in a supply chain. These tagging and electronic transfer technologies could improve operational performance when implemented and used correctly in customer relationships, information and order processing, and security of products. For example, RFID tags on products enable accurate counting and locating of the subjects in real-time and thus improve operational efficiency. EDI allows suppliers to ascertain when to replenish the parts/products, thus reducing inventory level and improving forecasting.

SCM–IS enablers

Understanding the effect of SCM and IS strategies on SMEs' operational performance will not be complete unless due consideration is given to explore the SCM and IS related enablers. These enablers consist of factors that facilitate the achievement of the operational performance through SCM and IS strategies. In this study, the following set of SCM-IS enablers are identified *ex ante*.

More education and *financial support* are deemed to be necessary for a successful implementation of IS strategies. The information systems are highly specialized and technical systems, which necessitate provision of appropriate training and qualifications in order to operate effectively. Given the fact that SMEs may lack the required financial resources and expertise to achieve this, it is important to acknowledge that the enabling conditions may be provided through alternative methods such as government funding, university sourcing and research center expertise. In a similar vein, SMEs do not also have an *easy access to vocational training*. This implies that the workforce may not be fully qualified to perform specific tasks (e.g. use of e-procurement). This type of skill shortage could be resolved through the provision of vocational training to SMEs, e.g. free training courses provided by the government bodies so that SMEs' operational performance could be improved by effective use of both SCM and IS strategies.

SMEs, particularly those in the emerging countries do not have access to adequate information concerning with new IS strategies available to improve their operational performance. Although industrial exhibitions and fairs are available, many SMEs do not participate and hence do not have the latest information of any new IS strategies. Therefore, *improved information provision* to SMEs will enable SMEs to realize the operational improvement via effective use of IS strategies.

It may also be suggested that SMEs' operational performance be enhanced by engaging in *more inter-country regional agreements*. Supply contract in this regard promotes cross border business cooperation and hence may foster sourcing for cheaper and more suitable supplies from other countries, leading to cost saving. Provision of *better infrastructure* is another key enabler for distributing goods ordered in the supply chain. Most emerging countries suffer from lack of adequate physical, financial and judicial infrastructure for business in terms of telecommunication network, road access, economical and political instability. Therefore,

a better infrastructure is expected to facilitate the implementation of SCM and IS strategies and improves their relationships with operational performance. *Increased regional cooperation between institutions and close cooperation between companies and governments* will stimulate the formation of various forms of inter-firm collaborations in terms of joint venture, new product development, new technology acquisition, new licensing requirement, patenting and innovation. These SCM–IS related enablers are likely to expand business opportunities for SMEs and hence may improve their operational performance, e.g. a joint venture to develop a new product will result in better operational efficiency in-house.

SCM–IS inhibitors

In addition to the likely effect of SCM and IS related enabling factors on SMEs' operational performance, due consideration should be given to explore the potential impact of SCM and IS related inhibitors. SCM-IS inhibitors consist of factors that prevent the achievement of the operational performance through SCM and IS strategies. In this study, the following set of SCM and IS inhibitors are identified.

When implementing or adapting any SCM and IS strategies, *resistance to change from employees* is one of the fundamental factors preventing enterprise to fully exercise the benefits of SCM and IS strategies. For example, implementing an ERP system within an enterprise requires business process reengineering which requires employees to change their normal operating strategies to suit the ERP strategies. Such requirements to change and get employees to buy in, especially in industry where the employees have been working for many years, are difficult to achieve. This inhibiting factor will negatively impact the operational performance. Likewise, implementing any IS practice requires *appropriate vendor support*. The deficiency in this regard will reduce operational performance of the IS users.

It is important to recognize that when implementing IS strategies within an enterprise, its integration issues have to be scrutinized. This includes the IS *integration with suppliers and customers*, and *within the existing system* in the enterprise. Incompatibility of systems used by suppliers, the enterprise and customers prevents full integration and hence prohibits information sharing, which will reduce operational efficiency in the whole supply chain.

SMEs tend to have *limited skills and resources*. Subsequently, this will result in their inability to implement the SCM and IS strategies as intended, which will in turn reduce their operational performance.

This discussion suggests that the SCM-IS inhibitors negatively affect the SMEs' operational performance. Although this relationship has not been empirically examined in previous research, it is axiomatic that these inhibitors are likely to constitute the core reasons preventing SMEs to improve their operational performance.

RESEARCH METHODOLOGY

Survey Instrument

Data for this study were collected from a self-administered questionnaire that was distributed in Turkey and Bulgaria simultaneously. A survey instrument was developed to explore the impact of SCM and IS strategies along with SCM-IS related enablers and inhibitors on the operational performance of SMEs. The questionnaire was pre-tested several times to ensure that the wording, format and sequencing of questions were appropriate.

The Sample

In line with small business research, this study adopted the number of employees as the base for the definition of SME. An SME is identified as one that employs fewer than 250 staff. The minimum of at least 10 employees was also chosen in order to exclude micro firms that would not be suitable for the purposes of this study. This range is consistent with the definition of an SME adopted by both Turkish and Bulgarian authorities and also by EU.

Two samples of SMEs operating in food products and beverages (NACE code 15) within both countries were selected randomly from the databases of Small Business Administrations of Turkey and Bulgaria. It was requested that the questionnaire be completed by a senior officer/executive in charge of SCM and IS strategies. Turkish data were collected mainly from the metropolitan area of Istanbul. Of the 500 questionnaires posted, a total of 172 questionnaires were returned after one follow-up. Sixteen questionnaires were eliminated due to largely missing values. The overall response rate was thus 31.2% (156/500) among Turkish SMEs, which was considered satisfactory for subsequent analysis. From the total of 500

questionnaires posted, 107 questionnaires were returned in Bulgaria. Twelve questionnaires were dropped as they were largely incomplete. With a total of 95 questionnaires, the overall response rate was thus 19% (95/500) among Bulgarian SMEs.

A comparison of the annual sales volume, number of employees and sub-industry variation revealed no significant differences between the responding and non-responding firms ($p > 0.1$). Following Armstrong and Overton (1977), another non-response bias check was undertaken by comparing early respondents with late respondents. Analysis of variance (ANOVA) tests by type of respondents indicated no significant differences ($p > 0.1$) in the mean responses on any of the study's constructs. Thus, the responses adequately represented the total sample group.

Analysis and Results

The data analysis was conducted in two steps:

- Performing an exploratory factor analysis (EFA) with varimax rotation to determine the underlying dimensions of each constructs.
- Determining the impact of the study's constructs which are derived from EFA on operational performance for each group of SMEs, (i.e. Turkish and Bulgarian), using hierarchical regression analysis.

Exploratory factor analysis (EFA)

Due to potential conceptual and statistical overlap (Spearman correlation coefficients between the constituent items of SCM strategies, IS strategies, SCM-IS enablers, SCM-IS inhibitors and operational performance constructs revealed a number of low to moderate inter-correlations), an attempt was made to produce parsimonious set of distinct non-overlapping variables from the full set of items underlying each construct. Exploratory factor analysis with varimax rotation was performed separately on the SCM strategies, IS strategies, SCM-IS enablers, SCM-IS inhibitors and operational performance criteria in order to extract the dimensions of each construct for the full sample of Turkish and Bulgarian SMEs. Tables 1 to 5 show the results of EFA.

Following the purification process, eight SCM strategies yielded 2 factors with eigenvalues greater than 1, as shown in Table 1. Based on the item loadings, these two factors were respectively labeled as Supply Strategies (SCM1) and Collaboration (SCM2). The Cronbach alpha values of reliability for the underlying factors are 0.67 and 0.61, respectively, suggesting satisfactory level of construct reliability (Nunnally, 1978).

Table 1. EFA of the SCM strategies

Factors	Factor loads	Eigen-value	% Variance explained	Cum. per cent	Cronbach alpha
Factor 1: <i>Supply Strategies (SCM1)</i>		2.64	29.29	29.29	0.67
JIT supply	0.74				
Strategic planning	0.72				
E-procurement	0.65				
3 PL	0.62				
Few suppliers	0.45				
Factor 2: <i>Collaboration (SCM2)</i>		1.60	17.77	47.06	0.61
Close partnership with suppliers	0.78				
Close partnership with customers	0.76				
Supply chain benchmarking	0.57				

K-M-O Measure of Sampling Adequacy = 0.707; Bartlett Test of Sphericity = 389.49; $p < .000$.

Similarly, EFA was undertaken to produce a set of parsimonious distinct non-overlapping dimensions of IS strategies from the full set of 10 items. The factor analysis produced 2 factors which explained 56.8 per cent of the observed variance, as shown in Table 2. Cronbach alphas for the underlying factors are 0.81 and 0.69, respectively. These factors were labeled as MIS Applications (IS1) and IS Facilitators (IS2).

Table 2. EFA of the IS strategies

Factors	Factor loads	Eigen-value	% Variance explained	Cum. per cent	Cronbach alpha
Factor 1: <i>MIS Applications (IS1)</i>		3.45	38.31	38.31	0.81
SCM	0.83				
CRM	0.81				
MRP II	0.72				
SRM	0.67				
ERP	0.63				
Factor 2: <i>IS Facilitators (IS2)</i>		1.66	18.46	56.77	0.69
RFID	0.82				
Bar coding	0.77				
E-business	0.72				
EDI	0.44				

K-M-O Measure of Sampling Adequacy = 0.757; Bartlett Test of Sphericity = 717.39; $p < .000$.

To capture the underlying dimensions of SCM-IS enablers construct, the EFA yielded a total of 2 factors explaining 63.7 per cent of the observed variance, as depicted in Table 3. These factors were respectively labeled as: Cooperation Building (ENAB1) and Infrastructure Building (ENAB2). The Cronbach alpha values for ENAB1 and ENAB2 are 0.79 and 0.76, respectively, exhibiting a satisfactory level of construct reliability.

Table 3. EFA of the SCM-IS enablers

Factors	Factor loads	Eigen-value	% Variance explained	Cum. per cent	Cronbach alpha
Factor 1: <i>Cooperation Building (ENAB1)</i>		3.63	45.41	45.41	0.79
Increased regional cooperation between institutions	0.84				
Improved information provision	0.78				
Closer cooperation between companies and governments	0.73				
More inter-country regional agreements	0.67				
Factor 2: <i>Infrastructure Building (ENAB2)</i>		1.47	18.33	63.74	0.76
More education	0.85				
More funding and financial support	0.76				
Easier access to vocational training Better infrastructure	0.75				
	0.51				

K-M-O Measure of Sampling Adequacy = 0.782; Bartlett Test of Sphericity = 752.51; $p < .000$.

Following the EFA, all 7 SCM-IS inhibitors were loaded into a single factor SCM-IS Inhibitors explaining 62.7 per cent of the observed variance. Table 4 shows that the Cronbach alpha value for SCM-IS Inhibitors is 0.90. Similarly, all 7 operational performance measures were also loaded into a single factor (OPER), which explained 61.7 per cent of the observed variance, as shown in Table 5. The Cronbach alpha value for Operational Performance (OPER) is 0.88 suggesting satisfactory level of construct reliability.

Table 4. EFA of the SCM-IS inhibitors

Factors	Factor loads	Eigen-value	% Variance explained	Cum. per cent	Cronbach alpha
Factor 1:		4.39	62.73	62.73	0.90
<i>SCM-IS Inhibitors (INH)</i>					
Resistance to change from employees	0.88				
Resources shortages	0.87				
Skills shortages	0.87				
Insufficient vendor support	0.84				
Integration with existing system	0.83				
Integration with supplier's system	0.78				
Integration with customer's system	0.44				

K-M-O Measure of Sampling Adequacy = 0.867; Bartlett Test of Sphericity = 1166.83; $p < .000$.

Table 5. EFA of the operational performance

Factors	Factor loads	Eigen-value	% Variance explained	Cum. per cent	Cronbach alpha
Factor 1:		4.32	61.74	61.74	0.88
<i>Operational Performance (OPER)</i>					
Reduced lead time	0.85				
Cost saving	0.85				
Forecasting accuracy	0.81				
Better resource planning	0.80				
Better operational efficiency	0.79				
Reduced inventory level	0.74				
More accurate costing	0.66				

K-M-O Measure of Sampling Adequacy = 0.898; Bartlett Test of Sphericity = 935.94; $p < .000$.

Hierarchical Regression Analysis

Using hierarchical regression analysis, the impact of the study's constructs on operational performance of SMEs was tested separately for Turkish and Bulgarian SMEs, with the independent variables being the constructs derived from factor analysis.

Main effects were entered at the first level, and the interaction effects at the second level. Regression results are presented in Table 6. Models 1 and 2 in Table 6 show the regression results for Turkish SMEs, while Models 3 and 4 show the regression results for Bulgarian SMEs. The F statistics indicate that all four models are significant ($p < 0.01$), indicating a good linear fit with the data sets. The adjusted R square values of Models 1 to 4 ranged between 0.38 and 0.76, exhibiting a satisfactory level of explanatory power for such an exploratory study. It should be noted, however, that the regression models for Bulgarian SMEs (Models 3 and 4) have more explanatory power than those for Turkish SMEs (Models 1 and 2) in terms of explaining the variation in the level of operational performance.

Model 1 indicates the effects of main indicator variables on the respondents' evaluation of the operational performance of the Turkish SMEs. From the full set of seven indicator variables, four are significant: supply strategies (SCM1) ($p < 0.01$), MIS applications (IS1) ($p < 0.05$), infrastructure building (ENAB2) ($p < 0.01$) and SCM-IS inhibitors (INH) ($p < 0.01$). The coefficients of supply strategies, MIS applications and infrastructure building are positive, while that of SCM-IS inhibitors is negative. The signs on the constructs of collaboration (SCM2), IS facilitators (IS2) and cooperation building (ENAB1) are insignificant. Model 2 includes also the interactive effects of both SCM and IS strategies, and SCM-IS related enabling factors on operational performance. From the total of eight interaction effects, only two were found to be significant and positive ($p < 0.05$), which involve the interaction effect of supply strategies and infrastructure building (SCM1*ENAB2) and that of MIS applications and infrastructure building (IS1*ENAB2).

Table 6. Regression results on operational performance of Turkish and Bulgarian SMEs

Variables	Turkish SMEs		Bulgarian SMEs	
	Model 1	Model 2	Model 3	Model 4
<i>Supply Chain Strategies</i> (SCM1)	0.23**	0.36**	0.15*	0.38**
<i>Collaboration</i> (SCM2)	0.09	0.12	0.04	0.08
<i>MIS Applications</i> (IS1)	0.16*	0.16*	0.37**	0.45**
<i>IS Facilitators</i> (IS2)	0.06	0.03	0.30**	0.28**
<i>Cooperation Building</i> (ENAB1)	0.04	0.03	0.14	0.14
<i>Infrastructure Building</i> (ENAB2)	0.29**	0.28**	0.40**	0.52**
<i>SCM-IS Inhibitors</i> (INH)	-0.31**	-0.37**	-0.14	-0.12
SCM1*ENAB1		0.11		0.02
SCM1*ENAB2		0.21*		0.28**
SCM2*ENAB1		0.01		0.12
SCM2*ENAB2		0.10		0.33**
IS1*ENAB1		0.13		0.03
IS1*ENAB2		0.20*		0.16*
IS2*ENAB1		0.04		0.10
IS2*ENAB2		0.13		0.23**
F statistics	12.9**	7.77**	28.3**	17.3**
R-square	0.38	0.45	0.69	0.76
Adjusted R-square	0.35	0.40	0.67	0.72
N		156		95

* $p < 0.05$; ** $p < 0.01$

Model 3 presents the impact of main indicator variables on the operational performance of the Bulgarian SMEs. From the whole set of main indicator variables, four have significant and positive coefficients which include supply strategies (SCM1) ($p < 0.05$), MIS applications (IS1) ($p < 0.01$), IS facilitators (IS2) ($p < 0.01$) and infrastructure building (ENAB2) ($p < 0.01$). Unlike Turkish SMEs, the impact of SCM-IS inhibitors (INH) has no significant coefficient although it has negative coefficient. The finding that all two constructs constituting the IS strategies were found to have more significant effects on operational performance of Bulgarian SMEs as compared to Turkish SMEs, is somewhat surprising in that implementation levels of most IS strategies for Bulgarian SMEs are much lower than those for Turkish SMEs. As noted earlier in Bloomen and Petrov (1994), there has been an increasing interest in logistics applications and related technologies in Bulgaria and South East Europe. Compared to the relatively mature infrastructure of Turkey, this early stage IS implementations in Bulgaria may lead to have a rather more favorable impact on the operational performance of SMEs in the absence of proper SCM strategies.

The fact that the effect of SCM-IS inhibitors on operational performance is not perceived as significant by Bulgarian SMEs is somewhat contrary to the perceptions of Turkish SMEs. Unlike Bulgarian SMEs, Turkish SMEs are of the opinion that SCM-IS inhibitors, which include inter alia resources and skills shortages, insufficient vendor support, resistance to change from employees and integration with supplier's system, have negative effect on their operational performance. As for the interaction effects of predictor variables, Model 4 shows that the following four interaction effects were found to be significant and positive, which include supply strategies and infrastructure building (SCM1*ENAB2) ($p < 0.01$), collaboration and infrastructure building (SCM2*ENAB2) ($p < 0.01$), MIS applications and infrastructure building (IS1*ENAB2) ($p < 0.05$), and IS facilitators and infrastructure building (IS2*ENAB2) ($p < 0.01$). The finding that the interactions between each of the constructs comprising both SCM and IS strategies and the SCM-IS related enabling factor of infrastructure building are positively related to operational performance of Bulgarian SMEs is interesting. That is, as compared to Turkish SMEs, Bulgarian SMEs places more emphasis on attempts to build SCM-IS related infrastructure for a better implementation of SCM and IS strategies, which will in turn have more positive effect on operational performance.

CONCLUSION AND IMPLICATIONS

These findings in general tend to corroborate our conceptual framework and offer a number of managerial implications for both Turkish and Bulgarian SMEs. First, Bulgarian SMEs as compared to Turkish SMEs should place more emphasis on attempts to build relevant infrastructure for effective implementation of SCM and IS strategies. Bulgarian managers should also be cognizant of the fact that implementation of IS

strategies is relatively more critical to increase their operational efficiency and performance. Second, as for Turkish SMEs, supply strategies are slightly more influential on achieving superior operational performance than for Bulgarian SMEs. Turkish managers should also place much greater emphasis on removing SCM-IS inhibitors which would have detrimental effect on SMEs' operational performance. For instance, they should be heavily concerned with tackling management development issues, implementing effective HRM strategies and building necessary integrative mechanisms to coordinate the actions of suppliers and customers within their existing system. Finally, despite their great care and attention on establishing close partnerships with suppliers and customers, both Turkish and Bulgarian SMEs fail to reap the expected benefits in terms of creating superior operational performance. Therefore, it does not appear unreasonable to suggest that both Turkish and Bulgarian SMEs might give more emphasis on the use of IS applications (i.e., CRM and SRM) as a formal way of forming close partnerships with suppliers and customers in order to improve their operational performance.

A caution, however, should be exercised when interpreting the results. Perhaps the most serious limitation of this study was its narrow focus on a single industry, thus precluding the generalization of findings to other industries including services and public sectors that may benefit from effective use of SCM and IS strategies. The data were collected from single respondents in an organization which might be a cause for possible response bias. Future research should endeavor to collect data from organizations across the supply chain. Another shortcoming of this study is the lack of adequate sample size which hindered us to apply more rigorous statistical tests such as structural equation models (SEM). The study should be regarded as an exploratory study and be used as a basis for further deepened research with relatively large data sets. Future studies may also investigate the proposed relationships by integrating some contextual variables into the model including the type of industry, supply chain structure, ownership type (i.e., foreign vs. local and public vs. private companies) and intra-regional variations.

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A STRATEGICAL FRAMEWORK PROPOSAL FOR COMPETENCE BASED SUPPLY CHAIN

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ABSTRACT

This paper proposes a framework to demonstrate the influence of competence attributes in supply value chain effectiveness. A strategic analysis framework is presented to support managerial decision-making. Effectiveness in supply value chain is evaluated based on four levels; the supply value chain targets, knowledge management dynamics, competence levels and competence attributes. The proposed framework is created based on literature and practice in the areas of competence management, knowledge management, supply chain and value chain management. This strategical model can be used for measurement by applying any performance method.

Keywords: Competence management; Knowledge management; Supply value chain

INTRODUCTION

In a knowledge-based industrial economy firms are investing heavily in creating and maintaining supply networks. Key components of any knowledge based supply chain system are the people who create and use the knowledge [1] and organisations need to learn from the internal resources as much as the external environment. In this context, there have been numerous in-depth researches run by psychologists, sociologists and cognitivists, each with its own view [2]. Besides, studies run by the knowledge management researchers ignored the multidisciplinary interactions. Increasing need of collaboration to face the global competition necessitates supply value chain players to review their goals by reconsidering the interaction of different levels of competence [3] issues with a knowledge-based vision. Advanced implementation of virtual teams facilitating the technological collaboration leads the fundamental changes in purchasing and supply management strategies inevitable [4]. Hence, apprehension of organisational competence is to be raised to embrace supply value chain effectiveness. Exploring the competence priorities through a new dimension will be to company advantage as well as the value chain.

This paper aims to introduce the important competence management issues of an effective supply value chain management on a four-levelled strategic framework. The proposed strategic framework is based on literature and practice in the area of competence management, knowledge management, and supply chain and value chain management. The paper is organised as follows: the first section presents the key constructs used to build the suggested framework. The third, fourth and fifth sections summarise the dimensions of effectiveness, knowledge dynamics and the competence levels and attributes. The sixth section is reserved to explain the proposed strategic framework and the final section presents some future research directions and concludes the paper.

Research Constructs

Competence management strategies continue to be a challenge not only in manufacturing organizations but also in the value chain in order to achieve final goals. Many competence systems in current use are well-designed data depositories [5], devoid of the critical and crucial interest driven dynamism required and

cannot respond to the enhanced goals of the supply value chain. It is not any more possible to restrict the goals of value chains by agility dimensions [6]; it has to be completed by leading edge goals for holding up the chain and originality with a holonic view of tangible and intangible components as Kinder investigates [1]. A supply chain consists of different stages and even includes the customer [7]. That is why integration gaps are blamed on competence level of the human resource due to reducing the beneficial influences of knowledge management in value generation [1].

This paper is based on evaluating the competence attributes in order to maximise the benefits of knowledge dynamics in effectiveness of the supply value chain goals. The strategical framework is proposed in four dimensions as shown in Figure 1, supply value chain effectiveness goals, knowledge dynamics, competence levels and competence attributes.

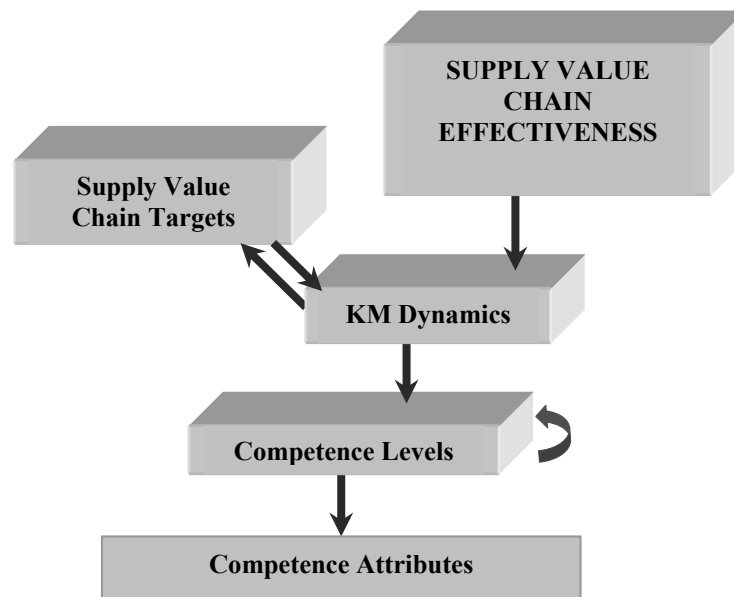


Figure 1. Integration of investigated Levels of the Framework Proposal

Dimension of Effectiveness

In order to increase the effectiveness of supply value chain targets consistency and originality are also considered extending the basic goal of responsiveness as Chopra states [8]. *Responsiveness* is the minimum goal responding customer requests based on time, product mix, flexibility, quality and price. It should be applied by companies in all the stages independent of power balance or structural differentiation of push or pull.

Perceived differences in difficulty associated with demand prediction will avoid full responsiveness, hence, competitive advantages of a supply chain over another are to be quested in main factor of trust, consistency and further uniqueness in originality. *Consistency* builds customer trust for the whole chain by sticking to the desired level of responsiveness over time [9]. With the current degree of consciousness in customers' changes in delivery time, quality and price may easily cause the churn. *Differentiation* is the guarantee for competitive uniqueness in the ever changing global world. Innovation, main result expected from knowledge management implementations, should bring up new products, new services and or new processes by implementing the benefits proposed by advanced technologies [10].

Dimension of Knowledge Management Dynamics

In order to achieve goals for effectiveness, knowledge management is to be used as part of strategy, as integration tool and to pertain the relations. Knowledge is an important issue for business organisations. There have been a number of different perspectives from which researchers and practitioners have

approached the management of knowledge. “Knowledge management” contains a much more complex meaning than the terms management and knowledge alone. Various topics in different contexts with different perspectives are discussed under the term “knowledge management”. Knowledge management (KM) has been described for its possible role in creating sustained competitive advantages for organizations. The contributions of KM to competitive advantage may include improved ability of innovation, improved coordination of efforts and rapid commercialization of new products. Other contributions may include: the ability to anticipate surprise, responsiveness to market change, and reduced redundancy of information / knowledge. [10].

Knowledge management dynamics are clustered as strategies, infrastructure and distribution and sharing as detailed below.

Knowledge Management Strategies: To accumulate process, share and utilise knowledge in the value chain landscape, assets, incentives and creativity are the centre of focus. Knowledge strategies are to be defined for the entire value chain, which can only be done after having defined the organisational strategies. First major strategy is to define the “landscape”[11]. Knowledge assets inventory for the value chain is expected to be the second strategy. Last strategy is to define the strength of creativity and design new ways to improve collaborative creativity.

Knowledge Management Infrastructure: Information and communication technologies are indeed integral part of value chain integration. Value adding network implemented using Internet and the web-based applications will amalgamate the structural assets, whereas data warehouses and data mining tools will retrieve the knowledge from combined information inventories [12].

Knowledge Distribution: Reinvention of the values that can be created through an integrated value chain can only be possible by building the trust [10]. Formalising chain learning, fostering communities of practice and rewarding system can be solutions for building the trust if power of stages are balanced [13]. Dissemination of the knowledge shared in the value chain in the organisation and rewarding for the ideas generated are part of enterprise leadership and would show the flexibility of company vision.

Dimension of Competence Levels

In literature supply chain influence by competence factors are mainly attributed to the organisational level that leads the focus on management and leadership [14]. However, evolution in information and communication technologies suggests more opportunity for team works either internal to the company or outsourced organisations [15]. Organisations are built of teams members of which are individuals. As in majority of the competence studies, behavioural, motivational, technical and knowledge based skills [16] influence the degree of achieving supply value chain goals. These three competence levels are interdependent and one cannot be analysed without the feedback of the other levels.

Organisational level in the knowledge-based organisations is expected to consider knowledge landscape, knowledge assets as well as information sharing, push/pull balance and synergy creation. At the *Team Level* issues of team success are to be considered. Cultural integration has become as an important issue as knowledge sharing in both local and global chains. Relation among the stages is fragile if the operation teams are not performing with the common integrated goals. Management and leadership is the crucial attribute of team success resulting in organisational success. Innovation is the result of knowledge sharing and can only be measured at the team level. *Individual level* is based on both skills that influence the organisational performance and supply value chain effectiveness. Hence, it consists of result orientation and role commitment which are essentials for any organisation [3], but has to consider continuous learning and creativity as the necessity of knowledge based organisations and networking for inter-organisational issues in the supply chain [17].

Proposed Strategic Framework

Having the goal of effective supply value chain, the knowledge dynamics based on competence levels and attributes are proposed to be combined as in

Figure. 1

The goal is to consist necessities of customer satisfaction and competitive advantage. That is why it is defined in three objectives: responsiveness, consistency and differentiation.

Responsiveness is to provide products and services with the quality customer requests and on time and place as the customer asks for. This is the initial condition to be successful in the supply value chain and drive the chain to success.

Consistency is a necessity to create loyal customers so that the market penetration can occur. In order to enable customers to be references for the new ones the responsiveness have to be continual in the company life cycle.

Differentiation needs original ideas and innovation so that the company can have the competitive advantage.

In order to achieve these objectives, they have to be integrated with the knowledge dynamics which are defined in Knowledge strategies, Knowledge Infrastructure and Knowledge Distribution. Knowledge dynamics have to be developed and operated in interaction with the targets based on three level of competencies. Since individual competencies influence the work teams and the teams build up the organisational competencies, all three are inter-dependent. However, the attributes of each are to be defined separately.

Organisational Competence Attributes are composed of knowledge maps and flows as defined in knowledge landscape; relations, managerial styles and culture as in knowledge assets; information sharing through the information technology of the supply chain; power balance in the supply chain and also synergy creation internal to the company as well as in chain relations.

Team Competence Attributes consists of the knowledge sharing success, acceptance and application of the company culture in the team, effective utilisation of resources by different work teams as well as new ideas, projects, services and products created through innovation. Management and Leadership is also included in the team competences since no team work is successful without a successful leader.

In order to fulfil the team competence and organisational competence *Individual Competence Attributes* are to be defined as individual performance issues. Result orientation is a necessity of agile company, role commitment is an avoidable need of lean organisation. The desire to apply continuous learning is a must for flexibility of the company. Networking ability is requested for the success in supply value chain relations. Besides, individual creativity feeds the innovation and differentiation.

This strategic framework is proposed as a new vision for any company that is part of a supply value chain.

Concluding Remarks

Conditions for doing business are undergoing major changes. Some of the challenges associated with these changes include requirements for faster responsiveness on customer demands (reduced lead-times), faster product development time (time-to-market), collaborating in supply chains and networks, and applying advanced information technologies for designing supply chain solutions. On the one hand, companies are forced to keep updated on development activities in these areas. Furthermore, companies must also ensure that these challenges are understood and that the right competency levels exist in order to cope with the challenges.

This paper addresses the need for a strategic analysis model to assist management in identifying the competence attributes in interaction with the knowledge dynamics in order to satisfy the goal of running an effective supply value chain. A strategic model of factors and the interactions among them are defined in a strategy framework proposed. The model is developed based on a literature survey and refined with industrial experts. The model considers tangible, intangible, quantitative, qualitative and strategic factors in the evaluation. This model is one of the first efforts to consider competence attributes explicitly within a strategic vision.

A knowledge management expert would see innovation, continuous learning and networking influential competence attributes but these are not the foci of investment traditionally. In a classical industry like textile competition is forcing supply chain effectiveness and companies of any stage are focused on design to achieve competitive uniqueness.

This paper is the initial states of the framework for which we foresee further developments. Possible extensions include the consideration of knowledge dynamics to be detailed. Any performance evaluation method can be applied to make an assessment of success for the companies in different industries.

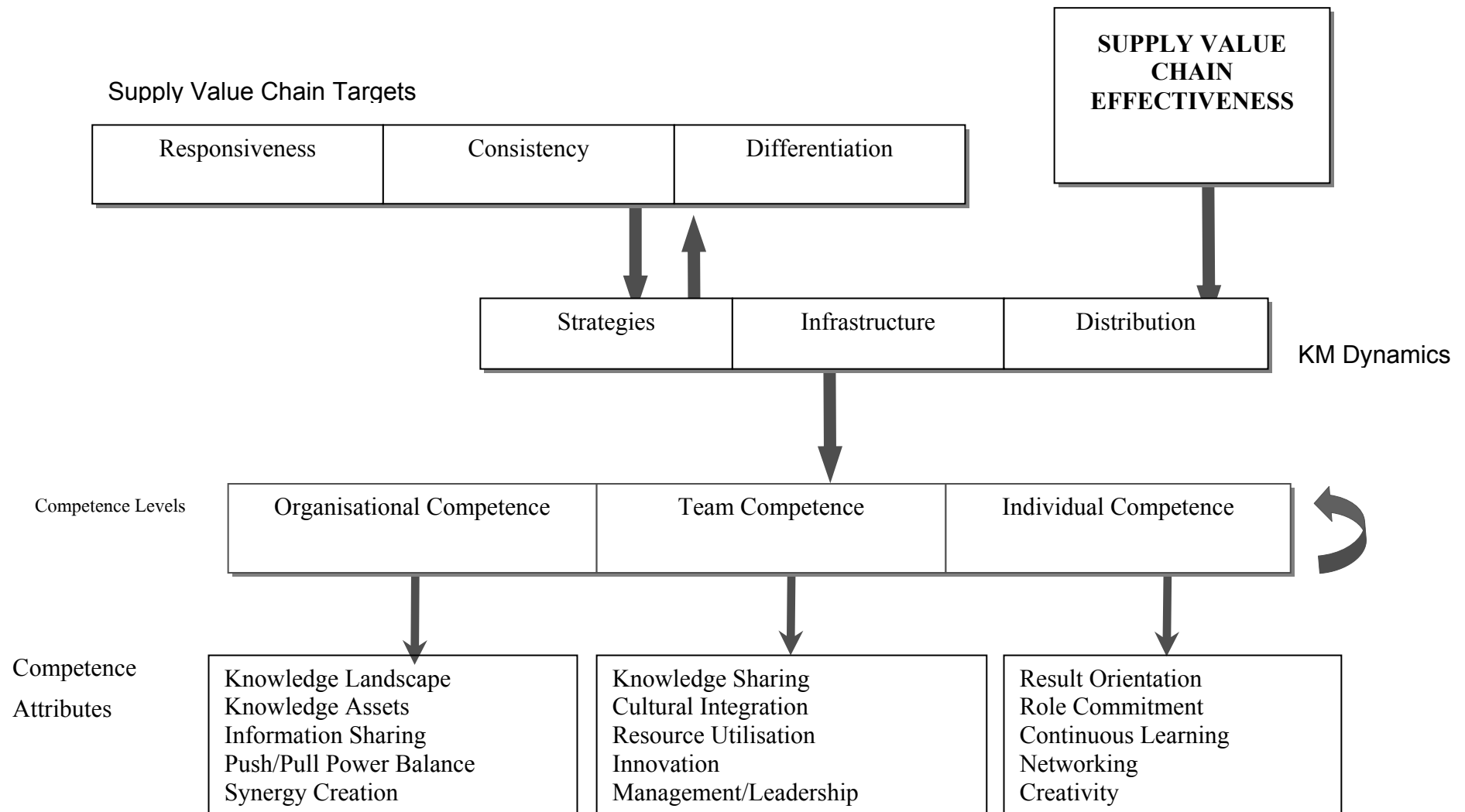


Figure 1. Proposed Strategic Framework

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STRATEGIC VALUE CREATION FOR THE SUSTAINABLE COMPETITION

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ABSTRACT

Nowadays, due to globalization and with the influence of the increasing competition the enterprises have to afford overvalue, in order to be different to its rivals and be preferable for its shareholder, employees, customers, supplier and for the community. The enterprises are proactive and let evaluate the occurrences with a foresighting point of view comprised the past and future, instead of carrying on their existences and to be reactive only to react to the effects come from outside. This point of view aims to create the force of competition as well as to keep the life going.

Anyway, the reason of the existence of the companies is to afford the rival advantage and to continue that in the long term. To continue the superiority of competition requires focusing on the force of competition. To focusing to upgrade the rival force can only be handled thanks to value creating strategies. The companies should be over their rivals in term of overvalue achieved trough their activities and relationship between other companies, in order to continue the competitive predominance. The sustainable competition force has to focus on value creation. Value creation concept is related to all of the partners. Creation of value for any partner is also creation of value for the company.

The preferability of the company in comparison with its rivals, its viability and the sustainability of the competitiveness will have been provided, if the value created for each shareholder. At the present, the performance of company in adding value depends on its efficiency of relationship between shareholders, workers, clients, suppliers and whole public. The mark prices of the companies could increase only depending on the stable and efficiency activity in competitive conditions. The enterprises requirements in order to get sustainable competition advantage in long term, are upgrading own prestige, credibility, image, maintenance of the status and the viability and financial capacity by getting value for its participants. The sustainability of the companies depends on the value adding for the partners in long term.

The enterprise ought to be gainfully for its partners investing and expecting more profit, to afford to increase the value of the shares, to upgrade the physical and moral situation of the workers, to offer to clients products and services in satisfactory prices, quality and kinds, to take seriously the payments to the suppliers for the bought materials and sustainability of the orders, to safeguard the credit of the suppliers by the quality and services of the products, to be a good man in the street for the public, to obey laws, to be responsible for the public; and so could become a company different concerning its rivals and could sustain its competition.

In this study, how the enterprises create value for its participants and the influence of this on viability and sustainability of the competitiveness will be handled.

Key Words: Sustainable Competition, Value

INTRODUCTION

Today, the main object of businesses turns into maximizing the industry value of shareholders rather than the profit maximization. In this case, the businesses that maximize the firm value, in other words, embracing the value-based management approach will get closer to this object (Demirkol, 2008).

The new value creation activities, business partners, relations with customers and systematic products and innovation are the key sources for the today's information age businesses (Yılmaz, 2008).

The value concept, value analysis, value-based management, value engineering and value creation are the internalizing phenomenon for companies. Creating value and sustaining its entity is so crucial both for the businesses and their interest groups or stakeholders. The value creation process requires the effective coordination between interest groups and business.

In the value age that we are facing today, the sustainability of value creation means the sustainability of competition. For this reason, the businesses have to create value for all stakeholders in order to sustain their competitive power and stay alive.

1. The Value Concept and Related Other Concepts

Value Concept: In the Turkish Language Institute dictionary; it means abstract determination of an importance of a thing, a monetary payment of a thing, price, high and beneficial (www.tdk.org.tr). Value is the customers' perceptions to meet product or service needs. Value is the benchmarking between performance and cost. It can be increased by presenting more performance or benefits to customers with same cost, or providing same benefits with less cost (Doyle, 2003:151-152). For introducing a product's value, it must be benchmark with another product which can provide same performance. Value concept can be seen a kind of buy-sell (anything) motivation of a person and it can be evaluated based on this motivation (Filiz, 2008).

Value Analysis Concept: Company management tries to determine which option can produce more and necessary functions with minimum cost by value analysis. For this reason, it must be determined necessary functions and eliminated unnecessary costs. Value analysis includes answering questions such as: What are the product's functions?, Are these functions necessary?, Which product can supply same function place and cost of it? (Ögüt et al., 2007:55).

Value Based Management Concept: Making effective value analysis can be achieved by value based management approach. In this context, value based management is an approach which includes directing companies to goal of consistent and continuous value creation. Value concept has different means varied from company to company but here value is used especially "value creation for shareholders" in all of the profit organizations. Basis benefits from value based management: transparency, easy adaptation to global and competitive markets, proper resource distribution, more effective planning and budget process, determining, performing and monitoring strategies (www2.aku.edu.tr).

Value Engineering Concept: This is a function oriented, systematic, facilitated team approach to improve value in a product, process, system, or service. Often, this is focused on cost reduction, however, it is also a powerful tool for developing/enhancing products/processes, systems, designs, or even organizations. Other areas that benefit such as customer perceived quality and performance are also stressed (Wixson, 2008).

2. Value Creation and Value Creators in the Organizations

Value creation is performed in two ways in the organizations. One of them is value creation through new product, service, process and technology development. The other is value creation through current product, service, process and technology development (Şafaklı, 2006:82). Value creation culture is seen one of the principles of R&D in the intelligent organizations. According to value creation culture, goal of the organization is maximizing value which is created for customers and achieved by organizations. Decisions are focused value creation. R&D is seen a key resource of value creation and business renewing (Matheson & Matheson, 1999:137).

Financial-Marketing-Organizational Value Creators: Value creators of organizations can be divided into three quarters: financial, marketing and organizational value creators. This classification is used to determine shareholder value. Managers must manage three financial value creators. These are selling rise, after tax margin of profit and investment requirements. These are also of managers' goals. But managers need strategies to increase growth in sales, margin of profit and take more rational investment decisions. In this point marketing strategies focus discovering attractive markets and differentiation advantages. Marketing advantages are based on company's marketing assets, marketing knowledge, brands, customers' loyalty and strategic relationships with distribution channel members. These are a company's marketing value creators. Financial performance increasing depends on marketing value creators' efficiency. Finally organizational value creators are required to develop strategies and perform these strategies. Also these are core competencies such as capabilities, systems, motivation and leadership which required to be effective (Doyle, 2003:80-81).

3. Shareholders and Value Creation for Shareholders

The three value creators that have been cited (financial-marketing-organizational) create value for the interest groups (stakeholders) in the organization. Some authors defend the opinion of "the firms should only create value for their shareholders"; however the others defend the opinion of "the firms should not only create value for their shareholders but also for all of their stakeholders" (Haksever et al, 2004:291).

Stakeholder is the group or the person who affects the organizational performance or is affected by it. Stakeholders are composed of five groups. These are; shareholders, workers, customers, suppliers and the society. Details of these stakeholder group analyses are going as follows (Haksever et al, 2004:293-295);

Shareholders: Shareholders have financial interest, and capitalize on the firm for the reason that they will derive income from this investment or this investment will turn into value. In this context, in marketing it is tried to make the profits maximum by communicating with the precious customers and developing competitive advantages (Doyle, 2003:65).

Workers: These are the people who work for their own living as paid or salaried. In addition, the important parts about the employee benefits as the health insurance, retirement, the time leave with pay, sick leave, the facility of child care are added to their payments.

Customers: This is the group benefits from the product they buy. Generally, their commitment lasts as long as their demand lasts and they don't have any problems about the prices. The customers are considerably important in the context of the firm gains distinction. Anyhow the value means customer satisfaction oriented at the product's or service's being able to fill the emotional and economic needs. The customer that makes the firm create value should be strategic, important, profitable, and faithful (Doyle, 2003:114-142).

Suppliers: They are important for the prosperity and continuity of the firm, because they supply raw materials, semi-finished products and products and they implement technology transfer.

Society: They can be dealt with in the context of local community or the society working at the firm, the periodic tax revenue of the society, the work for the locals, voluntary activities, and the charitable contribution. They affect the activities of the firm in terms of environment pollution, increasing traffic or the quality of life.

As it's seen from the table there are different value creators and value destructives for each stakeholders. The organization can transform financial, nonfinancial, time-bound dimensions into value creation or value destruction by the relations with the stakeholders. This relation is mutual and the organization interacts mutually with all of the stakeholders. The reputation and respectability, image and statute, profitability and productivity of the organization are related with the effectiveness of the mutual relations between the organization and its stakeholders.

Table 1.Value Creation and Destruction for Stakeholders

STAKEHOLDER GROUP	VALUE DIMENSION	VALUE CREATED (BENEFITS/REWARDS) AND ACTIVITIES THAT CREATE THEM	VALUE DIMENSION	VALUE DESTROYED (COSTS/RISKS) AND ACTIVITIES THAT LEAD TO THEM
Stakeholders	Financial	Profits, income, stock appreciation. Profitable and financially stable company.	Financial	Risks of losing investment and future stream of income. Poorly managed firm, bankruptcy. Products that fail and other actions that depress the price of company stock.
	Nonfinancial	Reliable source of income, autonomy, pride of ownership of a company with a good reputation.	Nonfinancial	Stress created by uncertainties about the current and future health of a company. Bad publicity about company's products, a scandal may destroy pride of ownership.
	Time	Long-term financial security. Investments into new products advanced technology, quality and human resources, long-term strategic partnerships with suppliers increase the viability of the company in the long run.	Time	Long-term viability and success of the company put into jeopardy by short term considerations.

Employees	Financial	Wages, salaries, bonuses, stock options, health insurance, pension plan, paid vacation time. Well-managed profitable and financially stable company.	Financial	Better financial benefits foregone if worked for another company, commuting expenses, cost of tools and work clothes. Loss of pension benefits if laid off before vestment. Loss of retirement assets if significant investment made in company stock.
	Nonfinancial	Safe, friendly and cooperative work environment. Challenging job, empowerment, training, job security, advancement opportunities and flexible work rules. Management respect for employees, investment into human resource, an emphasis on promotion from within	Nonfinancial	A stressful work environment, boring, monotone, unchallenging job, hostile management, strict rules that stifle creativity and destroy pride of work. Uncertainties about job security, occupational hazards, unusual work schedule, rigid rules, and quotas. Poor management, financially distressed company. Not providing training opportunities.
	Time	Long-term job security, extended provision of benefits into the future, a career advancement and compensation system that rewards loyalty, policies and practices that ensure the financial and nonfinancial benefits in the long run.	Time	Time spent at work and commuting to work; long-term career development stunted by a job that does not provide valuable skills.
Customers	Financial	Well designed superior quality products at competitive prices. Reliable, durable and low maintenance products, with low operating costs. Price reductions resulting from gains in operational or supply chain efficiency.	Financial	Price paid for the product, cost of returning a defective product, refusal of refund for an unsatisfactory product, high repair and maintenance costs. Poorly designed and produced product, poor service and warranty system and policies.
	Nonfinancial	Product works as promised, easy to install and easy to use, customer support service that is competent, reliable and courteous. Information about product use, safety, maintenance and repair. Image and status gained from a prestigious product.	Nonfinancial	Failure to deliver expected benefits, uncertainty about product benefits, lack of full knowledge about the product, its proper use and its harmful effects, health risks.
	Time	Time savings provided by the product, benefits that last a long time, products delivered at the promised time or at the time required by the customer. Products are reliable with very short downtime, fast service response and repair for failed products. Quick replacement of failed parts.	Time	Time spent learning to use the product; time spent trying to solve problems, repair and maintenance, searching for repair service or replacement for the failed product.
Suppliers	Financial	Revenue, profit suppliers receive from the sale of goods or services. Partner-ship with a financially sound and reliable company for mutually beneficial business relationship.	Financial	Forced price concessions, risk of losing money on an order received. A customer that pits one supplier against another for lower prices. A customer in financial trouble, unable to pay its bills.
	Nonfinancial	Reduced uncertainty about the viability of a supplier provided by a stable and mutually beneficial partnership. Technology transfer, technical assistance and other learning opportunities provided to the supplier to a well known and respected company. Expansion of customer base because of referrals by a satisfied customer.	Nonfinancial	Stress created by uncertainties about the current and future status of the relationship. Bad publicity about a customer's product which uses parts from the supplier.
	Time	Long-term financial security, survival in the long run; payments made on time for goods/ services provided.	Time	Long-term viability and success of the supplier may be jeopardized if relationship. Delays in information transmission from a customer about an order, delays in payments.

Community	Financial	Tax revenue, purchases made from local suppliers by the firm and employees. Donations to charitable organization. A profitable company, which is also a good citizen.	Financial	Tax abatements and other concessions given to a company; a company in financial trouble may also create financial problems for the community.
	Nonfinancial	Continued success of the company extends both the financial benefits into the future creating long-term economic growth and prosperity. Investing into community projects with long-term beneficial effects.	Nonfinancial	Air, water and noise pollution and resulting health problems. Increased traffic, reduction in the quality of life. Plant closing or relocation may create hardship or the community and disrupt social and economic life.
	Time	Continued success of the company extends both the financial and nonfinancial benefits into the future creating long-term economic growth and prosperity. Investing into community projects with long-term beneficial effects.	Time	Pollution problems disguised or go unsolved may create long-term health and financial problems and cause deterioration in the quality of life for the community.

Source: Haksever et al., 2004: 296-303.

For the last 30 years, the firms have begun to integrate their strategies with the social items so as to carry out the sustainable growth. This integration process is believed that social strategy or organizational social responsibility will increase social performance, and nonetheless there will be a progress in the financial performance of the firm and so the central social responsibility paradigm of the firm will be instituted. In this paradigm, it's the main purpose to test the relation between the social and financial performance and this paradigm provides economic facilities for the social investments; and along with this result in value creation (Sanchez et al, 2007:335-346).

4. The Factors and Models That Supplement Value Creation

While the organization is creating value for its stakeholders and so providing its own maintenance, there are some factors and models in the organization that must be revealed, realized and managed. We will emphasize intellectual capital, knowledge management and balanced scorecard as the leading of these.

4.1. Intellectual Capital and the Effect of It on the Intangible Value

Intellectual capital represents the intangible assets increasing the value of the firm and is defined as the mode of the knowledge transformed into value. The most evident example of the transformation that intellectual capital caused on the concept of conventional business administration is the firm evaluation implemented for several purposes (Kayalı et al, 2007:67).

Value of firm is gained from assets, organizational structure, technology and human resources with expectation of cash flow analysis result in future. Assets of firm are deemed as value as long as provide cash flow for shareholders (Kayalı et al, 2007: 68).

Coming near the end of 20th century companies have seen knowledge as a principal factor of product and tried to set up knowledge center in their structure for creating a value and using intellectual assets most productive way. Human capital which is a component of intellectual capital is sum of knowledge, skill and behaviours of employees. If knowledge of employees is used for creating organizational value and shared, it shall be an added value which includes intellectual capital of organization (Yelkikalan& Aydın, 2008)

4.2. Knowledge Management and Role of Knowledge in Value Creation

Intellectual capital of firm consists through knowledge management actually. Intellectual capital of a firm represents its holistic capacity or meta-capability toward meeting the challenges and exploiting the opportunities in its continual pursuit of value creation. Creation of value is achievable only through a appropriate, innovative flexible business system design. Intellectual capital is an important factor of a business system design's capacity to do so (Rastogi, 2002: 229-240).

Knowledge creates value through its instilling into products like cars, computers and copiers; and services such as financial, medical and logistical. Knowledge undertakes an important task about a firm's ability to

produce and deliver customer valued outcomes. The test of value creation is whether customers are willing to pay for a firm's products and/ or services under conditions of wide competitive choices open or available to them (Rastogi, 2002:234).

4.3. The Effect of Balanced Scorecard Model on Sustainable of Value Creation

Balanced scorecard system that is one of performance measurement instrument and evolved by Kaplan and Norton using for performance proceedings of organization. Kaplan and Norton defined four groups of indicator for balanced scorecard system (Gürol, 2004:317). These indicators seem like components of intellectual capital in several ways. Intellectual capital and balanced scorecard work together practically for creating value and measuring created value.

Balanced scorecard provides answers to four basic questions (Kaplan & Norton, 1992:72):

- How do we look to shareholders? Financial Perspective- Conception of investors
- How do customers see us? Customer perspective- Evaluating organizational performance from customers
- What must we excel at? Internal business perspective-Short and long term objectives that lead to financial success and satisfied customers' expectations.
- Can we continue to improve and create value? Learning and growth perspective- Creating value and improving capability

Balanced scorecard is critically important for creating value measurement systems or management techniques that is historical data based financial resources of organizations and forward-looking customer satisfaction, improving and processing internal business operations according to expectations of customers and stakeholders, as part of human, system and internal business methods predicated on nonfinancial dimensions as learning and growth for according change, evaluate them with particular indicators, obtains strategic feedback for balance and integration between dimensions, aim at attaining data from strategy and being practicable strategy (Örnek, 2000). Importance of balanced scorecard in value creation seems very well in Figure 1.

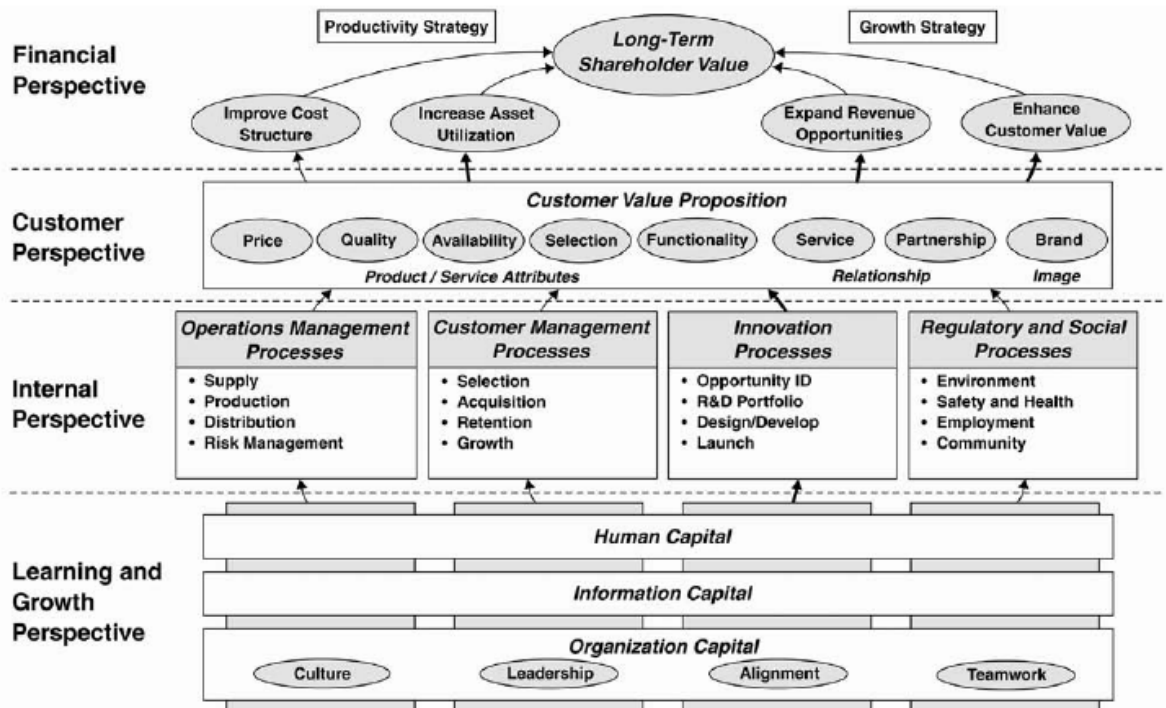


Figure 1.A Strategy Map Shows How the Organization Creates Value

Source: Kaplan & Norton, 2004:12.

The organization benefits not only from its physical assets, but also uses its intangible assets in value creation and survival in the marketplace. In Figure 2 under the name of organizational value creation tree, the elements participating the organizational value creation are tried to be illustrated.

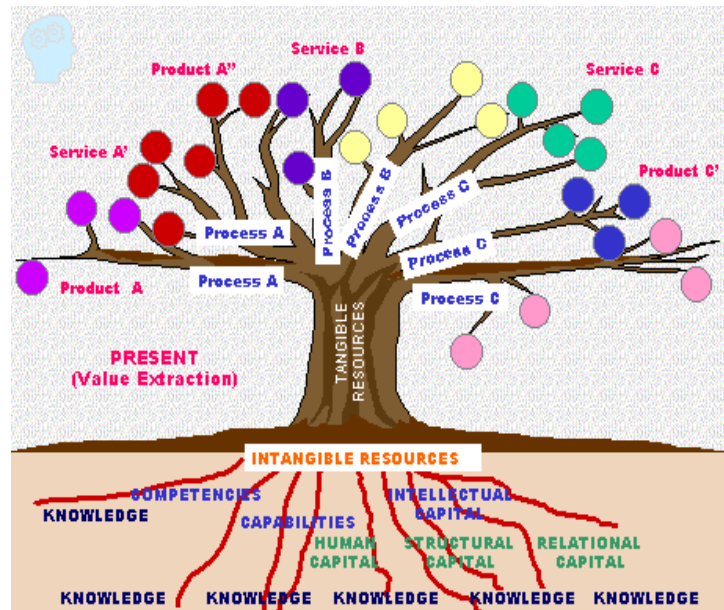


Figure 2. Company Value Creation Tree

Source: Viedma Marti, 2008.

As seen in the figure, an organization can be thought just like a tree when it fulfills its daily transactions. The visible parts of the tree (the body, the branches, the leaves and the fruits) seem the physical assets of the organization. On the other hand, the invisible parts (the roots) look like the intangible assets. Just as these inseparable parts of the tree, the physical and intangible assets are bound together. The roots of the tree pick up the food and send it to the body, branches, leaves and finally fruits. Similarly, knowledge, capabilities and the intellectual property are the intangible assets which constitute the goods and services through organizational processes (Viedma Marti, 2008).

The organizational value creation tree is a well-designed metaphor illustrating that the value is produced by transforming the power and effect of the intangible assets like knowledge, capabilities and intellectual property (human capital, structural capital and relationship capital) into the physical assets and profit.

5. The Relationship between Sustainable Competitive Power and Strategic Value

The concept of strategic value has a comprehensive definition. Its scope goes from economics to politics, from sociology to security and from production sector to the service sector. The so-called concept first of all states focusing on future. It includes the objectives of future as well as today's. Strategic value conveys protecting all the accumulation the firm owes and transferring it into the future. It is the favorite concept of the people who aim to break the problems of market and foresee the future.

Using the term of strategic value and applying its conditions require setting objectives, predicting future and thinking the life quality of next generations. Strategic value does not mean anything for the people who only live in today and does not think tomorrow. However, the term of strategic value for an organization is custody to be protected for the shareholders and transferred to the next generations.

In the global economy of 21st century, competition is complicated and full of opportunities and threats. In this changing world, organizations should revise and transform their competitive strategies. Organizations should make innovations, reduce costs, and improve the quality of goods and services in order to obtain competitive advantage. The organizations adapting fast to the changing conditions in the market may obtain competitive advantage over their rivals by producing higher quality and lower price goods and services (Ogrea, 2006:3; Tanyeri & Firat, 2005:268).

The truth of that competition is in a dynamic environment requires that all the things about competition should continuously be in a changing and developing manner. Everything has to compete with both inside and outside factors and in every level they have to be better, more competent and more different. In this context, continuous efforts of change and development actually are the key component of sustaining competitive dynamism and advantage (Altuntuğ, 2007:15-29). The organization should develop a unique system for sustainable competitive advantage and try to protect it against the rivals. Even if it is duplicated by the rivals, they should try to be somehow different (Demirhan, 2008).

Competitive advantage is a strategic ability for an organization to protect its market position. A competitive strategy may be caused by either creating a unique value or differentiating an existing value (Papatya,

2003:21). Competitive success is dependent on transformation of key processes in an enterprise into strategic skills that constantly offer superior values to customers (Stalk et al., 1992: 62).

The following five factors are especially important in order to gain competitive superiority (**edge/advantage**) in global competition and sustain it (Tekin et al., 2003: 321-322):

- Competitive supremacy (superiority/edge/advantage) stems basically from development, innovation and change. It increases the ability to implement development and changes, a task which needs to be overcome for many enterprises.
- Competitive superiority encompasses the whole value system. This value system covers all activities conducted in the development and use of a product.
- The continuity of competitive superiority (edge) can be achieved only by making improvements in the value system.
- Sustainability of competitive advantages is required to develop a company's resources continuously.
- Sustainability of competitive advantages is required to enforce a global strategy. A global strategy provides to determine advantages of global environment.

There are four basis characteristics of resources provides competitive advantages. These are (Güleş&Bülül, 2004:71):

- **It should be possess a value:** resources enable to avoid from environment's threats and draw benefit from environment's opportunities (SWOT analysis). In other words, resources can increase productivity and efficiency.
- **It should be unique:** The potential competitors should not have the resources so that these resources are able to provide competitive advantage for the enterprise. Put in differently, these resources should be utilized by only one or a few enterprises.
- **It should not be able to imitated:** The resources that the enterprise have should not provide an opportunity for its competitor to obtain by imitation.
- **It should not be able to substituted:** The resources should not enable the enterprise gain advantage with the other assets which it had gained by this way.

The phenomenon of competitive advantage, competitive power, and sustainable competitive advantage are reminded that the enterprise is ahead of its competitors and survives by this way. Being different from its competitors for the enterprise is possible with that the enterprise create continuous and positive value different from its competitors. Differentiation of competitors of organizations is possible as long as creating positive value enduring in organizations. This value must be involving whole stakeholders.

CONCLUSION

Whether basic objective of organization seems deriving profit, profit phenomenon gives up one's seat to other important objectives at the present day. Priority target for an organization is survival and thus please all of stakeholders that contribute to survival. Consideration, prestige, statute and image of organization is evaluating with created value for all stakeholders. Organizations must create value for shareholders, employees, customers, suppliers and community for differentiate from competitors and is given preference for stakeholders impact of globalization and increased competition.

For sustainable competitive advantage, the organization has to create value and spread it to all of its shareholders. The organization should make profit for the shareholders investing in the company, maximize the values of the shares, improve the physical and emotional situations of the employees, produce goods and services which satisfy the customers in terms of price, quality and variety, have good relations with suppliers in terms of payments and delivery of the orders, protect the credibility of its suppliers by the quality of goods and services produced, become a good citizen and obey the legal, ethical and social rules, comprehend its social responsibilities against the society, improve its financial capabilities, exist in the sector and sustain its competitive advantage in the marketplace.

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COMPETITIVENESS OF PROFESSIONAL SERVICES: LESSONS LEARNED FROM TURKISH ADVERTISING AGENCIES

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ABSTRACT

This study seeks to examine the extent to which internal factors affect the competitiveness of professional service firms. A case of Turkish advertising agencies is selected due to the advertising industry's highly knowledge and skill intensive characteristics and the increased competition among the firms in recent years. In addition to resources, organizational and managerial capabilities and the knowledge of the firms will be investigated to understand the degree of their effects on the process of their competitiveness. By conducting a case study methodology, a comparison among three multinational and three national agencies that have superior, moderate and low performances is used to explain the relationship between the sources of competitiveness and firm performance.

INTRODUCTION

This study is designed to explore the internal factors affecting the competitiveness of firms in a professional service industry. Although there is a vast amount of literature examining the competitiveness and internationalization of manufacturing firms, little research has been conducted to examine service competitiveness, particularly competitiveness of professional services (Ochel, 2002:2; Nachum, 1996:475). However, today's economy has been mainly driven by service industries and professional firms (Eustace, 2000:7). Services are also becoming highly internationalized due to rapidly growing service industries in advanced nations, development of new types of services as a result of technological advancements (such as information technologies), and the emergence of new type of large and sophisticated service companies (such as Google) (Aharoni, 2000:126; Kotler, 2003: 5).

Service industries comprise nearly 90% of the U.S. economy which is seen as the largest economy in the world (The Wall Street Journal, 2007, June 6). The service sector currently includes some of the most intensive international competition. Especially the professional services provided by architects and engineers, computer firms, law partnerships, accountants and business consultants, advertising agents, etc. now rapidly internationalize and operate in worldwide (Nachum, 1996:475). Hitt et. al (2006) evaluate the growth and internationalization of professional services as "the most profound business phenomenon of the 20th Century" (p.1137).

Services have special characteristics that differ from manufacturing goods. Therefore, factors affecting the competitiveness of services should be different than those of goods (McKaig-Berliner, 2001:29). By adopting an integrated approach that analyzes resources, capabilities and knowledge of firms at the same time, this study conducts a qualitative research to find out specific factors affecting the competitiveness of an industry where intangible variables and knowledge are more important.

The Nature of Services and Professional Business Firms

Although services are highly heterogeneous and difficult to define in general terms, there are four fundamental attributes associated with services: Intangibility, inseparability, variability and perishability (Kotler, 2003:446-449). Services provided by restaurants, hotels, and air transportation have highly tangible components, but are clearly perishable. On the other hand, engineering design services including calculations and plans are tangible, storable, and reusable (Lowendahl, 2000:72). Services are generally classified as "people-based", such as management consulting, law services, advertising services, and "equipment based", such as airlines (Boddewyn, et. al, 1986: 46). The focus in this study is on **people-based professional services** that have been narrowed down to advertising sector.

Intangibility

Services are intangible; thus cannot be handled, smelled, tasted, heard, etc. The quality of a service is generally assessed from the customer point of view by looking at how well the service satisfies customer expectations and needs (Fernandez, 2001:6). Thus, establishing customer satisfaction and building long term relations with clients is vital for competitiveness of service firms. Professional service providers generally make several efforts to overcome the problems of intangibility and to establish a quality assurance, such as

emphasizing on building positive company reputation and long term relationships with customers and involving with promotional activities for their offers (Kotler, 2003:455).

Inseparability

The nature of services necessitates the presence of both sides of the exchange (producer and consumer) at the same time and in the same place (Fernandez, 2001:7). Kotler (2003:461) underlines the importance of the role of service providers that especially in entertainment and professional services, consumers may select the services just for their specific service providers (such as going for a specific pop star's concert, or working with a well known business consultant).

Fernandez (2001:14) notes that the combination of intangibility and the need for proximity between producer and client are two characteristics which greatly determine the entry mode of service firms to host countries. Thus, direct investments seem to be the most common way of internationalization of professional service firms since professional services are less tradable than goods and involves with high degree of customer interaction (McKaig Berliner, 2001:6). Several studies focusing on professional services and advertising industry in particular (Nachum, 1996:475; Terpstra & Yu, 1998:43) state that clients' international activities lead their service providers (advertising agencies) to follow them and start operating abroad as well.

Variability

Services have highly labor intensive production processes. Both inputs and outputs of service production may indicate differences and inconsistencies (Kotler, 2003:448). Thus, maintaining consistent quality is heavily dependent upon the quality of human resources. Since the quality of most services depends largely on the quality of the individuals who provide the services, "people costs" are a high component of service costs (Ochel, 2002:4). Managerial competence plays an important role for services. The selection, training and motivation of employees can add important value to customer satisfaction, thus human resources are important factor of competitive differentiation (Aharoni, 2000:130).

Perishability

Since services cannot be stored, there is a perishability problem and a lost of economic opportunity due to the unsold services (Kotler, 2003:449). For professional service firms, the problem of perishability is an important threat considering many finished but not sold projects and /or ideas, such as unsold advertising works, architectural projects, etc. According to Stumpf, Doh, & Clark (2002), professional service firms have two additional features. First, they are more project-oriented, take place over significant periods of time, and second, they involve extensive investigation and problem solving. Lowendahl (2000:20) states that professional services differ from just any service in terms of using "professionals who have higher education and following "professional norms or rules of conduct" when delivering services.

Theoretical Foundation

Recent studies (Barney, 2001; Ambastha & Momaya, 2004; Garelli, 2006; Lowendahl, 2000) suggest using a holistic approach that covers the assets, resources as well as abilities, skills, and potentials to define competitiveness. According to Garelli (2006, p.3) "**Competitiveness is the ability of a nation, company or individual to manage the totality of competencies to attain prosperity or profit**" The phrase of "**managing the totality of competencies**" implies that being competitive is related with what we have got inside as a nation, a company or a person. Garelli (2006:4) asserts that this definition combines all the drivers of prosperity and brings a holistic view to analyze competitiveness.

Firm level competitiveness indicates a firm's ability to design, produce and market products superior to those offered by its rivals where superiority can be defined by several factors, like price, quality, technological improvement, etc. (Depperu & Cerrato, 2005; 4). There are internal and external sources of competitiveness at firm level. Internal sources are those that depend upon the firm's own resources, assets and organizational capabilities and structure (Ambastha & Momaya, 2004; 48). The main approaches on internal level firm analysis fall into three categories; Resource-based view, Competence or Capability-based view and Knowledge-based view. According to resource-based view, the sources of competitiveness are those tangible and intangible resources that should be rare, inimitable, heterogeneous, imperfectly mobile, and durable (Barney, 1991; 100)

Competence or capability-based view emphasizes to focus on firm's business processes rather than on assets or resources (Freiling, 2004: 29). According to the competence-based scholars, organizational and managerial capabilities and core competencies are the most relevant indicators of a firm's competitive advantage. Knowledge-based view covers the importance of knowledge accumulation and knowledge management as a source of competitive advantage of firms. Human capital, investments on R&D, training, information flow in the organization and all other sources of knowledge are the primary resources of firms in competition. (Kaplan, 2001: 22).

By integrating the latest thinking of strategic management scholars with those of competitiveness which emphasize the use of both tangible and intangible factors in assessing the competitiveness of

firms (Garelli, 2006: 3), this study proposes that a firm's resources, capabilities and knowledge are interrelated and altogether have influences on its competitiveness which is the main driver of that firm's performance. Thus, the effects of firm resources (both tangible and intangible), organizational and managerial capabilities, and knowledge management on the competitiveness processes of firms should be examined concurrently.

Methodology

The research focuses on a single professional service sector: Advertising. Because the nature of advertising business requires a great deal of knowledge and skill intensive characteristics, an integrated analysis of the process of competitiveness within the context of the advertising sector might be more beneficial than any other professional service industries. Additionally, Turkish advertising sector has provided a fruitful ground for the analysis due to its rapid growth and the fierce competition among its firms in recent years (TAAA, 2008).

Basically, this study seeks to find answers to the following questions:

1. What are the impacts of a firm's tangible and intangible resources on its competitiveness while operating in a professional service industry? Which resources are more effective?
2. What are the effects of the organizational and managerial capabilities of a firm to its competitive advantages?
3. What is the role of knowledge management in generating competitive advantages for firms belonging to a highly sophisticated service industry like advertising?

Definition of Factors and Their Measures

In this study, firm's resources, capabilities and knowledge are referred as factors of competitiveness. There are several measures used for some factors to be able to define their effects on firm's performance. Firm resources are classified as tangible and intangible factors. In this study, tangible resources are identified as company age, company status, and human resources. The intangible resources for advertising agencies are defined as agency reputation and creativity. Because of the sensitivity of advertising agencies and hence unavailability of information on some subjects, such as capital investments, the level of technological investments, annual company turnover, or employee salaries, these factors were not included in the research.

Firm capabilities in this research are classified as organizational and managerial capabilities (Collis, 1994:145; Depperu & Cerrato, 2005:7; Van Den Bosch & Van Vijk, 2000:7). In this study, organizational capabilities of advertising agencies are evaluated by analyzing their employee involvements, their service quality, and their organizational structures. Managerial capabilities are examined also at three parts: Top managers' status and credibility, managerial knowledge, and managerial strategy. In this study, the top manager is seen as a senior executive who shapes the agency's competitive direction, and he/she may not be the most prominent figure of the agency.

Like many other professional business service firms, knowledge is the core resource for advertising industry; as both input and output. The effects of knowledge factor on the performances of the agencies will be assessed by analyzing the number of industries they have experience with, the type of knowledge used in the agency in general; tacit or codified, and the knowledge accumulation methods. Appendix lists all the factors and their measures in the study.

Research Design & Procedure

This research is constructed as a multi-case study and includes six case studies. The units of analysis were identified based on several criteria. First, they are selected among the members of the Turkish Advertising Agencies Association (TAAA). Second, only full-service advertising agencies (who are eligible to produce advertising solutions to be placed in the mass media) were included in the sample. One of the popular trade magazines in Turkish advertising industry, Mediacat provided a list of 50 successful agencies according to the amount of the advertisements produced (Mediacat, 2006). Three performance levels that are assumed to show the agencies' competitiveness were determined among these top 50 agencies. The agencies placed in the top ten are defined as the agencies with superior level performance, those ranked from 10th to 20th as moderate level, and those ranked lower than 20th are defined agencies with low performance. In each group, one national and one multinational advertising agency are selected in order to see if there is a variance

between the agencies at the same performance level regarding to their ownership status. Thereby, three multinational and three national agencies are included in the sample.

The analyses are made within the groups in which multinational agencies are compared within each other and national agencies are compared within each other by considering whether there are significant relationship between the factors and the agencies' performance levels. Hence, the differences between the multinational and national agencies according to the effects of the factors on their performance levels could be identified. The "significant" factors are identified as those which indicate a **linear relationship** among the performance levels, either positively or negatively. Those factors that have the same effects for all performance levels are identified as "insignificant factors" since they cannot indicate the variances among the performance levels that could be a source of competitive advantage. Those who are not applicable or do not exist for an agency group are called "irrelevant".

RESULTS

This qualitative study reveals important results to understand competitiveness of professional services. In the following part, the results will be discussed under the heading of each research question.

1. *What are the impacts of a firm's tangible and intangible resources on its competitiveness while operating in a professional service industry? Which resources are more effective?*

The results indicate that the uses of tangible resources change between the national and the multinational agencies. There is only one tangible factor that might have an influence on the competitiveness of both types of agencies: Age of employees. While there are more mature employees in successful multinational agencies, relatively younger employees are more observed when the performances of the national agencies increase. In both situations, company age could play a moderating role. Since those multinational agencies that have better performances are mature agencies, they may include many mature employees who have been working for long years in the same agency. On the other hand, it is usual for a younger national agency to prefer making investment on young people.

The findings of this qualitative study point out that the most significant tangible factors for the competitiveness of the multinational agencies could be company age, the number of years of multinational status and the multinational status. As the age of a company and the number of years under the multinational status increase, so does the performance of the multinational agency. Similarly, there are positive correlations between the nature of multinational status and level of performances that the whole ownership could be an important indicator for achieving success in a host country. It can be said that the whole multinational ownership enhancing the control of headquarters on subsidiaries may cause to a better performance.

Moreover, it is observed that the multinational agencies which have strong position globally have better performances. Thus, a strong multinational network seems to be an important factor for achieving a local success. In short, this study indicates that strong multinational networks are more likely to achieve superior performances in host countries if they make direct investments and get experienced in the market for a time period.

Large number of employees could also be a significant factor for competitiveness of the multinational agencies since successful multinational agencies in this study are large organizations. But, it does not mean that they rely on more human resources to accomplish their core tasks. They employ relatively larger staff for their administrative issues that could be related with their professional and institutionalized structures. The employee compensations given at the multinational agencies could also have an effect on the overall performance of the agencies.

There are three tangible factors specific for competitiveness of the national agencies: The size of the core employees in the agencies, the number of employees with international work experience, and the length of working hours. In order to be competitive, the national agencies in this study rely on more people to accomplish their core activities. Besides, they tend to acquire employees with international experiences to be internationally compatible. The national agencies tend to work in excessive hours to be able to catch their multinational counterparts and increase their competitive abilities.

It seems like that intangible resources are more effective than tangibles for the advertising agencies in this study since more intangible factors than tangibles are found to identify performance differences among the agencies. Whether they are national or multinational, the successful agencies have more top class clients with low turnover rates and more creative awards, and are heavily involved with promotional activities. It is understood that client relations could be one of the major issues for the competitiveness of the advertising agencies. The agencies who serve for the large client companies for long period of time can be found reputable and in turn could become more competitive. The agencies focus on creating strong brand image by applying promotional activities and gaining creative acknowledgments are more likely to show better performances in the market.

Specifically for the multinational agencies, the number of global clients could also be an important factor for their competitiveness. There is also one specific factor for the national agencies is that their founder's

credibility could also play an important role for their reputations, and in turn can have an impact on their competitiveness. Table 1 summarizes the tangible and intangible factors affecting the advertising agencies.

Table 1: Tangible and Intangible Factors Affecting the Competitiveness of the Advertising Agencies

Factors	Common	Multinational	National
Tangible	Age of employees	<ul style="list-style-type: none"> • Company age • Company status • Length of multinational status • Position of multinational network • Number of employees • Employee compensation 	<ul style="list-style-type: none"> • Rate of core employees • Working hours • The number of employees with International experience
Intangible	<ul style="list-style-type: none"> • Number of top clients • Rate of client turnover • Promotional activities • Creative acknowledgments 	The number of global clients	Founder's credibility

2. How do the organizational and managerial capabilities of a firm affect its competitive advantages?

This study shows that there are only two common organizational capabilities that might affect the competitiveness of the advertising agencies under the study: Service scope and the role of strategic planning service. The multinational agencies that have wide range of services have better performances contrary to the national agencies with superior performances which provide narrowed and specialized services. It could be said that the multinational agencies are able to compete with a wide range of services by using their holding company advantages, hence multinational status and the strength of the network increases the organizational capabilities of their subsidiaries. In response, the national agencies might have to offer a more specialized and focused service in order to increase their service quality and to be compatible with the multinational agencies. The strategic planning department in the advertising agencies plays an important role in their competitiveness if the agencies give adequate importance to this service and integrate it to the other core services.

It is observed that when the relations with suppliers are organized in a more professional way, the performance of the multinational agencies increases. It could also be said that the multinational agencies that have special tools and trademarks of their own could be more competitive. Thus, intellectual and technological know-how may alter the competitiveness of the advertising agencies. It is also important for the multinational agencies to have formal client audits and to build long term relations with the main clients. The only important organizational factor specific for the competitiveness of the national agencies in this study is communication system. The use of both intranet communication and face to face communication inside the organization may enhance the organizational capabilities and in turn the competitiveness of the national agencies.

This qualitative research indicates more managerial factors than the organizational factors that are common for the agencies under study. Thus, the managerial capabilities may be more important for the competitiveness of the advertising agencies. For example, when the recruitment strategies become more clear and the employment procedures become more comprehensive and detailed, the agencies show better performances. In addition, the agencies that provide more opportunity to young people to get experienced in their agencies could be more successful.

One of the most significant managerial capabilities for the agencies is their top managers' credibility. While the national agencies that work under the management of well-known, extroverted, and highly respected top managers have better performances, successful multinational networks invest on young and well-educated managers who show commitment and progress in their jobs. Therefore, recognition of top managers in the industry and their years of experience may not be very important for the multinational agencies. The role of top managers become more evident in national agencies since they are also owners, creative directors, and one of the workers at the same time. The management teams also play a fundamental role for the national agencies. They are often seen as the indicators of service quality at the national agencies.

Another important result of this study is that in both agency groups it is more important to gain the managers with better education and international experiences than those managers with long years of experience. Thus, the agencies prefer to work with internationally compatible, well-educated young managers instead of hiring well-experienced managers. For the multinational agencies, it could be related with their trust to the strong network resources and training programs that are used to improve abilities and knowledge of their managers; thereby they may tend to work with relatively young and less experienced managers in order to train them according to their needs. For the nationals, it could be related with the role of the top managers inside the agencies. Since they all are actively involved in their businesses, they may not need well-experienced managers around. Besides, they may tend to hire those skilled but less experienced managers to provide appropriate training (master-apprentice relationship) and to make an investment for the future. Table 2 lists the organizational and managerial factors affecting the advertising agencies.

Table 2. Organizational and Managerial Factors Affecting the Competitiveness of the Advertising Agencies

Factors	Common	Specific for Multinationals	Specific For Nationals
Organizational	<ul style="list-style-type: none"> • Service Scope • Strategic Planning Service 	<ul style="list-style-type: none"> • Supplier Relations • Tools and Trademarks • Long years of cooperation with main clients • Rules, procedures, norms • Network control 	Communication system
Managerial	<ul style="list-style-type: none"> • Top Manager's Credibility • Recruitment Strategies • Educational background of senior managers • International experience of senior managers • Program for New Talents 		

3. What is the role of knowledge management in generating competitive advantages for firms belong to a highly sophisticated service industry, like advertising?

There is a strong relation between the performances of the agencies and their interest on knowledge accumulation. Successful agencies are knowledge oriented organizations that they give particular attention to acquire important information and knowledge. This qualitative research also indicates that the agencies that have experienced in various industries have better performances.

For the multinational agencies specifically, the network is the central unit that disseminates the valuable business information and knowledge regularly while providing special in-house and online training programs and even assigning special consultants when deemed necessary. Successful multinational agencies also gain support from their group companies which are informing the agencies with the latest local developments. The information flow in the multinational agencies is managed mainly through intranet when the performances are getting higher. Thus, it could be related with the organizational structures of the agencies that encourage professionalism and institutionalism.

National agencies generate their own knowledge by using various resources to be compatible with those of multinationals. The national agency which has a superior performance has its own library that could be seen as an important competitive advantage for the agency. It is observed that the use of tacit knowledge increases in the national agencies when the performances are getting higher. Thus, the use of tacit knowledge in the service production and in the process of knowledge accumulation could be common characteristics of the national agencies. On the other hand, it is seen that the use of codified knowledge increases in the multinational agencies when their performances increase. Thus, codified knowledge seems to have an impact on the competitiveness of the multinational agencies. Table 3 presents the knowledge related factors affecting the advertising agencies.

Table 3. **Knowledge-related Factors Affecting the Competitiveness of the Advertising Agencies**

Factors	Common	Specific for Multinationals	Specific For Nationals
	The number of industries experienced	<ul style="list-style-type: none"> • Codified knowledge • Collaborations with other companies • Information flow-the use of intranet • Network resources 	Tacit knowledge Various resources

CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

The research has explored a number of important factors that seems to be important for the competitiveness of firms belong to professional service industry. The overall results emphasize that the intangible factors from tangibles and the managerial factors from organizational factors are more important. Management of the client portfolio seems to be one of the major issues for professional service firms in building their reputations. It is observed from the cases that successful firms are also those which strategically manage their reputations and involve with promotional activities for a long period.

In an industry where inputs and outputs are both intangible, the management of these intangible resources is a very delicate task. Although there are significant changes between the multinational and national firms about the role of their top managers, this study illuminates that knowledge and strategies employed by the senior managers could be important determinants of their competitiveness. As suggested by Lowendahl (2000:86), strategic management in professional service firms is more about management than tools, models and plans, rather it is about attracting the best professional resources, motivating and mobilizing them, putting them together in an optimal way, and retaining them. According to this research, key success factors related with managerial capabilities could be the concerns for management, recruitment, and development of people and the maintaining the close relations between them. When strategy in professional service firms is explicitly shared, agreed upon and known throughout the firm, the overall firm performances could enhance. The results also indicate the importance of senior management in professional business services; so that analyzing managerial knowledge separately from firm's knowledge seems to be a correct method. This result also supports Van Den Bosch and Van Vijk (2000:16-17) who point out the necessity to evaluate managerial knowledge apart from firm's general knowledge. When firms, regardless of their origins, enhance their knowledge by serving clients from various industries also strengthen their competitive abilities.

One of the main conclusions can be drawn from this qualitative study is that there are important differences between multinational and national firms in their use of factors affecting their competitive capabilities. Thus, some resources and capabilities and the use of knowledge may differ according to the origins of firms. It is observed that multinational status could be the major factor enhancing a subsidiary firm's competitive capabilities. Having a moderating role, multinationality has a paramount effect on firm's reputation, on its service quality and organizational structure, managerial capabilities, and on its knowledge system as whole. Thus, a tangible factor, firm status could shape all other resources and capabilities in a multinational firm. Moreover, it is seen that there are differences amongst the firms in accordance with their nature of origins; so that whole multinational ownership that enhances the control of headquarters on subsidiaries may cause to a better performance. Parallel to this, the use of codified knowledge enhances in the successful firms with increased procedures, reports, and in-house training.

On the other hand, national firms tend to depend on their own resources and competencies in competition. Therefore, as highlighted by this research, the founder and /or top manager play significant role in shaping the national firm's strategic, managerial, and organizational goals. Another reflection of this could be the high degree of interest for the development of human resources in national firms. It could be concluded that national firms try to build their know-how by investing on their human resources and by applying knowledge generating activities, and managing their teams more effectively. The use of tacit knowledge and the learning from master-apprentice relation can describe the basic characteristics of knowledge accumulation in national firms. It is also observed that productivity could be more important for national firms than multinationals since they have relatively poor financial structure. It may also explain why successful national firms rely more on their human resources to accomplish their task and hire relatively younger employees to be worked in excessive work hours.

This study should be evaluated as a "beginning" for the future firm-level studies involving with Turkish advertising sector. The competitiveness of Turkish advertising firms is a fruitful research area considering its

rapid growth, its multinational aspects, its highly fragmented structure, and its highly educated human resources. This study also suggests that managerial knowledge and the role of senior managers are important issues for professional service businesses and they may require further investigations. The researcher may also involve with human resources applications in professional service firms since human capital is the most important of all for these firms. Knowledge management in professional services, especially in those of knowledge-intensive firms certainly requires a detail investigation.

APPENDIX

1) Firm Resources

Tangible Resources

Company Age

The years of establishment; The years of multinational status

Company Status

Global status of the network; Single company or part of a group of companies; The number of strategic alliances and their positions

Human Resources

The number of people working in the agency and their distribution among departments; Working time; Employee compensation; Number of core directors; The average employee turnover rates in last 5 years; Employee's educational status; The number of people who have international work experience; The average age of employees; The gender of employees

Intangible Resources

Reputation

The number of memberships from the management in trade associations; The number of clients among the top 100 advertiser firms; The number of global brands; The rate of client turnover (last 5 years); Promotional activities in last 5 years; Having an informative web site; The number of times participating in sector organizations and events (i.e., Crystal Apple contests, being a trainer or being a panelist etc.

Creativity

The number of Turkish awards gained Crystal Apple, Effie, Kırmızı (last 5 years); The number of international awards gained (last 5 years)

2) Firm Capabilities

Organizational Capabilities

Employee Involvement

Formal performance evaluation methods; Types of rewards distributed; The investment made for training and development; The number of people and their roles attending to training courses, seminars, workshops, etc.; The frequency of in-house seminars and briefings, etc.; The relations of employees with the top manager; The frequency of companywide meetings; Other motivational practices

Quality Service

The number of services offered; Brands, trademarks, tools owned; The number of years of co-operation with the key customer (s); The number of years of co-operation with the oldest client (s); The frequency of formal client evaluation on agency performance; The client relations procedures; written and standardized form of a client and creative briefing, daily procedures in client relations; Relations with suppliers, type of selection for suppliers; The amount and type of outsourcing, if any.

Organizational Structure

Team structure & process; The existence of formal rules, norms and procedures; Type of communication system among the teams; The degree of control of headquarters or international partner; The degree of control of owners on management; The existence of strategic planning unit

Managerial Capabilities

Top Manager's Credibility & Status

Owner or Professional Manager; Participations to formal meetings, congress, etc.; Awards, and certificates gained; Other businesses involved; Being of a member of some trade associations; The years of experience in the industry; Educational background; Specific contribution of the top manager (Special client relation, recognitions at trade associations, etc)

Managerial Knowledge

The nature and usage of industrial and competitive data; Seminars, training courses attending for personal and professional development; The number and kinds of publications or other media followed on a regular basis; Senior management's experience, advanced educational level, international work experience.

Managerial Strategy

The existence of formal mission and vision statements; Explicitness in statements; The recruitment strategy applied; The number of attendance to advertising pitches, the number of acquired clients via pitch (last 5 years); Existence of a program for finding and training new talent; The existence of new business department

3) Firm's Knowledge

The kind and the amount and the frequency of information and knowledge transferred from international network;
The existence of any formal/informal collaboration with rivals and/or other companies; The number and kind of monitored materials; The information system used in whole organization, intranet or personal communication, etc.,
The number of industries experienced; The existence of any formal relations with universities or other academic institutions; The type of knowledge used; tacit or codified.

The Factors and Their Measures Used in the Research

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TO WHAT EXTENT IS COMPETITIVE INTELLIGENCE RECEIVED AT STRATEGIC OR TACTICAL LEVELS BY LARGE COMPANIES? EVIDENCE FROM TURKEY

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ABSTRACT

This study aims to find out whether the largest companies in Turkey see, organize, and manage competitive intelligence (CI) at strategic or tactical levels. Towards this end, a questionnaire was designed, and then conducted to the 32 executives from the top 500 companies in Turkey. Given the data collected, the largest Turkish firms are found to tend, in general, to see, organize, and manage CI activities at strategic level. This result supports the hypothesis that there is a positive correlation between the firm largeness and the CI treatment at strategic level. As an extension of this hypothesis, it is found that the more employee Turkish firms have the more they approach CI strategically. Yet, when the amount of cash turn-over is taken as a parameter of largeness, the result does not support the hypothesis.

Key Words: Competitive intelligence, strategic competitive intelligence and tactical competitive intelligence

INTRODUCTION

This study aims to find out that to what extent do large companies in Turkey see, organize, manage, and use competitive intelligence (CI) at strategic or tactical levels. No doubt, companies might well approach and utilize CI at both strategic and tactical levels at the same time. Yet, the aim of this study is to find out whether this is the case for the largest companies working in the Turkish national economy. In other words, the aim is to find out whether large companies use CI predominantly for strategic or tactical purposes.

In this study, CI refers to a managerial philosophy, and a tool used to help organizations manage and refine business information with the objective of making more effective business decisions (Goshal and Kim, 1986; Gilad and Gilad, 1986). The main assumption for the research is that managerial philosophy and attitudes toward CI has a direct influence on how CI activities should be organized and managed. Therefore, it is assumed that there are significant differences between the two approaches (strategic and tactical) to CI.

Competitive intelligence is a business philosophy and tool that can make a significant contribution to the management process at strategic and tactical levels. CI is formally defined by the Society of Competitive Intelligence Professionals as “a systematic and ethical program for gathering, analyzing and managing external information that can affect your company’s plans, decisions and operations” (www.scip.org). This is a quite broad definition of CI, which points out that it can be managed at both levels (strategic and tactical, and operational). Yet, there seems to be two dominating views in literature regarding the level at which CI should be managed: strategic and tactical. In other words, managers and academicians differ in recognizing CI as a critical component of the best strategic or tactical decisions. In this respect, the study attempts to determine the attitude towards, and understanding of, CI at strategic and tactical levels by the top 500 Turkish companies.

For the purpose of this study, a questionnaire was designed, based on the literature review. Then the data, collected from a sample of 32 among the top 500 companies in Turkey, analyzed and reported. The findings of the study could be of value to both practitioners and academicians, because they reveal the relationship

between top managers' philosophy of the largest companies and the resultant practices of CI activity. To our best knowledge, there has not yet been conducted such a research.

Towards this end, the paper, first, elaborate the concepts of competitive intelligence, strategic intelligence and tactical intelligence, and then develops hypotheses accordingly for this research. Subsequent sections are to be followed by a presentation of methods and testing concerns. Finally, findings are reported and discussed, followed by conclusions and prospects for future research.

Competitive Intelligence

In literature, the concepts of competitive intelligence and competitor intelligence are often used interchangeably. However, they are not the same. Competitor intelligence can be defined as those activities by which a company determines and understands its industry, identifies and understands its competitors, determines and understands their strengths and weaknesses, and anticipates their moves (Lendrevie and Lindon, 1990). Competitive Intelligence (CI), on the other hand, extends the role to include consideration of competitor responses to customer/consumer needs and perceptions and one's own responses in the strategic decision-making process. According to Lendrevie and Lindon (1990), determination of consumers' needs is the first step of competitive intelligence, followed by the recognition of competitors' strengths and weaknesses, assessment of likely activity and finally the identification of the company's own strengths and weaknesses. The steps are surely, interrelated and define a never-ending process. While there may be arguments concerning the distinctions between competitor intelligence and competitive intelligence, and their roles in competitive strategy as described above, it is generally agreed that CI is a more all-embracing term incorporating a wider range of activity (Wright, et al., 2002). As Lauginie et al. (1994, p. 23) argue that Competitor Intelligence is not Competitive Intelligence but only a part of it. In this respect, the scope of Competitive Intelligence can be seen as a value-added conception that associates Competitor Intelligence and Strategic Planning.

The objectives of CI are to manage and reduce risk, make knowledge profitable, avoid information overload, ensure privacy and security of information, and use corporate information strategically (Myburgh 2004). In essence, CI helps strategists to understand the forces that influence the business environment and, more importantly, to develop appropriate plans to compete successfully (McGonagle, Vella, 2002). Because of this critical impact on business decisions and on shaping company strategy, CI should be an important responsibility of top management (Wee Tan Tsu, 2001). Further, Guimaraes (2000) argues that a company can improve its competitive edge and its overall performance by applying an effective CI program, and thereby satisfies two vital goals for its survival.

Firms of all types usually possess some method for gathering information on competitors and the external business environment, even if it is an informal process (Groom, David, 2001). Yet, as CI is costly and appropriate only for major decisions, and competitive analysis is only necessary in highly competitive environments (Smith, Smith, Prescott, 1987), we expect that big companies not only need competitive intelligence but also afford to manage it formally. Therefore, in this study, we aim to determine the degree of the differences among the top 500 companies in Turkey alongside the dimensions of attitude, method, organization, and management from a strategic or tactical point of view. The working assumption for the research is that to be able to big enough to afford CI activities has a direct influence on how CI activities should be organized and managed strategically or tactically.

What are the Differences between Strategic and Tactical approaches to CI?

Although CI is often considered in the literature as a strategic philosophy and tool to help managing external competitive forces (rivals, customers, new trends and developments, etc.) as pointed out above, in practice companies do not always approach CI at strategic level. In fact, approaching CI in a strategic manner may not be the case even for the large companies, for which we may have high expectancy to do so. Therefore, it should not be taken as given that large companies has a strategic view of and practice in CI.

In order to investigate whether large companies approach CI strategically or tactically, we have to make clear what we mean strategic and tactical competitive intelligence. In this respect, in what follows we first introduce and discuss strategic-oriented and tactical-oriented competitive intelligence respectively, and then point out the differences between them.

Strategic Competitive Intelligence (SI)

At strategic level, CI is used to identify opportunities/threats in the industry and to aid effective strategic decision making. At both managerial and operational levels, staffs are aware of critical success factors and their attendant CI requirements. Continuous, legal measures are used to track competitors, simulate their strengths and weaknesses, build scenarios, and plan effective counter-attacks. Decision-makers are involved in a high number of "what-if?" discussions to which CI data are applied. Contingency planning and counter-intelligence are parts of normal strategic thinking. Action plans are implemented and competitor reaction monitored. Mistakes are seized upon as learning rather than firing opportunities. Open management culture facilitate to display trust and to encourage involvement. Tactical plans and strategy are developed in conjunction. (Wright, et al., 2002).

Strategic Intelligence (SI) is considered to help strategists understand the forces that influence the business environment and, more importantly, to develop appropriate plans to compete successfully (McGonagle and Vella, 2002), to determine, defend, and improve their industry positions (Porter, 1980). Managers adopt CI strategies in order to acquire competitive advantage. For example, Porter (1980, p.71-74) recognizes the need for a "competitor intelligence system" at companies and for a CI system that encompasses several processes, including gathering information, compiling, cataloging, analyzing, and communicating the analysis to the company's decision makers and strategy formulators. From this view, the intent of CI is to better understand customers, regulators, competitors and so forth to create new opportunities and forecast changes in the quest for sustainable competitive advantage (Wright and Calof, 2006).

CI is utilized in support of strategic decision making. Thus, the SI helps providing information regarding competitive, economic, legal, and political environments in which an organization and its competitors operate now and in the future. It also may involve developing CI on candidates for potential mergers and acquisitions as well as for alliances and partnerships. Most CI practiced in the 1980s and early 1990s, including most of what fell into the category known then as "business intelligence", can be considered as strategy-focused CI (Mc Gonagle and Vella, 2002).

SI can be seen as the ability of a firm to collect and interpret cues, and to develop appropriate strategies for addressing the future impact of these cues. This unique intelligence includes timing, instinct, political savvy, curiosity, flexibility, expertise to simplify *fitability* and imagination. SI starts with a sense of timing and understanding of circumstances as well as measured reactions to situations as they actually exist, not as we wish them to be. SI is about using a realistic situational understanding to develop a strategy that is appropriate, and fits, but most importantly one that works (Service, 2006).

Investment in a SI system offers the following several benefits: (1) it provides an important input into the strategic decision-making process; (2) It creates a strategic vision, which serves as a stimulus to all aspects of the business' operation; (3) *in comparing competing products and services, strategies and/or practices may be modified or created to keep up with or stay ahead of competitors*; (4) It represents a form of organizational exercise to keep an organization fit; and (5) It represents a form of training that makes the organization more analytical and responsive to change (Attanasio, 1988; Herring, 1988; McGaughey, 1988). Strategic decision makers can use TI to help understand a number of strategic issues and decisions, including (Culver, 2006): (1) new product development decisions, (2) investments in key current products or services, (3) major investments in technology, professional services and outsourcing, (3) merger/acquisition decisions, (4) divestment decisions.

Tactical Competitive Intelligence (TI)

TI can be defined as information and analysis about competitors that can support the daily operations of a company. Its purpose is to use a team's understanding of competitor operations-from product development to supply chain to sales tactics - to advance specific operational objectives. Clearly, knowing the leading practices and tactical plans of competitors can help managers improve a company's day-to-day operations. However, it is less commonly recognized that corporate leaders can tap streams of tactical intelligence to inform strategic decision making better. At leading companies, TI contributes to SI, which in its turn gives strategists a better view of external factors that can affect their companies' current performance and long-term planning (Culver, 2006).

TI is seen as a way to react to external stimuli rather than to develop long-term, unchangeable organizational strategic positions (Persidis, 2003). In other words, it is argued that due to the fact that firms operate within a rapid changing business climate created by advances in technologies, economic and social changes, and fast-

shortening product life cycles (i.e., within a hyper-competition, Chakravathy, 1997; D'Aveni, 1994), managers value TI to develop tactics to maneuver within and between industries. TI helps, in this sense, developing tactical maneuvers to gain a series of temporary advantages. Since in these highly changeable environments there seem to be no sustainable sources of competitive advantage to cling to. In this hypercompetitive climate, firms strive for leveraging their maneuvering capacity by managing the TI process.

The focus on tactical use of CI suggests that in general, few companies are taking a longer-term strategic view of CI. It points out the need to resort to CI as task-specific, giving CI a reactive connotation rather than a proactive one, whereas the strategic view sees the benefit of CI long term, and seeks to integrate CI into the process of strategic decision-making. In the strategic respect, competitive intelligence can be considered a subset of environmental scanning, which is a broader topic that involves scanning for economic, political, and social trends extending beyond the immediate competitive environment (Wright, Pickton and Callow, 2002).

TI is developed on current activities and near-term plans identifiable in the marketplace. Actually, TI is the child of the computer age's support for the detailed analysis of retail consumer goods sales. It encompasses much of what has previously been called "market" or "sales-and-marketing" intelligence. Firms are increasingly tracking what is going on "in the trenches" , where competitors face off for customers and consumers with tactics-oriented CI. In turn, according to a Competitive Intelligence Review article by John Cain, this type of CI permits organizations to fine-tune marketing efforts, including field-force support, to respond faster (McGonagle and Vella, 2002). Firms, which use CI at tactical level mostly, value tactical measures such as price changes, promotional effort.

Differences between Strategic and Tactical Competitive Intelligence in Practice

In more concrete terms, viewing CI as a strategic or tactical philosophy and tool brings out significant differences in practice. Some of them can be pointed out as follows:

- In strategic management oriented companies, there is a high level of awareness and culture of CI in terms of enhancing competitiveness, whereas in tactical oriented ones there is a low level of awareness and culture of CI.
- The responsibility for CI is more a top management issue in strategic management oriented companies than it is in tactical oriented ones and leads to less or no top management involvement.
- Where CI is seen at strategic level more full- and part-time staff are involved in CI-activity than where it is seen at tactical level. In strategic management oriented companies CI is a fulltime continuous activity and requires staff to be dedicated to, whereas in tactical oriented ones CI activity is part time.
- In strategic management oriented companies, CI-activities are usually organized in a separate department or unit, intending long-term commitment to CI, whereas tactical oriented companies have no formal CI department, unit or function.
- The strategic intent of CI considers a broad environmental scanning that involves such political and social trends as customers, regulators, competitors and so forth to create new opportunities and forecast changes in the quest for sustainable competitive advantage. The tactical approach sees CI mostly as the basis for specific marketing actions (i.e. improving speed to market), rather than bringing to light business opportunities and problems that will enable proactive strategies.
- Tactically oriented companies tended to view CI as more or less an extension of the sales and marketing functions (departmental level), and feel that the marketing department should have the responsibility of looking over CI activities. Strategically oriented companies usually organize CI activity in a separate department to provide information on several aspects of competitors' activities, including human resource practices, sales, marketing, strategy, and research and development.
- While companies viewing CI activity as strategic try to set trends (trend-setters or innovators), those see it as tactical try to copy them (trend-followers or imitators)
- In strategic management oriented companies, there is formal education in CI through in-house training programs and training at specialist training institutions to improve CI skills level. Tactical oriented companies lack formal education in CI and there is low or no particular concern on skill development among employees.
- Strategically oriented companies try to gather information from various sources, whereas tactically oriented ones rely more upon the internet and publicly available publications as sources of information.

Hypotheses

Firms of all types usually possess some method for gathering information on competitors and the external business environment, even if it is an informal process (Groom, David, 2001). Yet, due to the fact that CI is costly and appropriate only for major decisions, and competitive analysis is only necessary in highly competitive environments (Smith, Smith, Prescott, 1987), we expect that large companies not only need competitive intelligence but also afford to manage it formally. Therefore, in this study, we aim to determine the degree of the differences among the top 500 companies in Turkey alongside the dimensions of attitude, method, organization, and management from a strategic or tactical point of view. The working assumption for the research is that to be able to big enough to afford CI activities has a direct influence on how CI activities should be organized and managed strategically or tactically:

***Hypotheses 1:** Competitive intelligence activities in the largest Turkish firms are more strategic level than tactical level.*

***Hypotheses 2:** The more employee Turkish firms have, the more strategic level they use competitive intelligence.*

***Hypotheses 3:** The more amounts of turn-over cash Turkish firms have, the more strategic level they use competitive intelligence.*

Research Method

Sample

The sample for the study was derived from the database of the Istanbul Chamber of Industry's 500 largest Turkish manufacturing firms, which is the universe of the study. These firms were chosen for the study as they are the companies having more professional and stable management.

In this study, as a data gathering technique, questionnaire was used. The survey questionnaire was e-mailed to the CEO of each company. 32 usable questionnaires were returned.

Respondents

Respondents' data are summarized in the Table 1.

Table 1. Demographic Characteristic of Respondent Sample

Respondents Identity					
	n	%		n	%
Management Experience			Years with Company		
0- 5	11	34,4	0- 5	9	28,1
6- 10	8	25,0	6- 10	8	25,0
11- 15	7	21,9	11- 15	7	21,9
16- 20	2	6,3	16- 20	2	6,3
21- 25	4	12,5	21- 25	5	15,6
26 and ↑	0	0	26 and ↑	1	3,1
Total	32	100,0	Total	32	100,0
Education			Age		
Bachelor's Degree	21	65,6	25- 29	6	18,8
Master' s Degree	11	34,4	30- 34	5	15,6
PhD	0	0	35- 39	7	21,9
Total	32	100,0	40- 44	3	9,4
Level in Company			45- 49		
Top	2	6,3	50 and ↑	4	12,5
Middle	17	53,1	Total	32	100,0
Level	13	40,6	Working Department		
Total	32	100,0	Marketing	17	53,1
Role in Company			Selling	8	25,0
Competitive Intelligence Expert	0	0	Accounting	4	12,5
Other	32	100,0	Investment Relations	3	9,4
Total	32	100,0	Total	32	100,0
Company Identity					
Employee Number			Annual Turnover in YTL		

0- 1.000	6	18,8	0- 1.000.000.000	2	6,3
1.001- 2.000	4	12,5	1.000.000.001- 2.000.000.000	10	31,3
2.001- 3.000	9	28,1	2.000.000.001- 3.000.000.000	7	21,9
3.001- 4.000	7	21,9	3.000.000.001- 4.000.000.000	8	25,0
4.001 and ↑	6	18,8	4.000.000.001 and ↑	5	15,6
Total	32	100,0	Total	32	100,0
Sector			Reasons for not having a CI unit		
<i>Automotive</i>	5	15,6	Add cost	6	18,8
<i>Iron- steel</i>	11	34,4	Lack of knowledge on CI	13	40,6
<i>Furniture</i>	2	6,3	Lack of capability personnel	4	12,5
<i>Metal except iron</i>	3	9,4	Turkish market is unprepared	4	12,5
<i>Household appliances</i>	6	18,8	Not supported by Top management	2	6,3
<i>Energy</i>	5	15,6	Not given useful results	3	9,4
Total	32	100,0	Total	32	100,0

As shown in the Table 1, participants' management experience and years with company are approximately 11- 15 years. *Mean of participants' age is 35*. None of them has worked as a CI expert, and they have been involved in marketing, selling, accounting and investment activities.

In addition, in the Table 1, the firms in question have about 3500 employees. Mean of annual turnover is about 2,5 billion YTL. The firms work in iron steel, household appliances, automotive, metal except iron and furniture sectors. Those firms which reported not having a CI unit usually lack of knowledge about CI and are unable to afford its costs.

Findings

While 17 (53.1%) of the firms responding to the questionnaire seem to carry out competitive intelligence activities at strategic level, the rest of (15; 46.9%) them do it at tactical level.

17.6% of the firms executing competitive intelligence activities at strategic level are from automotive sector, 41.2% are from iron and steel sector, 11.8% are from furniture sector, 5.9% are from non-iron metal sector, 11.8% are from household goods sector, and 11.8% are from energy sector. 13.3% of the firms conducting competitive intelligence activities at tactical level are from automotive, 26.7% are from iron and steel sector, 13.3% are from non-iron metal sector, 26.7% are from household goods sector and 20.0% are from energy sector.

When asked the reason why the firms participating in the survey do not have a special department for competitive intelligence activities, the following results are found: 23.5% of the firms conducting competitive intelligence activities at strategic level do not have a special department due to its cost-increasing effects, 35.3% of them do not have due to lack of information about competitive intelligence activities; 17.6% of them do not have due to lack of specialists on the issue; 17.6% do not have as they think that the national market is not ready for such activities and 5.9% of them do not have as they can not get the support of the top management. When it comes to the firms conducting competitive intelligence activities at tactical level, they reported the same reasons with different percentages: 13.3% of them do not have a special department to conduct competitive intelligence activities as they think it is a cost-increasing factor; 46.7% think that there is a lack of relevant information; 6.7% due to lack of specialists; 6.7% as the national market is not ready; 6.7% as these activities are not supported by the top management and 9.4% as they think that nothing can be achieved from such activities.

Competitive intelligence philosophy and practice of the sample are shown in the Table 2.

Table 2: Competitive intelligence characteristics of the sample		
Characteristics	n	%
1. Please indicate which statement describes most your company's attitude to competitive intelligence.		
a) In our company managers are very well aware of the key role of competitive intelligence in enhancing competitiveness, and in gaining and sustaining competitive advantage over rivals.	8	25,0

b) In our company managers see competitive intelligence as a way of getting information about rivals' possible price, advertisement, promotion etc. maneuvers, and responding to them as quickly as possible.	24	75,0
2. At which level of management are competitive intelligent activities organized and managed in your company?		
a) The responsibility of competitive intelligence is a top management issue in our company, and therefore top managers participate, support and contribute to the CI activities.	11	34,4
b) The responsibility of competitive intelligence is a middle or lower management issue in our company, and is organized and managed by them.	21	65,6
3. What kind of staff is involved in CI-activity in your company?		
a) We have full- and part-time staff dedicated to CI activities since it is a continuous activity in our company.	24	75,0
b) We do not have full-time staff dedicated to CI activities, but whenever we need to carry out competitive intelligence activities, we employ them at a part-time basis.	8	25,0
4. How do you organize CI activities?		
a) We organize CI activities in a separate department or unit.	0	0
b) We do not have a formal CI department or unit.	32	100,0
5. For what purposes do you mainly make use of information gathered from competitive intelligence?		
a) To create new opportunities and forecast changes in the quest for sustainable competitive advantage.	17	53,1
b) To use for specific marketing actions (sales, improving speed to market, etc.)	15	46,9
6. Which aspects of competitors' activities are most important for you to gather competitive intelligence you need?		
a) We try to gather information on several aspects of competitors' activities such as human resource practices, sales, marketing, strategy, research and development.	21	65,6
b) We try generally to gather information about competitors' sales and marketing activities.	11	34,4
7. What kind of benefits you expect to get from CI activities?		
a) They help us being trend setter and innovator.	24	75,0
b) They help us following new trends and imitating our rivals.	8	25,0
8. How do you train your staff for CI activities?		
a) We have formal education in CI through in-house programs and training at specialist training institutions to improve CI skills level of our employees.	15	46,9
b) We don't have formal education in CI.	17	53,1
9. From which sources do you gather information for competitive intelligence activities?		
a) We try to gather information from various sources such as customers, employees working for competitors, festivals etc.	29	90,6
b) We rely in general upon the internet and publicly available publications as sources of information.	3	9,4

According to the Table 2 about CI activities in Turkish firms, the findings are as follows:

- 75% of the firms participating in the survey describe the reason why they conduct competitive intelligence activities at tactical level as follows: "management in our organization use competitive information gathering activities for being informed about our rivals' possible price, advertisement, promotion and similar maneuvers"; and 25% of them state "management in our firm is aware that to gain competitive advantage and make it sustainable, competitive intelligence is of critical importance".
- 65.6% of the participants state that CI activities are organized and managed by low- or middle-management, and 34.4% of them report that CI is conducted by top management in their companies.
- While 75% of the participants employ full or part-time staff for CI activities, 25% of them hire employees when they need to carry out CI activities.

- None of the 32 companies from the top 500 has a spare department for carrying out competitive intelligence activities.
- 53.1% of the participants reported that they use the information collected from competitive intelligence activities to identify possible opportunities and threats and to predict possible future changes. The rest of them (46.9%) reported that they make use of the information in managing marketing and sale-related issues.
- 65.6% of the participants state that they collect information about such rivals' activities as human resources, marketing, sales, research and development, 34.4% of them state that they only gather information about their rivals' marketing and sales activities.
- While 75% of the participants conduct competitive intelligence activities to set new trends and develop innovations, 25% of them conduct such activities to follow trends and imitate rivals.
- 46.9% of the participants reported that they provide both in-house training programs and training at specialist training institutions. %53.1% of them, on the other hand, state that they do not provide any formal education to develop employees' skill in CI.
- While 90.6% of the participants use sophisticated techniques to gather information (from customers, employees of rival companies, fairs, etc.), 9.4% of them use only internet or publicly available publications as sources of information.

Although there is not strong evidence showing that firms generally conduct their competitive intelligence activities at strategic level, there seems to be a general tendency to do so. It can be argued that the largest companies in Turkey try to take *ideally* competitive intelligence issues up at strategic level, but *practically* at tactical level. When they are asked about their purpose for and attitude towards CI activities, they seem, in general to approach it strategically. However, when they are asked whether they organize and manage CI activities in a separate department or unit, none of them report that they have formally specialized design in their companies. This seems mainly because of, as they report, extra costs they must incur, and secondly, of lack of relevant information required to do so.

Therefore, the “**Hypotheses 1:** *Competitive intelligence activities in Turkish firms are more strategic level than tactical level*” is supported.

When we divide the Turkish companies into strategic- and tactic-oriented groups, and then *crosstabs* between their orientation and the number of staff (Table 3), and between their orientation and annual turnover (Table 4), the results are as follows:

Working Personnel	CI Level		Total
	Strategic	Tactic	
0- 1.000	2	4	6
1.001- 2.000	2	2	4
2.001- 3.000	3	6	9
3.001- 4.000	5	2	7
4.001 and ↑	5	1	6
Total	17	15	32

Annual Turnover (YTL)	CI Level		Total
	Strategic	Tactic	
0- 1.000.000.000	2	0	2
1.000.000.001- 2.000.000.000	6	4	10
2.000.000.001- 3.000.000.000	2	5	7
3.000.000.001- 4.000.000.000	5	3	8
4.000.000.001 and ↑	2	3	5
Total	17	15	32

According to the findings shown in the Table 3, “**Hypotheses 2:** *The more employees Turkish firms have the more strategic level they use competitive intelligence*” is supported. This implies that there is a relationship between the number of employees as a sign of largeness and managerial philosophy as a tendency towards managing CI activities strategically. This is what we expected since we assumed that large-size firms need to

manage CI more strategically than medium- and small-size firms do. Yet, when the amount of turn-over taken as a sign of largeness, we have not found a relationship with the firms' approaches to CI strategically. Therefore, the "**Hypotheses 3: The more amounts of turn-over cash Turkish firms have the more strategic level they use competitive intelligence**" is not supported by the data collected.

Conclusions

This study aims to find out that to what extent do large companies in Turkey see, organize, manage, and use competitive intelligence (CI) at strategic or tactical levels. Towards this end, the data was collected via a questionnaire from a sample of 32 among the top 500 companies in Turkey.

According to the findings, CI activities in largest Turkish firm are, in general, carried out at strategic level; the more employees Turkish firms have the more they approach competitive intelligence strategically. Although they tend to take CI issues up more strategically than tactically, it seems they do not organize CI activities at strategic level in practice as much as in contemplation. When considered at strategic level, CI activities were expected to be organized in a separate department or unit, as the literature points out. However, none of the 32 from the top 500 largest Turkish companies reported that they have a formal CI department or unit. The reason given for this is mainly the extra costs it incurs.

Finally, it should be pointed out that this study should be seen as an initial endeavor. What is needed is from now on more sophisticated surveys that take sectoral, cultural, and functional differences into account, as the literature points out.

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IS IT POSSIBLE TO MAKE COMPETITION IRRELEVANT?

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ABSTRACT

Strategy is an important subject for companies in order to exist and survive. Companies need to determine strategies to be effective and efficient, to gain competitive advantage and achieve their goals. It is known that strategy influenced from its military roots so that commonly it is defined as beating the competition, gaining competitive advantage against competitors. But with the effect of alteration in every field of life new strategies come a live for companies competition way, too. In early literature the new competition way is “Blue Ocean Strategy”. Blue Ocean Strategy is developed by W. Chan Kim and Renée Mauborgne. Before they wrote a book about this in 2005 they were calling this as “Value Innovation” in their former articles. The cornerstone of Blue Ocean Strategy is value innovation. But the meaning of value innovation doesn’t refer only “value” or only “innovation”. It refers being beyond the innovation. It must contain both differentiation and low cost. According to these arguments the aim of this paper is proposed as explain Blue Ocean Strategy and identify its difference from Red Ocean Strategy. Also, the applicability and importance of Blue Ocean Strategy for companies will be argued in content of this paper.

Key Words: *Strategy, Competition, Blue Ocean Strategy*

INTRODUCTION

Companies are in an unmerciful survival fight and they are even satisfied to have one cent profits to keep their market shares. At the present time, this mortal competition does not make more profit in domestic and also international markets.

For twenty-five years, competition has been at the heart of corporate strategy. Today, one can hardly speak of strategy without involving the language of competition: competitive strategy, competitive benchmarking, building competitive advantages, and beating the competition. Such focus on the competition traces back to corporate strategy’s roots in military strategy (Kim and Mauborgne, 2005: 105).

Historically, a dominant business strategy has been competition among companies based on how to gain the largest share of market space. However, intense competition has caused industry to be oversupplied, and increased market share does not always lead to increases in profit. Under the circumstances, a fast follower strategy is hardly effective, and a new growth engine is seldom found. The Blue Ocean strategy is “a consistent pattern of strategic thinking behind the creation of new markets and industries where demand is created rather than fought for and the rule of competition is irrelevant”. Therefore, the Blue Ocean strategy provides companies with guidelines on how to escape from intense competition over the same market space—where there are limited customers with an increasing number of competitors—by creating a new market space where there is less competition if any (Kim, Yang and Kim, 2006: 522).

According to Sushil (2006) the “Blue Ocean Strategy” is a radical change strategy that creates discontinuities and thereby could be applied rarely in the life time of an enterprise. It deals with four actions, i.e. reduce, raise, eliminate and create. All these actions have an orientation towards change; the “reduce” and “raise” actions connote mild change whereas “eliminate” and “create” signify radical change.

Based on these situations, this study will try to identify this new strategy. This study not only aims to fill an important gap in the literature, but also aims to show the Blue Ocean practices that companies have focused on in recent years.

What is Blue Ocean Strategy?

While developing strategy, scholars and companies focus on competition and competitive advantage. These factors are of course important for them but they ignore two important component; “*Developing Blue Oceans*” and “*Exploiting and protecting Blue Oceans*”.

The Blue Ocean Strategy is built in 2005 a new marketing approach in the world. The strategy has been revealed by two professors, Kim and Mauborgne, in a Blue Ocean Strategy Book. The strategy offers retrospective examples of how successful business captured uncontested market space, and thereby made competition irrelevant.

According to Kim and Mauborgne (2005), the economic reasons that compel companies to innovate are; excess of supply over demand in most industries, the loss of niche markets, reduction in tariff barriers as a result of globalization, dismantling of monopolies and the changes in the demography of the developed markets. Because of these reasons it has become necessary to move away from using the company and/or the industry as the fundamental unit of analysis. According to authors the new unit of analysis is “strategic move” which can be defined as a set of managerial actions and decisions involved in making a major market creating business offering. It is important for companies because they rise and fall based on the strategic moves that are made.

Companies have long engaged in head-to-head competition in search of sustained, profitable growth. They have fought for competitive advantage, battled over market share, and struggled for differentiation. One of today’s most frequently discussed topic in the business world is how to escape from the intense Red Ocean and how to create an uncontested Blue Ocean (Kim, Yang and Kim, 2006: 522).

Blue Ocean is defined as, deep fresh water without any boundaries and restrictions. In business management terms, a new virgin market where there is;
(www.dyutita.blogspot.com)

- no restriction,
- no boundary limit,
- no competition.

In Blue Ocean Strategy, either you create new market, new industry (which happens with great innovation & inventions) or create Blue Ocean in existing Red Ocean by crossing the boundaries of industry. According to Kim and Mauborgne (2005) imagine a market universe composed of two sorts of Oceans: Red Oceans and Blue Oceans. Red Oceans represent all the industries in existence today. This is the known market space. Blue Oceans denote all the industries not in existence today. This is the unknown market space. In the Red Oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here companies try to outperform their rivals to grab a greater share of existing demand. The dominant focus of strategy work over the past twenty-five years has been on competition-based Red Ocean strategies. As the market space of Red Oceans gets crowded, prospects for profits and growth are reduced. Products become commodities, and cut-throat competition turns the Red Ocean bloody. Hence is used the term “Red” Oceans.

Blue Oceans, in contrast, are defined by untapped market space, demand creation, and the opportunity for highly profitable growth. Although some Blue Oceans are created well beyond existing industry boundaries. In Blue Oceans, competition is irrelevant because the rules of the game are waiting to be set. The term “Blue Ocean” is an analogy to describe the wider potential of market space that is vast, deep, and not yet explored (Kim and Mauborgne, 2005: 106).

Companies break out of the Red Ocean of bloody competition by creating uncontested market space in the Blue Ocean that makes the competition irrelevant. Red Ocean Strategy focuses on existing customers, and has the following traits (Layton, 2005: 58);

- Compete in existing market space
- Beat the competition
- Exploit existing demand
- Make the value-cost trade-off
- Align the whole system of a firm’s activities with its strategic choice of differentiation or low cost.

Blue Ocean Strategy focuses on non-customers and demonstrates these traits (Layton; 2005: 58);

- Create uncontested market space
- Make the competition irrelevant
- Create and capture new demand
- Break the value-cost trade-off
- Align the whole system of a firm's activities with its strategic choice of differentiation and low cost.

It always be important to navigate successfully in the Red Ocean by outcompeting rivals. Red Oceans will always be a fact of business life. However, with supply exceeding demand in more industries, competing for a share of contracting markets, while necessary, will not be sufficient to sustain high performance. Companies need to go beyond competing in established industries. To seize new profit and growth opportunities, they also need to create Blue Oceans (Kim and Mauborgne, 2005: 106).

What Is The Differences Between Traditional Marketing Strategies and Blue Ocean?

The differences between traditional marketing strategies and Blue Ocean can be classified in three groups which are customers, competition and company (Ned, 2007).

In terms of customers, Blue Ocean Strategy is similar to marketing strategy in that both aim to assemble products or services that can satisfy the target consumers. The difference is that traditional marketing strategy looks at existing demand and satisfying current customers, while Blue Ocean Strategy is not competition-based, and it looks at non-customers and captures new demand in an uncontested market space.

In terms of competition, both traditional marketing strategy and Blue Ocean Strategy need to compete, however, traditional marketing strategy aims to beat existing competition by gaining market shares while Blue Ocean Strategy tries to create new value to make existing competition irrelevant.

In terms of company, traditional marketing looks at incremental improvement in revenue and profit, while Blue Ocean Strategy looks at a giant leap of value, thus giant leap in revenue and profit growth. Also, profit-wise, traditional marketing strategy seldom looks at how to reduce cost while Blue Ocean Strategy is both differentiation and cost-based. Thus, while the whole system of an organization's activities in traditional marketing strategy is aligned with differentiation; Blue Ocean Strategy is aligned with both differentiation and low cost simultaneously.

Kim and Mauborgne says that (2005) traditional firms define their industry similarly and focus on being the best within it, they look at their industries through the lens of generally accepted strategic groups and strive to stand out in the strategic group they play in, they focus on the same buyer group, they define the scope of the products and services offered by their industry similarly, they accept their industry's functional or emotional orientation, they focus on the same point in time and often on current competitive threats in formulating strategy.

The Relationship Between Blue Ocean Strategy and Value Innovation

To win in the future, companies must stop competing with each other by the traditional way. Instead, a change in paradigm is needed the only way to beat the competition is to stop trying to beat the competition. This is done by creating a leap in value for buyers and the firm, thereby opening up new and uncontested market by aligning innovation with utility, price, and cost positions. Blue Oceans are thus created in a sustainable manner by simultaneously driving costs down while driving value and differentiation up for the buyers.

Value innovation or strategic innovation has been suggested by management scholars as a key variable underpinning the creation of competitive advantage and superior customer value (Baden-Fuller and Pitt, 1996). The aim is the creation of new market space enabling companies "out-competencing" rather than "out-performing" competitors (Pitt and Clarke, 1999).

Value innovation is more important than ever, given the “high velocity playing field” provoked by globalization forces. According to Matthysens and his colleagues (2007) the only way to escape cut-throat competition and sustain competitive advantage is through launching new value concepts and continuously re-invent the way customer value is created and delivered.

The industrial marketing as well as the strategic management literature stresses the importance of “value innovation” in order to create/sustain competitive advantage and to rejuvenate the organization (Matthysens, Vandembemt and Berghman, 2006: 751).

The concept of value innovation, which places equal emphasis on both value and innovation, is the cornerstone of Blue Ocean Strategy. Value innovation’s strategic concept core is the consumer demand, but is not the competitor (Yanhua, 2007: 3375). And it takes in the activities of the company as a whole.

Price and performance alone won’t seduce consumers anymore. Today’s consumers expect suppliers to offer new solutions to existing and future needs and they also expect greater value at lower cost. Greater value at lower cost requires value innovation, which happens when use, price and cost are aligned, and offered in ways that create the customer’s perception of substantial and differentiated benefit. In addition to being the key to growth and profit in every market, value innovation often creates a completely new market segment along the way (Wynne, 2006: 60).

How Blue Ocean Strategy Is Built?

Value innovation is the cornerstone of Blue Ocean strategy and is not new. Porter and others have espoused innovation for decades. What is new is how Kim and Mauborgne suggest that innovation align with utility, price and cost positions while overcoming the execution hurdles. They decry the value cost trade-off so common today and provide useful tools that encourage you to think alternatives instead of competitors, and noncustomers instead to customers (Layton, 2005, 58).

There are two ways to create Blue Oceans (www.valuebasedmanagement.net);

- to launch completely new industries
- created from within a Red Ocean when a company expands the boundaries of an existing industry

In fact Blue Ocean Strategy is built with simple question series (Kim and Mauborgne, 2005: 5); How many of today’s industries were then unknown?, and how many now unknown industries will exit in the future? That is a lot of sector like automobile, computer, cell phones had not known at one time but they appeared. Like this, we may see many of new sectors or markets as it had happened before in history. So adopters Blue Ocean Strategy believe that it’s no longer valid for companies to engage in head-to-head competition in search of sustained, profitable growth. If Michael Porter’s disciples have fought for competitive advantage, battled over market share, and struggled for differentiation. Blue Ocean strategists argue that cut-throat competition results in nothing but a bloody Red Ocean of rivals fighting over a shrinking profit pool (Ooi, 2006).

As a result, as you create your Blue Ocean strategies, be aware of four guiding principles. The first is *to break from the competition and reconstruct market boundaries*. The second guiding principle is *to focus on the big picture, not the numbers*. The right strategic planning process is critical to developing a good strategy. Unfortunately, old habits die hard, and planning processes become mired in the numbers. The third guiding principle is *to reach beyond existing demand*. Historical strategic planning processes encourage focusing on current markets and further defining niches, thus continuing a Red Ocean existence. To have a profitable and robust strategy, you must follow the fourth guiding principle: *get the strategic sequence right*. The right strategic sequence of buyer utility, price, cost, and adoptions will ensure commercial viability (Layton, 2005: 58).

The change from Red Ocean to Blue Ocean is a change from a strategy of convergence to a strategy of divergence. Change of this magnitude is a significant challenge and there are four hurdles about this (Kim and Mauborgne, 2005);

- 1) Cognitive (Waking employees up to the need for a strategic shift.)
- 2) Limited Resources (The greater the shift in strategy, the greater it is assumed are the resources needed to execute it.)

- 3) Motivation (How do you motivate key players to move fast and tenaciously to carry out a break from the status quo?)
- 4) Politics

Kim and Mauborgne attack on two fronts to deal with this challenges; “tipping point leadership” and “fair process”. (Tipping point leadership builds on the rarely exploited corporate reality that in every organization there are people, acts and activities that exercise a disproportionate influence on performance. And the principles of fair process are “*engagement*-involving individuals in the strategic decisions that affect them by asking for their input and allowing them to refute the merits of one another’s ideas and assumptions”, “*explanation*-that everyone involved and understand why final strategic decisions are made as they are” and “*expectation clarity* -requires that after a strategy is set managers state clearly the new rules of the game”)

Also Blue Ocean Strategy is not a static process. Once a company has created a Blue Ocean, it could prolong its profit and growth sanctuary by swimming as far as possible in the Blue Ocean, making itself a moving target, distancing itself from potential imitators and discouraging them in the process. The aim here is to dominate the Blue Ocean over imitators for as long as possible. It doesn’t show companies how to create and capture Blue Oceans also shows how to monitor when it is time to reach out for a new Blue Ocean. By this way this strategy presents a dynamic iterative process to create uncontested market space across time (Kim and Mauborgne, 2005:28).

Examples From Some Blue Ocean Applications

Nintendo Wii

According to Reggie Fils-Aime, president and CEO of Nintendo of America, it was very clear for them looking at the Japanese business results that the total market for games was declining. And he says when you look at the U.S. business results for hardware and software for console, portable, and PC, there was a five-year time period where the numbers were just bubbling around \$11 billion more or less. They weren't moving; the industry was stagnant.

Because of these reasons Nintendo decided to do something fundamentally different. On the midway point of 2007, the total industry was up just under 50 per cent, and Nintendo was driving just under 70 per cent of that growth, and were launching new accessories, like Wii Fit. Wii is offering more than simply online first-person shooters. Nintendo's view is that they want everyone in the household to go online every day .

Google

Google started in September, 1998, as search engine and tied up with great biggies and with the success of search engine and advertising, in 2006, Google search captured the market share of 50.8%, yahoo (23.6%) and live search (8.4%) and others (17.4 %).

Every year it introduced new product and gave full time to its users to get accustomed to it. After hit of Google search it launched Gmail, orkut. From the last six years Google has been making its brand image for its users.

Apple

Another example is of Steve job’s, *Apple*. In initial years of its computer launch it was huge success but later on its process was perfectly copied by Microsoft and presented in much better and customer friendly way to the customer and grab major share of Apple computer’s market. But that was not the end, Apple applied game theory and Blue Ocean strategy and target new market segment–entertainment and reentered with Apple i-pod which was a huge success

Other Successful Blue Ocean Strategy examples are :

- Starbucks (coffee as low-cost & luxury for end consumers)
- Dell's built-to—order computer
- Disney's full length animated movies
- Sony walkman

A Blue Ocean Example from Turkey, Garden Life – Balcony Project

Garden Life is a Turkish company which only sales garden furnitures. This company was built in 1992 and ever since they have become leader company in garden furniture sector. But, because of China has enter World Trade Organization, fake (imitation) garden furnitures have begun to show up in this sector. Some persons who formerly work with Garden Life company as a seller have begun to set up competitor companies to Garden Life. Although, Garden Life company becomes leader company, player numbers who enter into rivalry with together have rise up in sector. As a result of this, increasing competition has drawn down prices.

By reason of this intense competition ambient, Garden Life company has start “Balcony Project”. This project completely is a Blue Ocean application and start point of this idea is “how we can develop garden furniture market” question. They started balcony project and ask this question; “since our furnitures are used in the open air locality, how can we sell this furniture in alternative open air locality?”. Instead of hotels, cafes, parks etc. they decided to handle balconies. In Turkey, conditions of balconies are very bad. Generally balconies are used as warehouse by people and they become the most unattractive locality in houses. But, it is a truth that everybody wants to a house with garden. Although everybody does not have a garden, all houses have one or lots of balconies. Garden Life company decide to transform balconies to gardens and they start to produce garden furnitures which are suitable for balconies. Are there another sector like this? No, not existing. Balcony furniture sector not existing neither in Turkey nor in other countries. Also, life of apartment is very widespread in Turkey and as a result of this, there are a lot of balconies. In other words, a very big market is discovered by Garden Life company (www.donusumkonagi.net).

CONCLUSION

Companies rise and fall because of their strategic choises. If companies do not change their point of view about competition, they couldn't obtain a permanent success with traditional methods. Because companies which provide amelioration in their business prosess realize that this is copied by others in a short time.

It is possible to develop a creative approach which does not based on price and also it is possible to obtain sustainable competitive advantage with Blue Ocean Strategy.

“Ocean” refers to market or industry. Blue Oceans are untapped and uncontested markets, which provide little or no competition for anyone who would dive in, since the markets are not crowded. A Red Ocean, on the other hand, refers to a saturated market where there is fierce competition, already crowded with people (companies) providing the same type of services or producing the same kind of goods. In simple terms, Red Ocean Strategy is about how to out-pace rivals in existing market space; it is a market-competing strategy. In contrast, Blue Ocean Strategy is about how to get out of established market boundaries to leave the competition behind; it is a market-creating strategy.

In blue ocean strategy it is important to focus on the the big picture, in other words taking the company as a whole. In order to do this, companies must take the chance to leave from status quo.

It could be said that to make the competition irrelevant the key factor is “innovation”. And it is easy to practise innovation with low costs in lots of compaines. This development could be provided with drawing new and brave path map for the future. But, first of all managers must reengineer their mind maps which is related to management and control.

When we look at the history of business field we can easily see that by the time changing there were many Blue Ocean examples. Most of the industries, products, markets ect. place in today have not been exist many years ago.

The business environment in which most strategy and management approaches of the twentieth century evolved is increasingly disappearing. As red oceans become more bloody, management will need to be concerned with blue oceans than ever before and future will be belonging to the companies which can create and execute blue oceans (Kim and Mauborgne, 2005:27).

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***REGIONAL
DEVELOPMENTS,
INTERNATIONAL
ENVIRONMENT AND
CLUSTERING***

THE EUROPEAN UNION AND AFRICAN UNION PARTNERSHIP IN DARFUR: DEVELOPING A NEW STRATEGY IN DARFUR

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ABSTRACT

The European Union (EU) and African Union (AU) partnership is a cooperative effort which focuses on cooperation, conflict management and engages in peacebuilding in Darfur-Sudan. It is based on the recognition that human rights, democracy, crisis management, and peacebuilding are linked; that the EU, its member states and civil society have a role to play in Darfur-Sudan. This paper may be approached from two distinct points of view: either by conceiving how the EU might go about improving the manner in which it works with the AU or by considering the expectations of the AU relative to the EU. On the one hand, the Darfur crisis confirmed that the EU intends to be a major, global actor in international relations. It defined consistent policies and developed tools necessary for implementing them. The limitations on its action are well-known and mainly stem from coexistence within the EU of divergent interests. Without political will, technical solutions will not be able to provide the comprehensive responses that are needed. On the other hand, the EU has to keep on assessing the expectations of its partners accurately. The continuous evolution of European policies towards the AU illustrates that this concern has been taken into account. It is also at the heart of the African ownership concept. However, it has also to inspire the definition of the tools, particularly by means of a lessons learned process. The objective shall not be to comply with all the partners' requirements but to ensure flexibility. This flexibility shall provide the EU with the capability to adjust its responses, not just to the entire range of Darfur conflict, but also to the cultural background of its partner.

The EU-AU cooperation relies on a pattern of concepts which are hardly compatible with the need to act in a pragmatic way in Darfur. A more pessimistic account can also be offered of events: the diplomatic offensive in favor of the UN takeover of the operation being carried out by the AU can be read as a failure of the policy aiming at enhancing the role of regional organisations. While the EU air transport support is now delivered in an acceptable fashion, the cohabitation of these two institutions was not without tension at the beginning. These facts for the most part explain whatever difficulties were experienced. Both partners must improve the way in which they employ their tools and must learn to collaborate more smoothly. The paper argues that there is a mismatch of ambition between the two institutions and that the EU and AU do not have a common vision and strategic diplomacy to address the Darfur crisis. Although they recognised the Darfur crisis as a major challenge neither the EU nor the AU could fully appreciate the extent to which the AU's capabilities would be stretched by its requirements. Even though adjustments are being made as other tasks are considered in the future, the partners will need to define more precisely what each can realistically contribute if disappointment is not to set in.

INTRODUCTION

Sudan is the largest country in Africa. However, the country has experienced years of civil unrest, internal wars that have left an estimated five million internally displaced people in need of assistance. Three conflicts firstly that between north and south Sudan; the second in east Sudan; and thirdly in Darfur, have created increasing instability despite the signing of three peace agreements since January 2005 for Darfur, east Sudan, and the north and south conflict respectively. A north-south civil war between the Sudan People's Liberation Movement/Army (SPLM) and the government of Sudan caused approximately two million deaths and displaced more than four million people from 1983 until the signing of a peace accord in January 2005. In February 2003, conflict in the Darfur region of North western Sudan flared up between nomadic tribes and settled northerners on the issue of land use, and between rebel factions on the issue of wealth redistribution. The conflict in Darfur has resulted in the displacement of over four million people and the deaths of two hundred thousand people. Many internally displaced people in Sudan have regularly been exposed to gross violations of fundamental human rights and the laws of war. Following the signing of a ceasefire agreement in 2004, the AU deployed its peacekeeping mission. This mission was subsequently transformed into a United Nations (UN) mission. The security conditions and humanitarian situation remain unstable despite the signing of the Darfur peace agreement in May 2006. To resolve the crisis and engage in peace

building in Darfur-Sudan, requires both internal and international support to the AU in form of partnership for humanitarian operations and peacebuilding initiatives.

Decision (2007/643/CFSP) consolidated the EU and AU partnership in 2007. The two institutions' partnership is a cooperative effort which focuses on conflict and conflict resolution in Darfur-Sudan. It is also based on the recognition that human rights, democracy, crisis management, and peacebuilding are linked; that the EU, its member states and civil society have a vital role to play in Darfur-Sudan. This paper aims to discuss the EU-AU cooperative effort in crisis management and peacebuilding in Darfur. It does this by analysing the visions and strategies of the two institutions in Darfur. This paper argues that the EU/AU partnership in Darfur is not yet a winning combination, as there is a gap for better coordination and a more coherent approach between the EU's ambitions and the AU's capabilities. The two institutions do not have a common vision and strategic diplomacy to address the Darfur crisis.

Mismatched Ambitions and Capabilities

Although they recognised the Darfur crisis from the beginning as a major challenge, neither the EU nor the AU could fully appreciate the extent to which the AU's nascent capabilities would be stretched by its requirements. Adjustments are being made but as other tasks are considered in the future, the partners will need to define more precisely what each can realistically contribute if disappointment is not to set in. The EU strategy for Africa elaborated by the European commission sets out a comprehensive approach for everything from peace and security matters to use of natural resources. Crisis group interview, Brussels (4 October 2005) shows that it proceeds from the assumption that the AU and EU agendas are complementary, both on the continent and more widely. According to the crisis group interview, Brussels, understandably given its own special competencies, seeks to encourage cooperation with the AU beyond peace and security issues on matters such as trade and social policy. However, the AU priorities are likely to remain fixed for some time on Africa's most pressing conflict problems, not least because the west's reluctance to deploy its peacekeepers there leaves little alternative.

The African Peace Facility: Crisis Response or Capacity Building?

As noted, the African peace facility is the primary mechanism through which the EU works with the AU to address the Darfur crisis. There was perhaps little alternative. The EU battle group concept, intended to give Brussels a more credible option to project military force in peacekeeping operations, is not yet fully operational, and there remains concern that European publics would not be willing to support the deployment of European troops in, what is close to a non permissive environment in Darfur. In many ways, however, the peace facility has been unbalanced by the requirements of the Darfur crisis. The European Commission's strategy for Africa (2005; 22), calls for the EU to support African peace support missions by "developing organisational capacities of African institutions, in particular through a proposed ten year capacity building plan for the AU". The crisis group believes that such a capacity building plan, to be developed by the European commission, should take into consideration the AU external consultant's recommendations in the area of peace support operations. The Cotonou agreement/EDF source, on which the peace facility draws, imposes restrictions in terms of the support that can be provided. In particular, the peace facility cannot fund direct military assistance. In view of the financing proposal of the 9th EDF (AIDCO/C/D/3908, 31 March 2004), the EU's cash contributions have been directed to personnel and logistical needs. This has forced the AU to rely on other donors, including a number of EU member states, for important additional support. The restrictions on its own assistance and the mix of other helpers has required the EU to work hard at donor coordination. As discussed below, the Darfur experience has not been particularly successful with this never easy task. While the peace facility is intended to promote African ownership, a high degree of the EU oversight of expenditures is built in. Again as discussed below, there has occasionally been tension between these two elements.

The EU in Darfur: Support to the Negotiation Process

According to the OECD/DAC paper (2001 supplement to 1997 guidelines), the AU took the lead in the political process following the signature of the N'djamena agreement, gaining more credit for stepping in when no one else was willing to do so, but achievements have been minimal. Once again the AU is only partly to blame, as the parties ultimately have shown little political will to seek a genuine political solution. However, the AU did a poor job of establishing a credible negotiation process. It has not helped that over the past years, it has had limited special envoys and a few lead negotiators. The appointment in May 2005 of Dr

Salim Salim, a former Organization of African Unity (OAU) Secretary General, as the latest special envoy has brought some much needed stability to the process and contributed significantly to the declaration of principles the parties finally signed on 5 July 2005. Crisis group briefing (26 September 2005) shows that the increasing divisions within the rebel movements make it difficult to envisage further significant movement in the near term. The AU did not have an established mediation capacity when the negotiations began. It sought to draw expertise from within its own conflict management centre but it made a crucial mistake in failing to consult with and engage the experienced mediation team from the Inter-Governmental Authority on Development (IGAD) process between Khartoum and the SPLM. Donor support to the negotiations has been limited, in terms of both political and financial support. Crisis group interview (6 October 2005) indicates that the EU, however, has given aid to the centre for humanitarian dialogue, an NGO involved in the early phases of the negotiations and partially responsible for getting the initial N'djamena talks, and together with the member states, it has given more than €4 million to support the peace talks conducted in Abuja, Nigeria. The EU has also assigned two senior diplomats to assist the negotiations. Sten Rylander (Sweden) has been acting as the special envoy on Darfur and member of the mediation team for the past years. In July 2005, Pekka Haavisto (Finland) was appointed the EU special representative for Sudan. The two worked together until Rylander took up a new position in December 2005. Crisis Group interviews (30 October 2005) reviews that Haavisto presides over an ad hoc coordination cell in Addis Ababa focusing on the Abuja talks and cooperation with AMIS, as well as implementation of the Comprehensive Peace Agreement (CPA) between Khartoum and the SPLM, a large combination of responsibilities for which he should be better resourced, including an office in Khartoum. Slim (2004) argues that the United States, Canada and the United Kingdom have also sent observers to the talks and provided financial support, as well as limited negotiation training for the rebel delegations. The main weakness of the political negotiations is that the AU and the EU, as well as the other international participants, have yet to develop a clear vision for where the talks are heading. The parties have compounded this confusion; the rebels, particularly the Sudan Liberation Army/Movement (SLA), have been ambiguous about their political demands, and the government has refused to make any substantial offer for a political settlement in these circumstances. El-Tigani (2004) claims that the United States, especially, believes that a solution for Darfur should be linked to the agreement reached by the government and the SPLM in January 2005. This will not be easy, as the CPA's power and wealth sharing and security arrangements do not translate into the Darfur situation without considerable adjustment. However, neither the AU nor the EU have offered any worked through negotiating models.

Military Support and Capacity Building

The EU's support through the European Commission and members states has, as noted, largely been directed at helping the AU Mission in Sudan (AMIS) meet its logistical requirements. The EU advisers, however, have also supplemented the mission's planning and operational capabilities. The crisis group Africa report (25 October 2005; 10) argues that the EU's financial contributions were paid to the AU out of the peace facility approximately six weeks from the time of request. As most other donor support is "in kind", this cash offers the AU welcome flexibility. Crisis group interviews with donor missions (16 September 2005) indicate that the situation is improving, but the AU's still relatively rudimentary administrative and management capacity has been an obstacle to harmonising donor contributions with mission needs. A number of specific problems have arisen. The crisis group interviews with donor missions (16 September 2005) show that some of the AU's staff complain that the EU disbursement process is too short term and restricts AMIS's ability to plan ahead. Secondly, in order to receive the requested support, the AU must meet the EU reporting requirements.

While the EU has sought to keep these from being too onerous, the AU has sometimes failed to meet them, resulting in delays. A crisis group telephone interview (14 October 2005) claims that a more serious problem has been generally poor coordination between donors, not only between the EU and some of its member states, but also including the United States, though efforts to improve this have been made in capitals. The United Kingdom is the biggest EU bilateral donor, having provided £34.7 million worth of ground vehicles, radios, deployment equipment and rations, as well as strategic airlift, planners and advisers. Other members of the EU which have pledged funds bilaterally for equipment and logistical assistance include the Netherlands (€13.6 million), Germany (€4.2 million), France (€3.2 million), Italy (€1.1 million), and Sweden (€1.2 million). Denmark, Belgium, Ireland, Finland, Greece and Luxembourg have all made smaller donations to AMIS. The Netherlands and Canada are providing leased rotary and fixed wing aircraft. Jet A1 fuel for these aircraft has become a critical issue; it is not fully covered by the lease, and the difference has not been picked up by any other donor. The AU asks the EU to cover the present gap and this is the most significant open stress point in the EU assistance program. The United States is helping to provide accommodation and related services through subcontractors such as Pacific Architects and Engineers (PAE), to the value of \$95.4 million, and has pledged a further \$52.5 million for airlifts, logistical equipment and

expertise. According to a crisis group telephone interview, (14 October 2005) Canada has loaned 105 needed Grizzly armoured personnel carriers to AMIS to improve its mobility, protection and firepower. AMIS has been trained with these vehicles but Khartoum is still, extraordinarily and indefensibly, delaying approval for the AU to bring them into Sudan.

In Addis Ababa, the EU and its member states are joined by all other donors, including the UN, on the Partnership Technical Support Group (PTSG), which the European commission chairs. The EU and a number of the others also sit on the Liaison Group, which manages, along with the Darfur Integrated Task Force (DITF), the relationship between donors and the AU. A crisis group interview, Brussels, (30 September 2005) reviews that an EU official complained about individual donors “buying a seat at the table”, thus making the Liaison group increasingly unwieldy. This plethora of interested parties, even of interested EU parties, presents a problem for the AU, which has struggled to deal with a large number of bilateral relationships at multiple levels. At the same time, however, the lack of a single clear European donor voice has made it easier for the AU to keep control of the AMIS mission. A crisis group interview, Brussels, (4 October 2005) indicates that the European commission’s lack of military expertise has meant that it has presented no threat to the AU direction of AMIS on the ground operations. As the crisis group interview, Brussels, (26 September 2005) puts it the commission has acknowledged this innate deficiency in its own expertise and has sought closer involvement in Brussels of the council secretariat. A crisis group interview, Brussels, (26 September 2005) argues that AMIS wanted the commission to serve as a clearing house for individual contributions from the EU member states, but it was felt that the commission’s structures are too loose to take on such a strong coordinating role. However, this may be as much a matter of internal politics of the EU.

According to a crisis group telephone interview, (14 October 2005), it is likely that member state foreign ministries would be reluctant to cede that much control and opportunity to advance their special interests; for example, Sweden is talking directly with the AU about using its €1.2 million contribution to strengthen the gender and human rights aspects of AMIS. At the DITF in Addis Ababa, the Administrative Control and Management Centre (ACMC) is the primary interface for donor support at the strategic level of logistical planning and coordination. Below it is a logistics cell at the head of mission headquarters in Khartoum and the Joint Logistics Operations Centre (JLOC) at the force headquarters in El Fasher. Within this structure, military staff officers from various donor countries are seconded as deputies to the AU officers. As the result of the crisis group interviews, Brussels, (26-27 September 2005), the organisation provides a reasonable separation of responsibilities between the strategic, operational and tactical levels, although, unlike in the UN peace support operations, more is done at the strategic level within the AU headquarters and the DITF than at the operational level. The result of the crisis group interviews, Brussels, (26-27 September 2005), shows that the development of a joint logistical structure to support all mission elements (military, policy and civilian) and establish the necessary joint command and control mechanisms for the whole mission has been impeded by the force commander’s reluctance to relinquish control.

Another reform that might be considered is the establishment of an overall “Joint Commander” for all tactical operations (observation, protection, police and the like) and possible integration of the position with the joint logistical structure. The EU has deployed field staff to AMIS from the beginning, under the modalities agreement the AU initially negotiated with the parties. This presence is part of the effort the EU makes to follow how its money is spent. However, the officers assigned by the EU Military Staff (EUMS) and working out of Brussels, Addis Ababa, Khartoum and El Fasher also provide liaison and technical advice on both operational and logistical aspects of the mission. In addition, a French brigadier general as vice chair and eleven military observers are embedded in the CFC; five EU officers and four technical experts take part in the DITF; and seven officers are included in the AMIS logistics support structure. Civilian policing is an aspect of AMIS that has been the source of some friction in the relationship. The EU was committed to send about 50 civilian police advisers but only sixteen of them were said to have been deployed. While the EU seeks to stay within the concept of African ownership, this sometimes comes into conflict with its own view of what is necessary to achieve the aims of the mission. On a number of occasions and in a number of areas, the AU has resisted allowing the EU personnel to serve as integral parts of AMIS, in part to assuage Khartoum’s sensitivity about non African troops. However, the EU and other international advisers have at times been able to take advantage of AMIS’s relatively loose structures to provide more hands on help than formally acknowledged.

Though crisis group interview, Brussels, (23 September 2005) claims that the view is not shared by other donors, including some of the EU member states, the EU generally considers that the amount and nature of its assistance (cash rather than in kind contributions) has resulted in a “privileged partnership” with the AU in Darfur. The matter of prestige aside, donor preferences do influence what is done on the ground because the resource strapped the AU is so dependent on outside assistance to keep AMIS viable. The Brussels preference is for greater emphasis on “soft power”, including force sustainment, police/justice and confidence building activity, rather than force enabling measures and classical military action. This can be

traced back to the European Commission's expertise, the developmental assistance sourcing of the African peace facility, and the explicit limits on the use of the peace facility's funds for direct military purposes. An approach that tends to favor peace building strategies over peace enforcement runs up against the stark reality of Darfur, a crisis in which the path to an early political settlement is unpromising and the security situation is worsening again. The latest round of the AU facilitated political talks adjourned in Abuja, Nigeria, on 20 October without meaningful progress. A press statement by Ambassador, Baba, Gana Kingibe (1 October 2005) indicates that September and October have seen renewed government rebel clashes, an upsurge in banditry and animal theft, more signs of anarchy in West Darfur, coordinated attacks on several villages and camps of Internal Displaced Persons (IDPs) in west and north Darfur by Janjaweed militias together with government regular forces, serious divisions between and within the rebel movements, and attacks directly targeting AMIS personnel.

A crisis group interview, Brussels, (26 September 2005) claims that there are various options other than AMIS potentially available for delivering that support, which in crisis group's view should certainly be explored, but for the moment Addis Ababa and donor capitals are concentrating on what can be done within the framework of the AMIS mission. Even within this narrower range, there is a troubling lack of resolution. According to a crisis group interview, Brussels, (23 September 2005) the requisite political will seems lacking on the part of both the AU and donors to expand the scope of the mandate to make the mission more proactive and oriented toward civilian protection or to increase its troop numbers and military capabilities. At the same time, as many as 40 of the AU peacekeepers were kidnapped by a small rebel splinter group in north Darfur that is allegedly controlled by a former JEM commander, Mohamed Salih Harba. The soldiers were released unharmed.

The EU and other donors are preoccupied by budgetary concerns and increasingly question the AU capacity and expertise. The prevailing view among them is essentially to maintain the status quo, which is interpreted as concentrating on merely getting the personnel level to the latest AMIS target of 7,731, getting this force up to full operational capacity, and not expanding the mandate, though as a partial measure they are prepared to take the advice of the March 2005 joint assessment mission, which recommended that tasks be "reprioritise[d]" to give greater emphasis to civilian protection within the existing mandate. Reeves (27 October 2006) argues that any personnel increase beyond the AMIS II target that is considered in present circumstances would probably be along the lines of the target suggested by the AU commission chairperson Konaré, in May 2005, to move gradually to 12,300 (all from the AU member states) by spring 2006 in order to provide security for IDPs and refugees willing to return to their homes. The European commission and council officials consistently tell crisis group, however, that they want to see the troops already deployed operating at full capacity before considering any further expansion. Indeed, crisis group interviews, Brussels, (30 September and 6 October 2005) claim that it is common thinking in Brussels that increased troop numbers in AMIS have been accompanied by declining efficiency. A crisis group interview, Brussels, (26 September 2005) indicates that one of the EU officials claimed that AMIS is operating at 40 to 50 per cent capacity, while another asserted that the mission conducted fewer patrols in September than in April and May when it had at least 2,000 fewer troops, although it was acknowledged that factors such as fuel shortages and the rainy season likely contributed to this discrepancy.

Conclusion

The EU-AU relationship on Darfur involves a steep learning curve. It has been generally successful from a technical point of view, although coordination within and between each could be much improved, and has laid a foundation for further cooperation between Addis Ababa and Brussels. However, the security situation in Darfur is worsening, with none of the parties fully respecting the ceasefire, and the political process is stalled. Although it would be premature to judge the success or failure of the AU/EU partnership that has been a major support for that mission before the outcome of the Darfur crisis itself can be assessed. At this moment, the achievements that both Addis Ababa and Brussels can point to are overshadowed by the continuing serious and in significant ways worsening situation on the ground. This implies a much stronger commitment and involvement by the AU in Darfur but also a significant increase in external support. The African peace facility, the primary mechanism for the EU aid, is severely depleted. It is not too late for the EU to decide on how best to revise the peace facility. Many of the issues involved and conceivable alternative solutions are recommended below. It would be desirable for the restriction on direct military support to be removed, whether explicitly through amendment of the terms of reference of the peace facility or by other means such as creating a supplemental funding source for that specific purpose. Such a change would give the EU greater flexibility to provide the type of assistance that the AMIS mission and other

foreseeable peace support missions in Sudan will continue to require, as well as better standing to take the lead role in coordinating overall donor assistance to such missions. The EU will need to decide whether it is willing to commit itself further to the future of the AU mission in Darfur. However, regardless of how this partnership turns out, it is essential that both the EU and the AU see their commitment to peace and security in Darfur through to the end. The results to date from the EU-AU relationship in Darfur and implementation of the peace facility have been mixed, though generally positive. Whatever difficulties the AU/EU partnership may have experienced to date in Darfur, the two organisations will continue to cooperate out of mutual recognition of their need for each other and the complementarity of their political agendas.

Recommendations To the European Union

1. Find the political will and the financial means (whether through a restocked African peace facility or special budgetary measures) to support an expanded AMIS.
2. Give the new special representative the authority and resources to effectively coordinate the roles of council, commission, the EU military staff and member states, so that the EU consistently speaks with one voice on both policy and administrative issues.
3. Improve coordination with the AU, and do a better job of identifying and assigning personnel to work with the AU who have African expertise and knowledge of the EU military structures, including officials seconded from member states.
4. Mesh support to the AU more effectively with that of other donors.
5. Identify a way, when the authorisation for the African peace facility expires, to overcome its prohibition on funding direct military assistance to peace support missions.
6. Be prepared to support other organisational means of delivering the necessary military support if and when the AU is willing to embrace them.

Recommendations To the African Union

7. Prioritise efforts to reach maximum efficiency within the current AMIS structure, as well as at the AU headquarters, including by streamlining donor coordination mechanisms.
8. Create a better foundation for implementation of the ceasefire by emphasising proactive elements in the current AMIS mandate, such as identifying the territory dominated by each party to the conflict and identifying government aligned militias.
9. Press the Sudanese government harder to allow the immediate delivery of equipment donors have provided and which AMIS needs to operate more effectively on the ground in Darfur, in particular the 105 Grizzly armoured personnel carriers supplied by Canada.
10. Begin planning immediately for the urgent expansion of AMIS and the strengthening of its mandate to authorise clearly the proactive protection of civilians, and press the EU and other donors to provide the necessary additional financial, logistical and material help.
11. Consider very seriously other organisational options, including a NATO bridging force and a “double-hatted” UNMIS operation, for delivering the military support necessary to achieve sustainable peace in Darfur.

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MANAGEMENT OF AGRO-INDUSTRIAL COMPLEX IN RUSSIA BEFORE ENTERING WTO

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1. ABSTRACT.

The purpose of this report to examine the historical stage of the agro-industrial complex of Russia entering WTO, consider the stage of food security of Russia, threats and gains entry into the WTO, the role of the State in a «first-best» and «second-best», export and import, management of major industries in terms of production of agro-industrial complex accession to the WTO.

The main object of this paper to show the potential benefits liberalization agrarian policy off agro-industrial complex Russia's accession to the WTO in foreign and domestic sources of literature. In the recent ten years strategic management of corporations in Russia has greatly improved. The character and the principles of the system of corporative management are determined by a number of economic factors, by macroeconomic policy, by the competition rate on goods' markets as well as factors of production markets. The structure of corporative management also depends on juridical, economic, institutional environments, on business ethics and the realization of public interests, especially the introduction of agriculture of Russia into WTO.

2. INTRODUCTION.

The introduction of agriculture of Russia into WTO is a major factor of formation of a new geopolitical status of the country, its strategic management on the world scene. It is the choice of active participation of Russia in liberalization of the world economic and globalization processes as isolation of the country could increase vulnerability and legal exposure of Russian manufacturers in the world food market.

3. MAIN BODY.

The basic positive changes in management of the external economic liberalization for the Russian food market are as follows:

- restructuring of the Russian enterprises of agro-industrial complex so that it could meet the growing demands inside the country;
- intensification of development of co-operating industries. The priority should be given to service sectors in order to form and strengthen an export potential of the Russian agro-industrial complex.

Liberalization of the agrarian policy creates favorable conditions for management:

- 1) in the markets of factors of production by virtue of reduction in value of labour and industrial resources;
- 2) in the grocery markets as consumers can spend most of their income on industrial goods;
- 3) in the world markets due to the growth of competitiveness of national production owing to decrease in protectionism.

At the stage of market liberalization the institutional structure of the Russian food and agricultural sector undergoes essential changes.

1) There has been an obvious expansion of the institutional base of the agricultural and food markets due to appearance of new institutions and innovations in the traditional institutions whose status increases quickly enough.

2) The number of new channels of purchases of production has essentially increased and the role of traditional channels has reduced.

3) New modern forms of trade appeared.

4) A lot of large companies on their own and in partnership with national banks, combine intermediary and productive activities.

5) In all parts of the food circuit there can be observed a tendency to vertical integration.

6) In recent years there has been an important change in the functions of the state in the agricultural and food markets.

The market liberalization of the food market in Russia resulted in appearance of inter-regional integration of market agents, that means that independent manufacturers, large-scale producers and consumers enter in trade relations not only inside but also outside the local market. At the same time, owing to information vacuum and inertia the basic stream of agricultural production goes to nearby areas. Thus, due to the reforms in agrarian sector of Russian economy a new market infrastructure which includes all basic components of a food market structure has been created. A weak point of this structure is management of such an institution as the state support of national producers. It affects the condition of the food market from the point of view of export-import policy and represents a threat to the safety of food supplies of the country. We can observe the tendency of growth in 5 times in the last ten years in the world agricultural production and reduction of its share in the world trade, in Russia the agricultural production volume has increased slightly - in 2.4 times, the country's volume in the world agricultural production has reduced from 5 up to 2%.¹

For the last years the geographical structure of trade in agricultural goods has considerably changed. The share of import from the countries of OECD, especially from the EU has increased, but the share of the CIS countries and the countries of Central Europe has reduced.² Simultaneously there is an increase in import of processed agricultural production, which is accompanied by a decrease in the share of raw material. Agricultural import in Russia reaches the tenth part of consumption. The increase in volumes of import, nevertheless, does not compensate the recession of the domestic production to the full, and is accompanied by reduction of volumes of consumption of foodstuffs and, at the same time, by gradual growth of the living standards of Russians.

The low level of tariff and nontariff protection of the internal food market makes it 2 to 4 times more available for import goods than in other developed or developing countries.³ The increase in physical volumes of import has led to appreciable strengthening of competitive pressure upon domestic manufacturers. The meat market, partially dairy, sugar, fruit and some others are practically not competitive.

¹ Kostysenko I. (2002), World external trade and the potential of Russian regions. *Business Academy*.4 (14), p. 37.

² OECD. Review of agricultural policy in the Russian Federation(1998), Central publishing company, Paris, pp. 28-29.

³ Starikov A. (2002), Agrarian aspects for Russia entering WTO, *Agro-industrial complex: economy and management*, №7, p. 10.

What are the reasons for the increase in food import and the decrease in domestic production? They are caused by a number of the reasons, basic of which are:

- consumers of the foodstuffs and manufacturers of agricultural production are not protected from sharp changes of prices caused by rise or decline of production of this or that kind of a product because of the weather conditions and other negative factors;
- absence of necessary contingency funds of the foodstuffs does not allow to render the sufficient help during deterioration of a food situation in regions, to support stability in the food markets of the country;
- reduction of the role of the state in formation, regulation and control of the national food market leads to strengthening of the regional policy in this question, to appearance of barriers on the way of foodstuffs movements, to strengthening of separative tendencies.

The mechanism of the control of volumes of import should include special protective (the quantitative restrictions, the special customs duties), antidumping duties and the compensatory measures (countervailing duties), as they are profitable parts of the budget. It is expedient to direct corresponding incomes on financing the measures of the state support of domestic agro-industrial complex. It is necessary to provide connection between the rates of import duties and the depth of processing of agricultural production, these measures could limit export of raw materials.

In conditions of globalization regions go into the world market as independent entities of the international economy more actively. Import of foodstuffs to Rostov Region has insignificant amounts in food supply of the population of the region. In the agricultural sector of Rostov Region export operations prevail. The main export products are agricultural crops, such as grain, fish, sunflower oil, beer, tobacco products, but import surpasses export in fruit-and-vegetable tinned production, confectionery products, grape wines.

It is expansion of a direct participation of regions in foreign economic relations that is becoming an important factor of management, influencing development of market space in regions. At the introduction of Russia into WTO one of the basic responsibilities taken by our country is to decrease the government support of any agricultural enterprises. In Rostov Region, for example, the federal budget rendered financial support to manufacturers in following directions: elite seed-growing, indemnification of some expenses for purchase of mineral fertilizers and chemical means of plants protection, indemnification of 25% insurance payments on insurance of a grain yield, financing of leasing fund of agricultural machinery, support of individual farmers, the maintenance and repair of a meliorative network, capital investments in land reclamation, land management and conducting a ground cadastre. Analyzing data about allocation of money resources from the federal budget since the period of reforms, we see that financing of an agriculture made below 50% from the need.

Another very important problem with which agricultural manufacturers have to face is low competitiveness of their production and insolvency of the enterprises. According to forecasts, the quantity of profitable agricultural enterprises will decrease, due to extremely low agricultural products' prices, especially grain price. Many agricultural manufacturers, having received a high crop, have to sell the grain at prices of 2001 or even lower, thus at the beginning of a new year many agricultural enterprises have to take greater credits in banks under the subsidized interest rate. So debts of many agricultural commodity producers not only do not decrease, but most likely increase.

In future most important aspects of management of the external economic liberalization, considering strongly pronounced export orientation of Rostov Region, will be: an insufficient level of the state support of manufacturers of agricultural production, low competitiveness of products and insolvency of agricultural enterprises.

It is necessary to develop a package of measures directed on adaptation of domestic commodity producers of agro-industrial complex to an economic and social situation which can develop as a result of the introduction of Russia into WTO. At the first stage it is necessary to create an interministerial committee in the Government of the Russian Federation and the special working analytical center for performance of economic forecasts of consequences of the introduction of Russia in WTO and development of a special "center to regions" policy.

"The lowest starting level of tariff and not tariff protection of the home market in conditions of the external economic liberalization of domestic economy has allowed foreign manufacturers to occupy the lead positions in many marketing niches, and the followed toughening of control actions could not constrain import expansion any more. According to expert estimations, the situation was worsened by numerous customs infringements, a wide circulation of privileges and high volumes of trade carried out by physical persons in the middle of the 90s, so approximately more than 90% consumer import was carried out bypass the standard customs duties or tax-free. For the last 10 years the custom duties in our country have reduced on average more than to third: from 16 to 10%, the quantity of import-export operations which are subject the state licensing has decreased in ten times".⁴ Or, in other words, «liberalization of a foreign trade policy is an ability of the market to provide a choice of the most effective variants of the international division of labour and on this basis to raise the standard of living of the population of the countries-participants without any government or state control.»⁵

Availability of the Russian market for imported goods, according to estimations of the United Nations experts, is 2-4 times higher than the markets of the developed and many developing countries. As a result import activity, at the certain stage, has received the hypertrophied development and has led to significant (beyond rational) increase in the share of foreign production in internal consumption. As a result, import of the foodstuffs to Russia reaches the tenth part of consumption (up to a quarter in large cities). In comparison to import which is 25% of the agricultural production consumption, the share of Russian export is only 3%.

According to such economists as Buitter, Ulrich Burger "Due to liberalization of an agrarian policy in Western Germany in 1985 the growth of GNP is 3.3%, real income is 2.5%. The employment increase of not qualified labour has made 3.8%, the qualified labour 4%.⁶ In modern economic data sources trade liberalization and unification of various external economic rules and regulations are considered as the most important factors of development of globalization.⁷ After introduction of Russia to WTO it is necessary to pay more attention to such most important factors of development of domestic agro-industrial complex as increase of an export potential of the branch, and also growth of foreign investments. Studying the experience of some foreign countries we can see a positive influence of liberalization in the agrarian sector of economy on inflow of foreign

⁴ Cherkovetz O. (2003), Economy and external communication in Russia on the condition of globalization, Maks Press Publishing, p.112.

⁵ Sergeev P. (1998), World economy, Questions of economy, Moscow publishing company, Moscow, p. 63.

⁶ Koester Ulrich., (1991), Economy-wide costs of farm-support policies in the major industrial countries in Burger K., M.N. de Groot, j. Post and Zachariasse (eds.),⁶ Willem H. (2001) Buitter Globalisation and regional integration; a view from Eastern Europe and the FSU / NBER Working Paper, pp. 56-60.

⁷ Willem H. Buitter Globalisation and regional integration; a view from Eastern Europe and the FSU / NBER Working Paper, 2001

investments to the branch, that in turn favorably affects the efficiency of agricultural production and inflow of technologies.⁸

Thus, development of the agrarian sector exert more and more influence on the conditions and tendencies of economic development of the country as a whole. So, about a third of GDP volume is produced in the agricultural sector of Russia, it gives about 40% of national income of the country, more than 70% of consumer commodities are made of raw material of the agricultural sector, 30% of manpower are concentrated in the country's agrarian sector. In the EU countries agricultural areas occupy more than 80% of their territories, about a quarter of the population work in their agrarian sectors.⁹ In the USA less than 2% of its population are involved in the agrarian manufacture and less than 0.2% produce agricultural goods worth more than \$ 40000 a year.¹⁰

The analysis of foreign experience shows, that management in the countries with the developed market economy is based on a great state support of national manufacturers of the foodstuffs. Such an approach is based on the recognition of agriculture as a strategically important branch of national economy. So, for example, in the USA up to 60% of farmers' products are sold through state trade channels. In 1998 the government of the USA appropriated \$ 5.7 billion for export credits on agricultural production, the program of stimulation of agricultural and food export and the subsidies are worth \$150 million, in 1999 these expenses increased up to \$ 90 million. The countries OECD spend \$ 250-290 billion on development of their agriculture annually, the EU countries spend \$100-110 billion, the USA spends \$70-80 billion.¹¹ In the EU countries almost 50% of the total cost of agricultural production is subsidized by the state.¹²

4. LITERATURE REVIEW.

Problems of provisions safety become more and more important in the regulation of world agricultural production trade. Russian economists Arhipov,¹³ Altukhov¹⁴, Vermel¹⁵, Gordeyev¹⁶, Shmelev and others state that "food safety" is as "food independence" because of the significant economic dependence of Russia on import of food and raw material. The food independence according to them is an ability of a country's agricultural sector to provide manufacture, storage, processing and supply of the country population with the basic kinds of the foodstuffs in the quantity and assortment necessary for an active

⁸ Macours K. and Swinnen J.F.M. (1999), Patterns of Agrarian Transition. Policy Research Group, Working paper, 19, pp. 78-89.

⁹ EU rural development policy, The new CAP, www. AAEA. org

¹⁰ Hornbrook E., Hoag D. What is Agriculture and its contribution to the US economy? // WAEA Meeting 1997, July 13-16. P.5

¹¹ Jonathan Brooks (1996), Agricultural policies in OECD countries: what can we learn from political economy models?, *Journal of Agricultural Economics*, 47 (3), pp. 12-23.

¹² Veeman Michele, (1990), The Political Economy of Agricultural Policy, *Canadian Journal of Agricultural Economics*, (38). p.10

¹³ Arhipov A., Nesterenko A., Bolshakova A., (1998), Economy, Prospect publishing, Moscow, p.718.

¹⁴ Altukhov A., Vermel D., Gordeyev A., (1998), Food safety in Russia: state and measures of development, *Economy of agricultural and processing enterprises*, (10.)p.6.

¹⁵ Vermel D., Hromov Y., (1997), Problems of food safety in Russia. External and internal aspects, *Agro-industrial complex: economy and management*, (1), p.5.

¹⁶ Gordeev A., (1998), Insurance of food safety in Russia as a strategic aim, *Agro-industrial complex: economy and management*, (8), p.3.

healthy life. Ushachev¹⁷ has the same approach to the definition and uses the term "Reliable food maintenance". According to the opinions of Glazyev, Gordeyev, Zeldner¹⁸, Illarionov¹⁹, Ivanchenko²⁰, Miloserdov, Semchagov a country's food safety is not provided if manufacture of the vital food stuffs meets less than 80-75% basic needs of the population according to physiological norms.

According to the conditions of WTO there is a need for a long period of adaptation for an agricultural production and some foodstuff to win the world markets. To fulfill the requirement a country needs to develop a special approach so that, on one hand, to support domestic manufacturers, and, on another, to join effectively the world agrarian markets.

All the efforts of the developed countries - members of WTO are already directed and will be directed on winning the Russian market and giving an opportunity for their national manufacturers to enter it (especially in the sphere of animal breeding, in which there are export subsidies from the EU and East Europe countries). Efforts of foreign exporters of agricultural products are directed, first of all, on the maximal decrease of the Russian import tariffs on agricultural production and on restriction of total amount of the state support. The Russian import tariffs are far lower than those applied by the EU and East Europe countries which are the basic exporters of the foodstuffs to the Russian market. Russia does not use such widely applied by the states - members of WTO measures of protection of their national markets as the prohibitive tariffs, specific taxes paid in currency depending on natural indicators which together with combined taxes (combining the cost of the imported goods and their physical indicators) are tools of formation of high rates of the custom duties which are the main and most important measures to protect their home domestic markets in majority of the states-members of WTO, but in Russia these measures are applied only to 4% of the Russian agricultural and food import.²¹ Russia does not have import tariffs for the goods-substitutes with quite a wide range of the last, introduction of tariff quotas on the goods, which national manufacturers do not produce in sufficient qualities. In this case the quantity of the goods necessary for saturation of the market is imported under low tariffs, but the tariffs on the excess amount are much higher. As a result local manufacturers are protected from an excessive foreign competition, and the market is saturated, and prices do not grow. Besides, Russia does not use nontariff restrictions.

From the point of view of benefits of the external economic liberalization the geopolitical aspect which means a transformation of Russia's position on the world scene under the conditions of acceleration of processes of globalization of economy. In the world trade the sector of agricultural production is essentially reduced. If in 1950 agricultural production exceeded a third of the world trade, nowadays it decreased tenfold. (Appendix.1).²²

The contents, forms and methods of agricultural policies in the EU countries undergo serious changes, and the scientific analysis of these changes is undoubtedly of great

¹⁷ Ushachev I., (1996), Development of agricultural reform and security enforcement in Russia, *Questions of food and agricultural policy*, (1), p. 19

¹⁸ Zeldner A., (2000), Priorities, institutions and mechanisms of way out of agricultural crises in the 21 century, Russian Academy of science, Moscow publishing company, p.8.

¹⁹ Illarionov A. (2008), Criteria of economic security, *Questions of economy*, (10), p.37.

²⁰ Ivanchenko V. (1996), Criteria similarities of economic and governmental security, *Economist*, (5), p.6.

²¹ Russia in the step of entering WTO: agrarian aspect, (2001), Moscow publishing company, pp.45-60, 0-125.

²² Kostysenko I. (2002), World external trade and the potential of Russian regions. *Business Academy*.4 (14), p. 37.

interest for development of a model of state regulation of agrarian sphere adapted for the Russian conditions, with a support of domestic manufacturers on terms of the introduction to WTO.

There is no unique model of effective corporative management. But at the same time, the work done by the Organization of Economic Cooperation and Development (OECD) enabled to elicit some common traits which formed the basis of corporative management and can be proper for various existing models. The concepts focus on the problems of management which have arisen because of the detachment of property from management. Different other aspects such as decision making processes in a company, environment and ethics are also taken into consideration and are considered in the documents of OECD and other international organizations.

Following the basic principles of corporative management is becoming a really important factor when deciding on sources of finance. Moreover, trying to use a wide range of investors is also significant. Methods of corporative management should be convincing and clear, if countries want to use all the advantages of the global capital market and to draw long-term capital. Even if corporations depend mainly on foreign financial resources, the adherence to the right practice of corporative management will help secure confidence between investors, lower the cost of the capital and finally stimulate more stable financial resources.

Moreover, the relationship between the members of the system of management affects corporative management. The shareholders, who have the controlling interest and who are physical persons, or families, or unions, or other corporations acting through a holding company or crossholding, may greatly influence corporative behavior. As the shareowners institutional investors clamour for voting entitlement in corporative management on some markets. Individual shareholders do not usually aspire to use their rights of management, but they want to be regarded with justice by the shareholders who have the controlling interest and by the administration. Creditors play a great role in some systems of management and have the potential to perform exterior control over the activities of corporations. Salaried employees and other concerned parties contribute greatly to the achievement of long-term success and to striking results of corporations' activities, whereas the government build crude institutional and juridical structures of corporative management. The role of any of these members and their relationship are variable in different countries. On one hand, these relations are regulated by law and by subordinate legislation, on the other hand, they are regulated by voluntary adaptation to varying conditions and market mechanisms.

According to the principles of corporative management of OECD the structure of corporative management ought to defend the rights of shareholders. The basic rights include safe methods of registration of the right of property, alienation or transfer of shares, getting the necessary information about the corporation timely and on regular basis, taking part and voting in shareholders' general meetings, taking part in board elections, interest in profits of the corporation.

The structure of corporative management should ensure equal treatment to shareholders, including small and foreign stockholders. Effective defense should be provided for all members in case of infringement of their rights. The structure of corporative management ought to preserve the rights of concerned parties, which are stated by law. Besides, it should encourage active collaboration between corporations and concerned parties in gaining wealth, in creating new work places, in achieving stable financial welfare.

Financial crises in the last ten years evidence that the principles of transparency and accountability are important in the system of effective management of corporations. The structure of corporative management should guarantee timely and accurate release of

information on all existing questions concerning the corporation, which include financial standing, activity results, property and management of companies.

5. METHODOLOGY.

The most "deforming" tool of management of an agrarian policy is setting of the price by the government, as it gives an incorrect market signal to both manufacturers and consumers. The behaviour of the government, hence, can be considered as the compromise between achievement of the purposes of distribution and reduction of economic costs of redistribution. The traditional economy of well-being is based on so-called assumption "The first the best" and it ignores the compromise between efficiency and validity, which may be assumed as "The second the best". It becomes more important in understanding any state intervention in economy and in particular in agrarian sphere.²³ According to the assumption " the first the best " (Appendix 2. Pic.1) it is supposed, that in market economy the state can change distribution of the income which can be received due to functioning of a free market based on initial distribution of the property rights on means of production without any charges. Socially optimal distribution is characterized by identical to all individuals well-being limit.

As for redistribution of the income,²⁴ then it should be called «limited Pareto-effective accommodation» under the condition of "The second the best"(Appendix 2. Pic.2). The decision which is based on more fair distribution of the income, can be connected with high transaction and distorting costs and, hence, can be less desirable than a decision with less fair distribution of the income, but with lower corresponding expenses. It means, that when an unlimited Pareto - effective accommodation is possible (A), socially optimal accommodation (B) will be the limited Pareto - effective accommodation.

Price support regards, on one hand, to a number of the most distorting tools, but on the other hand, to the cheapest ones, as it is characterized by the least relative density of transaction expenses. Accordingly the efficiency of an economic agrarian policy will be higher, if it will be less dependent on price redistribution of the income in favour of the agrarian sphere and then it will compensate to a greater degree so called " failures of the market " such as distribution of the income, risks and the environmental protection.

Methods used in the paper: statistical methods, graphic methods and etc. All the data used from Reference Materials on social-economic complex of Russia, Rostov-on-Don region, from various foreign resources during last 15 years.

6. CONCLUSION.

In the whole, application of management of an agricultural and rural policy of support of the prices is comprehensible, when:

- it promotes the growth of incomes for production factor owners with rather low incomes;
- the real income of consumers with rather high incomes is reduced;
- the government keeps to distribution policy;
- distorting costs of the support prices of the state are rather insignificant (this condition will be observed at rather inelastic demand and supply during a short period of time);

²³ EC Agricultural Policy For The 21st Century, (1994), *European Economy*, (4), p.95.

²⁴ Alan Griffiths and Stuart Wall, (1996), *Intermediate microeconomics: theory and applications*. London and New York. pp. 442-443.

- direct administrative charges are rather insignificant (that is more characteristic for a country-importer);

- budget charges are rather insignificant;

- other costs connected with application of less «distorting» tools are great enough.

Nowadays strategic criteria of the system of corporative management in Russia are:

- relatively high percentage of managers on large enterprises in comparison with global practice;

- pretty low percentage of banks and other financial institutional investors;

- there is in fact lack of such national groups of institutional investors as pension and joint-stock funds, which are important subjects of the markets in developed countries with transitional economy;

- undeveloped securities market ensure low liquidity of shares of most enterprises and impossibility to attract investments from small business;

- on the other hand, the undeveloped securities market decreases the ability to guarantee enterprises good reputation and transparency of information on the market;

- in most cases relations with creditors and shareholders are of more importance for board and management than relations with property owners;

- the key feature is the opacity of the property relations: the character of the privatization and postprivatization period resulted in the fact that in reality it is practically impossible to distinguish the border line between the real and the formal owners.

Adopting the world-wide system of accounts, Russian companies had to change or modify their strategy in order to guarantee financial transparency, which had resulted in excessive growth of expenditures. More than one hundred of Russian large-scale enterprises are transnational and feel the severe need of the change to global standards of accountability. The reform of the system of bookkeeping and financial accounting will expect considerable financial and time expenses.

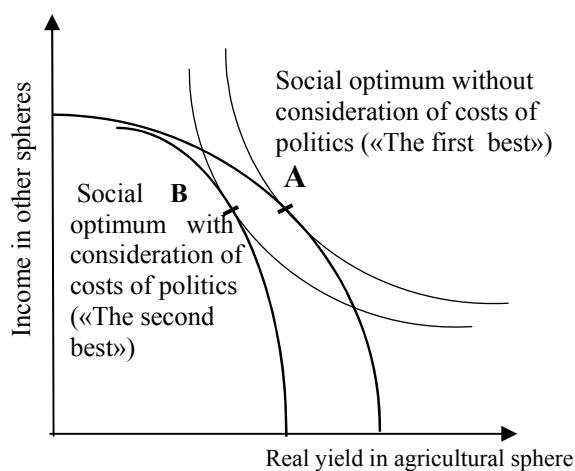
Thus, various models of strategic management of the introduction into WTO of agriculture of Russia at a federal and regional level is of great importance for positive development of the food market of the country.

APPENDIX 1.

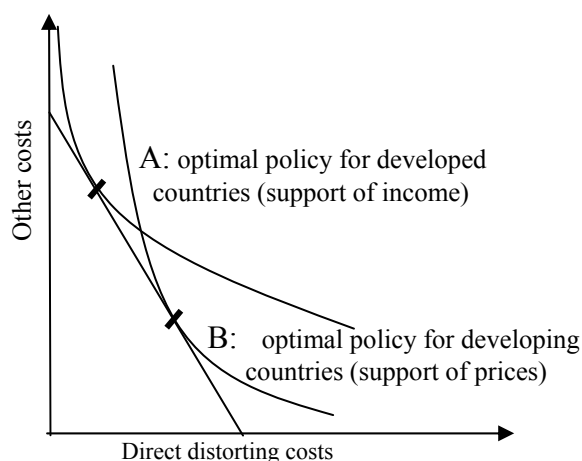
Table 1. The commodity pattern of world export in 1950s-2010s.

Indicators	1950	1970	1990	2000	2010
Allotment of export in world GNP	10,0	12,0	16,5	19,0	22,4
World export, %	100	100	100	100	100
Agricultural production	36,5	21,1	13,8	10,0	8
Foodstuff	22,4	15,0	10,4	8,0	6

APPENDIX 2.



Pic. 1. Market model of rational agro-economic policy with consideration of costs («The second best»)



Pic. 2. Model of costs of agrarian policy for countries with different level of economic development

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THE FINANCIAL PERFORMANCE OF BLACK OWNED GROCERY SHOPS IN TOWNSHIPS IN SOUTH AFRICA.

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ABSTRACT

This study investigates the financial performance of black owned grocery shops in Mdantsane in South Africa. To achieve this objective, the research hypothesised that variables that impact on the performance of grocery shops are amongst others, bad debts and excessive withdrawals. It was also hypothesised that a lack of sufficient funds implies that grocery shops cannot embark on vigorous marketing efforts and this erodes profitability. The study is important because grocery shops in townships being a source of income for most of the black population it has been given less attention. The results indicate that management of grocery shops have to pay special attention to asset management in order to achieve an acceptable turnover relative to assets. It is often the case that better asset management sets free some of the funds tied up in a business for creating greater turnover, better discounts or expansion. It is, also, imperative that the management of small firms improve their managerial skills on aspects of financing, financial information preparation, and the calculation of capital requirements.

INTRODUCTION

Financial performance refers to a management initiative to upgrade the accuracy and timeliness of financial information. Meeting requirements and standards, while supporting day-to-day operations, is central to this initiative. Areas of emphasis include reducing erroneous payments and strengthening the management of government-held assets (Anon., 2006a). Cant and Brink (2003:5) highlight that financial management is a crucial field within the endogenous environment of SMEs that presents numerous potential obstacles. Management competence is often determined by the availability of management and financial information. Lack of financial sources is often reported as the major obstacle experienced by businesses. Financial issues important for business success are capital requirements, bookkeeping, financial planning, financial control, management of working capital and income generation. In the light of this the study intends to explore these issues in detail.

PROBLEM STATEMENT

The rapidly growing grocery retail sector, in South Africa, is under intense pressure due to limited resources and services. According to Rode Property Economists, Consultants and Valuers (2004) 80% of township retailers have left regular employment to take up opportunities in the townships. High and growing unemployment in the mainstream economy motivates an increasing number of individuals to enter the informal sector, typically, as street vendors and other service providers. However, the livelihoods, wages and working conditions within the sector are rarely adequate to sustain a basic lifestyle for even a small number of traders. The flooded market results in intense competition and high tension as sellers compete for scarce customers.

The Minister of Finance in South Africa, Mr. Trevor Manuel, highlighted that shop traders' battle with hawkers and street sellers over space, and the fierce competition frequently lead to violence. In almost all the townships, butcheries, bakeries, clothing and grocery shops, owned by Asian or Middle Eastern foreign investors, have sprung up. The local businessmen are not happy that foreign investors should venture into businesses that should be owned or managed by South Africans (South African Government, 1995). A businessman in Soweto echoed that "if foreign investors start running grocery shops and butcheries and sell amafongkong (imported clothing), what will South Africans do?" (Competition Tribunal South Africa, 2000). Established retailers such as Shoprite have also entered the township market which will increase the level of competition for the grocery shops in the township area.

In the light of serious competition indicated above the study intends to contribute to a more comprehensive understanding of variables that impinges on the financial performance of grocery shops in Mdantsane. A more in-depth study of the financial performance of black owned grocery shops is required to answer the following questions, namely:

- ✓ Is it possible to establish the performance of small businesses in the grocery shop sector in South African townships over a specific period of time?;
- ✓ To what extent is the financial performance of the small business in the grocery market sector influenced by the behaviour of the owners?; and
- ✓ Is the performance of grocery shops affected by the lack of availability of funds?

LITERATURE REVIEW

A review of the literature reveals several ways to assess financial performance. An organization's performance can be measured using financial measures (e.g. profitability, sales growth etc), operational indicators (e.g. market share), share price or using a combination of factors. Within the domain of financial performance, numerous financial ratios are available, and the ratios fall into four major categories: profitability ratios, cost ratios, growth ratios and valuation ratios (Venktraman and Vasudevan, 1986:801).

Profitability Ratios

Maximising the wealth of the shareholders or owner's interest is an acceptable criterion. This implies a denominator that consists only of owners (risk bearer) capital, whereas the numerator reflects the net earnings attributable to the owners. Correia et al. (2003:ch1, p11) note that the objective of financial management is the maximisation of wealth; a structured analysis should aim towards measuring how effectively this objective is achieved. The return on owner investment indicates, to the entrepreneur, how many cents he earns in a year for every rand of investment.

Return on assets, also known as the return on investment, measures the profitability of a firm as a whole in relation to the total assets employed. It illustrates the overall effectiveness of management in generating profit with its available assets. It is calculated by dividing earnings before interest and taxes by the total assets. Other definitions of earnings include earnings before interest, but after taxes and earnings after interest and taxes. However, earnings before interest and taxes are used as the numerator because the return on all the firm's assets, and not just equity investment, is measured. In addition, since all assets are financed by both the shareholders and creditors, the ratio should measure the productivity of assets in providing returns to both classes of investors (Correia *et al.*, 2003:191).

Formula 1.1, below, depicts the calculation of return on assets.

Formula 1.1 Calculation of return on assets

Return on assets = Earnings before interest and taxes (EBIT) / Total assets

Source: Adapted from Gitman (2003:65)

This research uses return on equity (ROE) depicted in the formula 1.2 below, below, as the overall indicator of success. While profit maximisation would not be a primary objective, the return on equity is the bottom line measure of performance. It illustrates the effectiveness of financial leverage. A high return on equity indicates that borrowed funds have been profitably employed. This implies that a firm can comfortably meet its interest commitment while still retaining profit for owners. This is measured by formula 1.2 below.

Formula 1.2 Calculation of return on equity (ROE)

ROE = Net Earnings after Tax/ Owners Interest

Source: Adapted from Gitman (2003:65)

However, considering that most grocery shops owned by black businessmen lack sufficient capital, borrowed capital could become an important component in the capital structure of the shops.

In order to measure the favourable or unfavourable effect of financial leverage, it is suggested that formula 1.3 be used.

Formula 1.3 Effect of financial leverage

Net Earnings Before tax / Total Assets } Before Tax Interest rate on debt

Source: Adapted from Gitman (2003:65)

The combined use of the aforementioned two criteria enable the researcher to investigate and assess the impact of financial leverage as illustrated by (Correia *et al.*, 2003:ch.20, p.10). In order for a business to achieve a positive financial leverage, liquidity and solvency must also be considered.

Liquidity ratios

The liquidity of a business is measured by its ability to satisfy its short-term obligations as they come due. This implies that a liquid firm is one that is able to raise cash when it is needed. This ability of the firm viz to be liquid is called technical solvency. Legal insolvency occurs when a firm's total liabilities exceed a fair valuation of its total assets. This means that the net worth of the firm is negative. Money market securities are an excellent source of asset liquidity. A potential liability e.g. unused available credit, as in a bank overdraft or revolving credit, also provides liquidity. For example, if a firm has a revolving credit of R200 000 and is currently borrowing only R50 000, it has R150 000 of liquidity from this borrowing source. It follows that a firm with a credit of R200 000 that is borrowing R50 000 has more liquidity than a firm with the same amount of credit, but borrowing the full R200 000. To the extent that a firm has large investments in assets that are readily convertible into cash and has a large potential for borrowing, it is liquid (Steinhoff and Burger, 1996:256).

Steinhoff and Burger (1996:256) further argue that there are two aspects of liquidity namely planned liquidity and protective liquidity. An entrepreneur has to forecast cash needs and plan how those needs are to be met - through reductions in assets or the issuance of shares (as in venture capital). Protective liquidity is the ability to meet unexpected cash demands. Unexpected cash demands are net cash outflows which are greater than the forecasted cash flow. Unexpected cash demands can arise for many reasons. In some cases cash can be needed to undertake unexpected investment opportunities. The inability to raise sufficient cash to undertake these investments results in the forgone profits. It is against this background that ratios that indicate the financial position, such as current ratio and quick ratio, are elaborated on subsequently.

The current ratio is calculated by dividing current assets by current liabilities. Current assets normally include cash, accounts receivable and stocks, while current liabilities consist of accounts payable and accrued expenses. The ratio indicates the extent to which the claims of short term creditors are covered by assets that can be translated into cash in the short term (Correira *et al.*, 2003:ch20, p.10). The calculation is given by formula 5.4, below:

Formula 5.4 Calculation of current ratio

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Source: Adapted from Gitman (2003:65)

In other cases, cash may be needed because of unexpected outflows. For example, a sudden increase in the price of inputs such as production material (Steinhoff and Burger, 1996:257). Cash may be required because cash inflows are less than anticipated for example, a strike that stops production, a slowdown in collections due to a recession in the economy, a breakdown in a critical manufacturing step that cannot be fixed quickly or a technological breakdown that causes prices to drop dramatically. Given the general uncertainty regarding cash flows, entrepreneurs should maintain a conceivable amount of liquidity. Entrepreneurs should commit credit well above the amount they expect to be needed. Hence, it is advisable to use the quick ratio, since it takes longer to translate stock into cash. It is a useful measure of the firm's ability to pay off short term obligations without relying on the sale of stocks (Correira *et al.*, 2003:ch20, p.10). The quick ratio is calculated by deducting stock from the current assets and dividing the remainder by current liabilities, as indicated by formula 1.5, below.

Formula 1.5 Calculation of quick ratio

$$\text{Quick ratio} = \frac{\text{Current assets} - \text{stock}}{\text{Current liabilities}}$$

Source: Adapted from Gitman (2003:65)

- *Solvency ratios*

Solvency refers to liquidity in the long-term, that is, a firm's ability to pay its long-term debt. The more solvent a firm, the better protected its owner is from losing his investments (Correira *et al.*, 2003:ch20, p.10). To measure this protection, entrepreneurs should use, as a yardstick the debt ratio, debt equity ratio, times interest earned ratio and the Altman model. These ratios and the Altman model are depicted as follows:

Formula 1.6 Calculation of debt ratio

$$\text{Debt ratio} = \frac{\text{Total Liabilities}}{\text{Total assets}}$$

Source: Adapted from Gitman (2003:65)

Formula 1.7 Calculation of debt to equity ratio

$$\text{Debt to Equity} = \frac{\text{Total debt}}{\text{Total Equity}}$$

Source: Adapted from Gitman (2003:65)

Formula 5.8 Calculation of times interest earned ratio

$$\text{Times Interest Earned} = \frac{\text{Operating Profit before Tax}}{\text{Interest expense}}$$

Source: Adapted from Gitman (2003:65)

Altman Model

Altman (1968:589) introduced the Multiple Discriminant Analysis (MDA) to develop a predictive model for insolvency of firms with a high degree of accuracy. This technique, based on regression analysis, establishes coefficients for the ratios that minimise misclassification. A major reason for the high rate of financial distress of firms is attributed to the effect of heavy debt burdens. Using a sample of 66 manufacturing companies (33 failed and 33 successful) Altman's regression model achieved an accuracy of 95%. Altman argues that ratios alone cannot provide the complete story and can be misleading when viewed in isolation. He therefore combined several ratios with statistical techniques to arrive at a single numeric score for the financial health of companies called the Z score. This original Z score was revised by Altman in 1983 to incorporate small firms that are not listed on the Stock Exchange. This model Altman called Z. The Altman regression model that predicts the Z score for small manufacturing firms is explained in equation 7.2 below

Formula 5.9 Calculation of the Z score

$$Z = 0.717(X1) + 0.847(X2) + 3.107(X3) + 0.420(X4) + 0.998(X5)$$

Where: X1 = Working capital / Total assets
X2 = Retained earnings / Total assets
X3 = Earnings before interest and taxes / Total assets
X4 = Book value of equity / Total assets
X5 = Sales / Total assets

X1 represents the ratio of working capital to total assets. This is the Z score which is considered to be a reasonable predictor of the increasing financial problem of a firm. A firm that experiences repeated losses usually suffers a reduction in working capital relative to its total assets.

X2 represents the ratio of retained earnings to total assets. This is a Z score component that provides information on the extent to which a firm has been able to reinvest its earnings in itself.

X3 represents the ratio of earnings before interest and taxes to total assets. The ratio adjusts for tax factors and also makes adjustments for leveraging due to borrowings. These adjustments allow more effective measurements of a firm's utilization of assets.

X4 represents the ratio of book value of equity to total assets. This ratio provides an indicator of how much a firm's assets can decline in value before debt exceeds assets.

X5 represents the ratio of sales to total assets. This ratio measures the ability of a firm's assets to generate sales.

Altman (1968:118) stipulates that the analytical range of the Z score, for the prediction of insolvency of privately-held retail firms, is as follows:

- Less than 1.23 (high probability of insolvency);
- 1.23 to 2.90 (gray zone where insolvency is difficult to predict); and
- Greater than 2.90 (low probability of insolvency).

The relevance of the interpretation of the Z score, to this study, is that firms in the sample with Z scores of less than 1.23 are regarded as insolvent. Firms with Z scores of between 1.23 and 2.90 are in the gray zone where insolvency is difficult to predict. Firms with Z scores of above 2.90 are solvent (Altman (1968:589). The norms that will be used for this research are the ratios calculated by the Bureau of Financial Analysis (BFA) in Pretoria for the various sectors of the South African economy. BFA calculated the ratios on behalf of the South African Financial Sector Forum which is the umbrella organisation of all the financial institutions in South Africa. These ratios are relevant to the South African business environment and they will be compared with the ratios obtained from the respondents of this research. The ratios have been calculated for each of the thirty seven sectors on the Johannesburg Securities Exchange using a standardised system of analysis for all the listed firms (South African Financial Sector Forum, 2005).

METHODOLOGY

Population and Sample

A list supplied by the Food Marketing Institute revealed that there are approximately 300 grocery shops owned by black individuals in the Mdantsane area of East London (Food Marketing Institute, 2004:3). Spaza shops, hawkers and street vendors were not included in the list. The researcher, then, calculated a sample size using a rule of thumb that states that a sample size has to be a sixth of the sample population based on six standard deviations within a 99.73% confidence (Cooper and Schindler, 2003:20). Therefore, for a population of 300, the sample is calculated as $300/6$ which results in 50. The sample size of the study was found to be 50 respondents. A total of 36 questionnaires were returned indicating a response rate 72%.

Research Instrument

The empirical research component of the study consisted of a self administered questionnaire. The study employed five point Likert scaled questions, multiple choice rating questions, dichotomous questions, open ended questions, open ended and single answer questions respectively. The questionnaire was pre-tested amongst five of the respondents identified in the sample to ensure reliability and validity.

Validity

The study adopted the approach of using the thirteen most common financial ratios to measure financial impact since they have been mostly used in literature and these ratios have been tried and tested (Karahanna and Chen 2004; Santhanam and Hartono, 2003).

Reliability

Reliability refers to the degree to which measures are free from error and, therefore, yield consistent results (Zikmund, 2003:300). Terreblanche and Durrheim (2002:117) assert that the following errors pose a serious threat to the reliability of data, namely subject error and subject bias. The subject error was minimised by having the respondents filling the questionnaire in the presence of the researcher. Groves, Dilliman, Eltinge and Little (2002:32) support the above statement by arguing that the rule of thumb in the research industry is that a response rate above 50% is sufficient to minimise response bias. This study had a response rate of 72%.

Data Gathering

The researcher visited grocery shops owned by black individuals in Mdantsane and administered questionnaires to the shop owners/managers. The researcher covered the area of study in 4 weeks, stretching from the period of 1 March 2005 to 31 March 2005. Approximately 30 minutes were required to complete the questionnaire.

Data Analysis

The researcher was able to use statistical techniques of inference to test the hypotheses. This was primarily based on the software package MINITAB Release 14. MINITAB Statistical Software is a comprehensive statistical tool for managing, analysing and displaying information. Among the features available are the management and manipulation of data and files, producing graphs, analysing data, assessing quality design, experiment and generate reports (Anon, 2005). Based on the distribution of the descriptive statistics for this study, a normal distribution was used to perform the inferential analysis such as 'ANOVA One Way'.

RESULTS

Table 1.1 A comparison of performance measures and ratios for the retail sector

<i>Performance Measure</i>	<i>Results from the study</i>	<i>Listed Retailers</i>
<i>Liquidity and Solvency structure</i>		
<i>Current ratio</i>	<i>1.21 times</i>	<i>1.72 times</i>
<i>Quick ratio</i>	<i>0.59 times</i>	<i>1.22 times</i>
<i>Debt to assets</i>	<i>63.3%</i>	<i>52%</i>
<i>Debt to equity</i>	<i>1.72 times</i>	<i>1.08 times</i>
<i>Profitability structure</i>		
<i>Operating Margin</i>	<i>4.17%</i>	<i>8.86%</i>
<i>Net Profit Margin</i>	<i>4.0%</i>	<i>5.72%</i>
<i>Return on Assets</i>	<i>12.793%</i>	<i>16.88%</i>
<i>Return on Equity</i>	<i>15.02%</i>	<i>21.56%</i>
<i>Total Asset Turnover</i>	<i>1.3%</i>	<i>1.90%</i>

Source: Figures for listed retailers adapted from (South African Financial Sector Forum, 2004:35)

Liquidity and Solvency structure

The following ratios, namely current ratio, quick ratio, debt to assets and debt to equity will be discussed under this section.

- *Current ratio*

The current ratio of the retailers, in Mdantsane, indicated that the measurement ratio of 1.21 times is below that of listed retailers of 1.72 times and below the acceptable 2:1 norm set by financial statisticians. This implies that the grocery shops, in the study have R1.21, of current assets to meet R1.00 of its current liabilities. The results of this ratio indicate that the respondents may find it difficult to meet debt obligations as they become due as a result of inadequate cover exhibited above. However, this does not show that the respondents are technically insolvent, because their current assets are higher than their current liabilities. Technical insolvency is described as a situation where a firm's current assets are lower than its liabilities.

The quick ratio is to be computed next, as it gives a more realistic picture of a business's ability to repay current obligations than the current ratio as it excludes inventories and prepaid items for which cash cannot be obtained immediately. This ratio is usually used as a supplement to the current ratio.

- *Quick ratio*

The grocery shops in the study also have a low ratio of 0.59 compared to 1.22 of the listed retailers, and more so of the norm 1:1 set by financial statisticians. The quick ratio is an indicator as to whether a firm can pay current liabilities without relying on the sale of inventory. The 0.59 quick ratio of Mdantsane retail firms implies that they will not be able to meet current liabilities without selling inventory.

The use of debt by small firms in Mdantsane will be assessed next.

- *Debt to assets*

The mean debt to assets ratio, for this study, was (63.3%), which implies that retail firms in the survey are insolvent. This result indicates that the assets of small retail firms are financed more by creditors than by their owners. The result, in addition, indicates that small firms rely more on debt than equity in their capital structures. The findings of this study also support previous South African studies by Rwigema and Karungu (1999:107) and Reekie, Lingard and Cohen (1996:10) who determined that SMMEs, in South Africa, rely heavily on debt financing to ensure their future survival.

- *Debt to equity*

The debt to equity of Mdantsane retail firms is 1.72 times, and is in excess of the listed retailers which are at 1.08 times. This supports the views of previous research by Brigham (2003:11), in America, who established that small firms use more debt than large firms. This observation implies that the debt situation is not peculiar to small retail firms in South Africa alone. However, it is worth noting that the use of debt, ultimately, impacts on the profitability structure of the business, as interest, for example, needs to be paid out of the profits.

Profitability structure

The following ratios namely, operating margin, net profit margin, return on assets and return on equity will be discussed under this heading.

- *Operating Margin*

Operating margin equals operating profits (EBIT) divided by sales, and is expressed as a percentage (Gitman, 2003:127). The percentage represents the amount of each rand of revenue that results in operating income. A higher percentage is better since it implies expenses are low and earnings are high. In this regard, the retailers in Mdanstane are performing poorly when compared to listed retailers, as they have a percentage of 4.17 compared to that of listed retailers which is at 8.86.

- *Net Profit Margin*

Net profit margin is calculated by dividing net profit after taxes by sales (Gitman, 2003:129) often expressed as a percentage. This percentage is an indication of how effective a company is at cost control. The higher the net profit margin is, the more effective the firm is at converting revenue into actual profit. The net profit margin ratio shows investors the amount of net profit per R1 of turnover a business has earned. That is, after taking account of the cost of sales, and all costs associated with running a retail firm. The retail firms, in Mdantsane, at a net profit margin of 4.0%, also lagged behind in converting revenue into actual profits when compared with listed retailers by 5.72%.

- *Return on Assets*

Return on assets measures a firm's earnings in relation to all of the resources it had at its disposal (the shareholders' capital plus short and long-term borrowed funds). If a company has no debt, the return on assets and return on equity figures will be the same. The average return on assets (ROA) percentage of the study (12,79%) is rather low even when compared with listed grocery retailers who had a return on assets of 16.88% for 2004. This ratio indicates the profitability of the business and its efficiency in using its assets. In other words, capital productivity is, rather, low for the grocery shops in the study.

- *Return on Equity*

Return on Equity represents a measure of a firm's profitability, calculated by dividing net profits after taxes by shareholder's equity. Essentially, ROE reveals how much profit a company generates with the money shareholders have invested in it and is also known as Return on Net Worth (RONW). The Mdantsane firms, in the study, had a return on equity of 15.02%, and the listed firms had a return of 21.56%. This is in line with studies by Ranft (2001:126) and Rizik (2001:16) who have suggested that small retailers need to concentrate on profitability. However, Ackerman (2005:18) stipulated that, "sell a thousand tins of beans with one percent profit on each tin, and you bank a thousand cents". Therefore, although the percentage on tins of beans might be lower, the contribution to profits might be higher". He, further, remarks that you don't bank percentages – you bank money. However, to implement what Ackerman indicated above a firm needs a high volume of customers that is unlikely in Mdantsane. Lower profitability contributes to the undercapitalisation problem because it leads to fewer rands of retained earnings and therefore to a reliance on external capital (Correira et al., 2003.ch20, p.10).

- *Total Asset Turnover*

The results show that the total asset turnover of the retailers in Mdantsane is 1.30 times larger than total assets. This implies that the retail firms in Mdantsane were able to generate sales of R1.30 for every R1 of assets it owned and used for the year. However, the total asset turnover is lower by 0.60 when compared to that of listed retailers of 1.90. This implies that retailers, in Mdantsane, have not been able to generate more income from their invested capital than listed retailers.

The data collected from the respondents regarding all the above ratios were subjected to further statistical tests using the Multiple Discriminant Analysis (MDA). The calculated Z scores for the respondents was 2.58 which imply that small firms in Mdantsane are in the gray zone where insolvency is difficult to predict.

- *Financial Management*

This was also covered in some depth in the study. One set of the questions was intended to establish the degree of sophistication of the financial information that was available to owners; and whether they maintained separate personal and business accounts, regarded as the minimum level of prudence in the management of finances. The respondents were also asked to indicate where they obtained the financial information used to answer the questionnaire. This enabled the researcher to verify the accurateness of the information presented.

The findings also indicated that retailers in Mdantsane do not have a sophisticated means of collecting financial information. The study results further reveal that managers/owners prepare financial statements to assist them with negotiations with third parties such as banks instead of monitoring the performance of the business. According to the study, the majority (69%) of the retailers, in Mdantsane do not keep separate bank accounts. This implies that business and personal funds are kept in one account which exposes the retail firms to the risk of over-withdrawals by owners. Furthermore, it was also revealed that retailers, in Mdantsane, are slow payers of accounts.

The study also revealed that retailers, in Mdantsane, have a lack of capital which impairs their ability to embark on vigorous marketing campaigns. The study, also, established that it is difficult for the owners/managers of small firms to acquire funds to support their business. The study also revealed that 31% of the borrowed funds go into the working capital management activities such as the purchasing of stock. This implies that small retail firms, in Mdantsane, will have little funds left to embark on marketing related activities.

In order to test the hypothesis that states that variables that impinge on the performance of grocery shops are amongst others, bad debts and excessive withdrawals. ANOVA (Analysis of variance), as well as a regression analysis was employed to test statistically, the significance of this assertion. When tested at a 5% level of significance, it was discovered that financial management on the overall plays a significant role in determining profitability. This can be seen from the p- value of 0.00 (refer to exhibit 1) which indicates the significance of the model.

The following factors, namely keeping of separate bank accounts (0.008), application of loaned funds (0.032) and having a budget (0.017) were found to have a significant effect on net profit as an indicator of business performance. The study results indicate that prudence in the management of cash resources, the keeping of separate bank accounts and budgeting, in particular, are important for the small retail firm since, it can be used as the benchmark against which retailers of any size can, accurately, forecast cash flows and track performance. The overall model shows a significant relationship between net profit and the three variables mentioned above; namely, keeping of separate bank accounts (0.008) application of loaned funds and having a budget.

EXHIBIT 1

ANOVA^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.06E+11	7	4.374E+10	9.126	.000 ^a
	Residual	1.34E+11	28	4792658360		
	Total	4.40E+11	35			

a. Predictors: (Constant), BUDGET, FININFO, BILLS, FINFOP, ESYAC, APPLIC, BANKACC

b. Dependent Variable: NETP

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	402459.7	129313.3		3.112	.004
	FININFO	-9666.839	5873.283	-.184	-1.646	.111
	FINFOP	-16938.1	10598.104	-.188	-1.598	.121
	BANKACC	30616.294	10711.737	.428	2.858	.008
	BILLS	52471.258	27389.135	.231	1.916	.066
	APPLIC	-47970.5	21289.179	-.315	-2.253	.032
	ESYAC	4686.667	8763.319	.066	.535	.597
	BUDGET	-63405.2	25039.956	-.335	-2.532	.017

a. Dependent Variable: NETP

CONCLUSION

It is imperative that the management of small firms improve their managerial skills on aspects of financing, financial information preparation, and the calculation of capital requirements. Grocery shops have struggled to obtain adequate and appropriate finance. The vast majority of respondents (75%) said that commercial banks are discriminating by rejecting their requests for credit facilities. Other reasons given by the respondents included a lack of acceptable security and a lack of understanding by the banks. It is recommended that commercial banks study these reasons offered by the respondents as to why they feel that their credit applications are rejected. Commercial banks should devote a strategy for assisting grocery shops to understand the requirements for loan applications. This will enable the grocery shop owners to understand what is expected of them by the commercial banks when requesting for loans. It is, furthermore, recommended that commercial banks undertake a substantial public awareness campaign on their requirements from grocery shops that intend to request for credit.

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POLITICAL ECONOMY OF THE NEW EUROPE: EU EASTERN ENLARGEMENT AND THE CONDITION OF TURKEY AND BH

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ABSTRACT

This study will deal with the Eastern Enlargement, which includes eight central and eastern countries, which are called CEECs, stands for Poland, Czech Republic, Estonia, Hungary, Latvia, Slovakia, Slovenia and Lithuania; Romania and Bulgaria can/should be included these countries but they entered the EU at the beginning of 2007, in terms of whether these countries were ready when they were accepted by the EU in 2004 and what they have gained, and then it is a success. Moreover, this paper will deal with the process of the joining of Turkey and Bosnia and Herzegovina (BH) to the EU.

Key Words: Turkey, Bosnia and Herzegovina, Eastern Enlargement, the EU.

INTRODUCTION

This study will deal with the Eastern Enlargement, which includes eight central and eastern countries, which are called CEECs, stands for Poland, Czech Republic, Estonia, Hungary, Latvia, Slovakia, Slovenia and Lithuania; Romania and Bulgaria can/should be included these countries but they entered the EU at the beginning of 2007, in terms of whether these countries were ready when they were accepted by the EU in 2004 and what they have gained, and then it is a success. In other words, what kinds of incentives behind this enlargement were, in spite of many obstacles?

In this regard, timing was very important, because these countries had had many negative experiences on the basis of democracy and economy under the Communist regimes. As soon as they had a chance to escape from it, they urgently needed a shelter, which was most likely the European Union, economically and historically. The Western European countries should have felt guilty during that communist period because they did not help them against Stalin, namely, these eastern and central European countries might be a gift for him to help to have defeated Hitler in the War. On the other hand, Barysch mentioned about this process (2006, 1) as the EU-15 was coming under growing global pressure, due to the rise of China, India and other emerging economies; the economic integration between Western and Eastern Europe began at that time. Companies from Western Europe have reflected to globalisation by obtaining some labour intensive production processes to places where wages are lower. Many of which have chosen the CEECs. It can be commented that necessity to each other was mutual for both sides.

In this process, the CEE Countries had sacrificed more than the former members; they slashed tariffs, sold off old state-companies, overhauled their banking sectors, cut state subsidies, threw open their telecoms and energy markets and clamped down on cronyism and corruption. Furthermore, they hastily took over the 80,000 pages of rules and regulations that constitute the EU's *acquis*, its accumulated body of law.

This study will focus on the history of enlargement policy in the EU and the accession criteria, the reasons behind the eastern enlargement, the reasons why these countries wanted to join the EU and then finally whether or not it is successful in what sense, respectfully.

It is fairly obvious that after generations of division and war, the European Union has peacefully unified Europe. From the six founding members, the EU has enlarged to 27 member states. Over the last fifteen years, the gravitational pull of the EU has helped transform Central and Eastern Europe from communist regimes to modern, well-functioning democracies. Recently, it has inspired tremendous reforms in Turkey, Croatia and the other Western Balkan countries. All Europeans benefit from having stable democracies and prosperous market economies as neighbours. A carefully managed enlargement process extends peace, democracy, the rule of law and prosperity across Europe (Aldcroft, 2001, 290).

HISTORY OF ENLARGEMENT POLICY

Enlargement is one of the most important policy areas for the European Union, owing to it has showed open intention to spread over all Europe by saying that ‘the foundations of an ever closer union among the peoples of Europe in the European Community Treaty. Meyer-Ohlendorf and Roetting described this as ‘the constitutional principle of enlargement’ (2006, 4). The authors (2006, 5) add that:

“With the foundation of the European Communities, it was clear that peace and stability in Europe can only be secured in a continental setting that does not leave neighbouring countries in conflict and instability. Given the importance of economic prosperity for peace, the Union objectives include to foster economic and social prosperity and to strive for an important of the living and working conditions for the population.”

We understand that every country could be a member of the Union as long as it satisfies the criteria; on the other hand, the Union has promised economical and political stability every country in the continent. It can be seen that the European Union has been enlarging for over three decades now, but it started elaborating detailed conditionality for new members only from 1993, in response to the desire of the post-communist countries of Central and Eastern Europe to join. However, according to Pentland, this process was very simple in the past (2006, 17). For the countries which joined before that, preparations were a much less complicated business. They had to be willing to take on the obligations of membership, but they could negotiate changes with the EU, which was itself much smaller and more flexible, to accommodate their interests. The obligations were also much less demanding, because the Union has itself greatly evolved as it has been enlarged.

Even since setting the accession conditions in 1993, the EU has added new policy areas to its activities, such as justice and home affairs, and the Schengen area of passport-free travel; a common foreign and security policy, with a defence identity; and a common currency. All of these developments add to the requirements that aspirant members have to meet before accession. They have no possibility of negotiating opt-outs like those applying to some member states on Schengen and monetary union. The candidates also have to take on the EU’s ‘soft law’ of non-binding resolutions and recommendations. The EU’s conditionality is therefore a moving target for would-be members, and it is a huge external pressure on their domestic reforms.

THE CONDITIONS FOR ACCESSION

The EU set four conditions for membership at the Copenhagen European Council in 1993:

‘Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate’s ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union. The Union’s capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the Union and the candidate countries’.

These conditions were designed to minimize the risk of new entrants becoming politically unstable and economically burdensome to the existing EU. They were thus formulated as much to reassure reluctant member states as to guide the candidates, and this dual purpose of the conditionality has continued to play an

important role in the politics of accession within the EU. The consideration on absorption capacity at the end reflects the member states' anxieties about the impact that enlargement might have on EU institutions and policies because of the increase in numbers and diversity, apart from the specific problems that particular new members might bring in.

The conditions have been interpreted more and more rigorously over the years since they were set. As the EU has elaborated what constitutes meeting the accession conditions, it has progressively widened the detailed criteria for membership, as new conditions have been added and old ones redefined. For example, the EU added the requirement for the Balkan countries to cooperate with the International Criminal Tribunal for the former Yugoslavia.

Aspirant members have to adopt the EU's rules in certain areas that are viewed as essential to the future functioning of the EU. They cannot negotiate exceptions to regulatory alignment with the single market, which involves the removal of all trade barriers and meeting the EU product and process standards, only the length of transition periods before taking on the full EU law and policies.

Ultimately, an applicant is ready to join when member states are convinced that the new member will behave like a good citizen in the EU. A potential member state has to show a certain style of operation in its public policy-making and state administration that looks familiar to member states if it is to be acceptable. A country's capacity to implement and enforce EU-inspired legislation effectively is an increasingly important part of meeting the conditions too.

1.1. The accession process

For several years after the entry conditions were first set, it was not clear exactly which elements of the political and economic conditions had to be fulfilled for an applicant to move on to the next stage. But now there is a very clear progression through eight stages:

1. Privileged trade access and additional aid.
2. Signing and implementation of an enhanced form of association agreement
3. Recognition of candidate status.
4. Opening of accession negotiations, which since 1999 has been explicitly dependent on a candidate's meeting the democracy and human rights conditions.
5. Opening and closing of the 31 chapters.
6. Signing of an accession treaty.
7. Ratification of the accession treaty by national parliaments and the European Parliament, and referenda in some countries.
8. Entry as a full member.

1.2. Accession criteria

Any country seeking membership of the European Union (EU) must conform to the conditions set out by Article 49 and the principles laid down in Article 6(1) of the Treaty on European Union. Relevant criteria were established by the Copenhagen European Council in 1993 and strengthened by the Madrid European Council in 1995.

To join the EU, a new Member State must meet three criteria (Research Paper 98/55, 1998, 7-8):

- 1-Political criteria mean the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities.
- 2-Economic criteria mean the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union.
- 3-Acceptance of the Community acquis, which means to include all of the EU legislation.

For the European Council to decide to open negotiations, the political criterion must be satisfied.

Any country that wishes to join the Union must meet the accession criteria. The pre-accession strategy and accession negotiations provide the necessary framework and instruments.

These criteria need to be explained shortly:

1.2.1. Political criteria

Under this title; democracy, rule of law, human rights and respect for and protection of minorities should be dealt with:

1.2.1.1. Democracy

Functional democratic governance requires that all citizens of the country should be able to participate, on an equal basis, in the political decision making at every single governing level, from local municipalities up to the highest, national, level. This also requires free elections with secret ballots, the right to establish political parties without any hindrance from the state; fair and equal access to a free press; free trade union organizations; freedom of personal opinion, and executive powers restricted by laws and allowing free access to judges independent of the executive.

1.2.1.2. Rule of Law

The rule of law implies that government authority may only be exercised in accordance with documented laws, which were adopted through an established procedure. The principle is intended to be a safeguard against arbitrary rulings in individual cases. In order to satisfy this set of requirements, several of the Central European states that recently joined the EU had to drastically improve.

1.2.1.3. Human rights

Human rights are those rights which every person holds because of his/her quality as a human being; human rights are "inalienable" and belonging to all humans. If a right is inalienable, that means it cannot be bestowed, granted, limited, bartered away, or sold away (e.g. one cannot sell oneself into slavery). These include the right to life, the right to be prosecuted only according to the laws that are in existence at the time of the offence, the right to be free from slavery, and the right to be free from torture.

The United Nations Universal Declaration of Human Rights is considered the most authoritative formulation of human rights, although it lacks the more effective enforcement mechanism of the European Convention on Human Rights. The requirement to fall in line with this formulation forced several nations that recently joined the EU to implement major changes in their legislation, public services and judiciary. Many of the changes involved the treatment of ethnic and religious minorities, or removal of disparities of treatment between different political factions.

1.2.1.4. Respect for and protection of minorities

Members of such national minorities should be able to maintain their distinctive culture and practices, including their language (as far as not contrary to the human rights of other people, nor to democratic procedures and rule of law), without suffering any discrimination

The convention from the Council of Europe on this issue was a major breakthrough in this field. However the area was so sensitive that the convention did not yet include a clear definition of such minorities. As a result, many of the signatory states added official clarifications to their signature on which minorities in their country were involved.

1.2.2. Economic criteria

The economic criteria, broadly speaking, require that candidate countries have a functioning market economy and that their companies have the capability to cope with competitive pressure and market forces within the Union. Two important macro-economic criteria are that the budget deficit per year must not be higher than 3% of GDP and total government debt must not be higher than 60% of GDP.

1.2.3. Legislative criteria

Finally, and technically outside the Copenhagen criteria, comes the further requirement that all prospective members must enact legislation in order to bring their laws into line with the body of European law built up over the history of the Union, known as the *acquis communautaire*. In preparing for each admission, the *acquis* is divided into separate chapters, each dealing with different policy areas. For the process of the fifth enlargement that concluded with the admission of Bulgaria and Romania in 2007, there were 31 chapters.

1.3. Why did the CEECs want to join the EU?

After explaining the European Enlargement policy and accession criteria, it is time to move to find out an answer why the CEECs wanted to join the EU. According to Baldwin (1995, 474), the considerations of stability and long run prosperity are the primary reasons why the EU had promised to enlarge eastward and why the Central and Eastern European nations want to join.

There are of course many reasons for the CEECs to want to join the EU; historically, economically and psychologically. It is true that the CEECs want to join western European Family as soon as possible, because they needed a shelter as it was said before. The reasons why they wanted to join the Union were nearly the same with the reasons why the EU wanted them to join the Union: They needed stability, economically and politically, and the EU needed a politically and economically stable Central and Eastern Europe. Therefore their goals have met at the same positions. Plumper & Schneider & Troeger say that democracy was the driving force behind the enlargement (2005, 17). Schimmelfennig (2007, 130) justifies this opinion by saying that: *'For all countries of the region, political criteria of compliance with liberal-democratic norms have been the core and sine qua non conditions for opening accession negotiations.'*

It is completely obvious that they want to join the Union but were they ready at that time? It seemed that some of the CEE Countries were not ready in terms of economic and political satisfaction by the EU. This process was described unsatisfied by the Commission (Research Paper 98/55, 1998, 11): in Agenda 2000 by saying that:

"Concerning the countries of Central and Eastern Europe, ... The Commission considers that none of them fully satisfy all the criteria at the present."

Economical inconvenience was corrected by Meyer-Ohlendorf and Roetting (2006, 7) by saying that:

"Concerning public finances, six of the new member states joined the EU with government deficit in excess of the 3% of GDP threshold set by the Treaty, but most of them have made progress toward the correction of the excessive deficit situation."

There were many indications which could show their insufficiency related to the 'accession criteria'; Meyer-Ohlendorf and Roetting (2006, 7) are implying that there have still been some important unemployment and migration problems at that time.

Tupy says (2003, 12) that although the CEECs had been narrowing the gap, with average per capita income ranging from \$10,070 in Slovenia to \$3,700 in Slovakia, the standard of living in most CEECs was still low.

Here we should find an answer whether or not there was an identity challenge at that time. According to the Eurobarometer, the majority of people in the CEECs consider themselves as their nationality only rather than

calling themselves European to some extent. Their nationality has been affected by many different factors; historical background, communist background and relationships amongst themselves. The identity is not homogeny in these countries (European Commission, 1998, 5) due to their different experience:

“Nevertheless, the nature of this identification differs between the countries. For instance, the Polish and Czech People consider themselves as always having been part of mainstream Europe and having contributed to its development. Joining the EU is, therefore, seen as being synonymous with regarding their (historically) rightful position in Europe, a feeling shared by the Hungarian population. Similarly, the Romanian national identity is closely associated with the feeling of the country being a ‘great European’ nation, not because Romanians necessarily see their country as a future big member state of the Union, but rather because of the resolute identification of Romanian national identity with European culture.”

On the contrary, this Report described the national identity in Baltic States as something related to the national independence or maintaining their own states. In Slovakia, it is a little bit different, which is defined to oppose the outside world. ‘A strong popular sense of national identity and the importance of an independent foreign policy among the elite are two elements of particular salience in Bulgaria.’ The identity had been considered as way of escaping communism and catching the West in Slovenia. In sum, it is quite obvious that there has not been homogeny in identity challenge in the CEE Countries while they were entering the EU.

1.4. Why did the EU agree to enlarge to the Eastern Europe?

After the collapse of 1989, the EC states sought to push the issue of future inclusion of the CEECs off the European political agenda (Aldcroft, 290). Since the justifying ideology of the EU is that of European political unification, and since the EU's definition of Europe has always included the CEECs, the EC 12 could not explicitly reject eventual unification with the CEECs. They, therefore, adopted the posture of saying that, before there was any question of eventual membership, the CEECs had to become Western-style 'democratic market economies' through a great institutional transformation. Political leaders in the CEECs then subtly re-interpreted this EU posture, claiming to their populations that once they had become market democracies they would be able to join the EU. During these days a particular path towards becoming a capitalist market democracy of a particular type has been adopted by the CEECs. The path has involved the fragmentation of their previous regional economic ties (the Comecon region) and a deep slump as well as an institutional engineering to globalise their economies - in other words to gear them to the interests of Western translational capital.

Why did the EU revealed its intention so early? The answer is because the promise or denial of EU membership could influence long run expectations. The EU wanted the CEE Countries to become politically and economically stable. The EU does not have many economical advantages in the CEECs, because they were not rich enough to buy what the Western companies sell. However, in long term, this would of course change; more than 100 million richer consumers mean that they buy more than they could in the past.

Politically, the EU needed reliable partners to become a global power. It is very difficult to say that the EU has become a global power in all spheres after the CEECs joined the Union, but there is no doubt that is a global power economically and geographically; produces 25 percent of the World's GNP on its own and has huge geography with more than 500 million people, which is the third crowdest country after China and India.

1.5. Is it a success?

Eastward enlargement has been one of the EU's greatest ever successes. The possibility of joining the Union has helped ten, including Romania and Bulgaria, Central and East European countries to move from post-Communist chaos to orderly EU membership in only fifteen years. This transformation was counted as one of the most impressive examples of 'regime change' ever recorded by Barysch (2006, 3).

Everybody should agree that this process was peaceful, smooth, cheap and voluntary in any way. For the CEEC countries, membership has locked in democratic and pro-market reforms, protecting peace and stability throughout the continent. Therefore, being as members in the EU gained them security, democratic stability and economic prosperity. Especially, expanding the market to another 100 million consumers is an important reward the EU-15. On the contrary, this is true for the CEECs, owing to have free access to the Western European countries. Briefly, first and foremost, everybody benefits from the increased stability and peaceful development to which the successive enlargements of the EU have contributed over the years. Secondly, the citizens of the old member states benefit from rising consumer demand in the new members because companies have sold their goods, services and know-how in these dynamic markets, which has helped to keep and create jobs back home. Trade between the old and the new members has increased in the last decade. The old member states have long enjoyed a major trade surplus with the new member states, which has helped to maintain jobs. Citizens can benefit from enlargement in many other ways, such as by easier travel, better chances to study abroad, and better business conditions. When the EU structural funds finance highways and bridges in Spain and Portugal, or in Poland, Estonia and Slovenia, all Europeans are travelling, living or doing business in those countries benefit from enlargement.

Zielonka (2007, 171) describes this enlargement as a cultural success by saying that:

"Successive waves of EU enlargement have obviously increased cultural and political diversity within the union."

In sum, it is certainly a success, because this enlargement has brought security and stability for both sides. It is, of course, very difficult to see every details and results within three years, however in spite of some small drawbacks, two main outcomes had been achieved. First, they had become in their overwhelming majority liberal democracies with largely globalised states and economic structures. Second, there are some economic and cultural benefits for both sides: The extension of the zone of peace, stability and prosperity in Europe has enhanced the security of all its peoples. The addition of more than 100 million people in rapidly growing economies, to the EU's market of 370 million has boosted economic growth and created jobs in both old and new member states. There has been a better quality of life for citizens throughout Europe as the new members adopt EU policies for protection of the environment and the fight against crime, drugs and illegal immigration. The arrival of new members has enriched the EU through increased cultural diversity, interchange of ideas, and better understanding of other peoples. Enlargement has strengthened the Union's role in world affairs - in foreign and security policy, trade policy, and the other fields of global governance. Benefits have been already visible: In Central and Eastern Europe, stable democracies have emerged, with democratic institutions and increased respect for minorities. The economic reforms in these countries have led to high rates of economic growth and better employment prospects. This process has been helped and encouraged by the prospect of EU membership, and by the EU's financial assistance. As a result the Union enjoys growing trade with these countries. It might be said that the old member states did not have direct economic benefits from the Enlargement; however, West European companies have made big profits from their investments in these countries. Barysch points out this moment by saying (2006, 4):

"More fundamentally, eastward enlargement has given the old EU what it needed most to stay competitive in the face of globalization, namely a large pool of skilled, low-cost workers at their door step. West European companies have reacted to the rise of China and India by shifting some labour or skill-intensive production processes to Hungary or Poland. This has helped them to remain competitive so preserve or create jobs at home."

In sum, the CEECs seem happier so far after joining the EU, because removing barriers between countries generally benefits both sides, although they have some disadvantages such as restrictions over the free labour movement until 2010.

On the other hand, joining the EU has changed the nature of democracy in the new member states. Zielonka (2007, 162) is describing this process doubtfully as a success in terms of decision-making process for every member state by saying:

“The EU’s membership has complicated the structure of democratic decision making by making it more multilayered and multi-centred. EU membership has enhanced the powers of nonmajoritarian institutions such as the European Commission, the European Court of Justice, and various regulatory agencies. National parliaments tend to be less powerful democratic players after a country joins the Union, and even before, as the EU accession process has shown.”

What Zielonka said can be considered as a threat for national and parliamentary sovereignty; however, this process guarantees democracy and boosts its institutions. Furthermore, the Author supports the idea of improved democracy in the CEECs by adding (2007, 162):

“...democratic decision making within the European Union has to accommodate a more diversified set of interests and cultural orientations.”

It is an obvious success, although there are some political problems for both sides. From the EU’s point of view, it has not yet digested these new 12 members including Cyprus and Malta. It will have taken some time to adopt them totally into the EU. However, the same thing has been happening for the CEECs. This situation has made Pro-Europeans pessimistic about the EU’s future, because it will be very difficult to maintain further enlargement with these 27 members.

Last of all, the summary of this chapter can be that ‘bringing down a regime overnight is completely different than restructuring and revitalizing an economy as Aldcroft said (2001, 266).

ACCESSION PROCESS OF BOSNIA AND HERZEGOVINA TO THE EUROPEAN UNION

The accession of Bosnia and Herzegovina to the European Union started with the Stabilisation and Association Agreement during the year 2005. A European Union Association Agreement (for short, Association Agreement or AA) is a treaty between the European Union (EU) and a non-EU country that creates a framework for co-operation between them. Areas frequently covered by such agreements include the development of political, trade, social, cultural and security links. Stabilisation and Association process covers Croatia, the Former Yugoslav Republic of Macedonia, Albania, Serbia, Montenegro, and Bosnia and Herzegovina. This is the first step before making an application for candidate status and membership negotiations. The negotiations were expected to be finalised in late 2007, but due to the failure of the government to decide in time on police reform in line with European Union principles they can be finalised in late 2008 at the nearest(wikipedia).

Bosnia and Herzegovina has continued its efforts to advance on the European integration agenda. The political leaders committed themselves in October 2007 to implement police reform and to advance the overall reform agenda in order to create the conditions for the signing of the SAA ('Mostar Declaration'). Cooperation with International Criminal Tribunal for the former Yugoslavia (ICTY) has continued and is now at a generally satisfactory level. The functioning of state institutions has improved to a certain degree, following the adoption of new working procedures. These developments led to the initialling of the SAA on 4 December 2007. The leaders of the country need to make considerable further efforts, if Bosnia and Herzegovina is to take full responsibility for its governance and advance the reform agenda. In February 2008, the Peace Implementation Council decided to postpone the closure of the Office of the High Representative. The authorities of Bosnia and Herzegovina need now to adopt state level legislation on police and to address other key priorities. The Commission considers that, with sufficient political will, it should be possible for Bosnia and Herzegovina to meet the conditions for signing the SAA soon. Bosnia and Herzegovina needs functional and effective institutions capable of meeting the challenges of European integration (Commission Of The European Communities).

The Important Dates

- 1995: The Dayton/Paris Peace Agreement brings the war to an end and establishes the Federation of BiH and the Republika Srpska.
- 1998: EU Declaration establishes the EU/BiH Consultative Task Force (CTF), a joint vehicle for technical and expert advice in the field of administration, the regulatory framework and policies.
- 2000: The EU Road Map sets out 18 essential steps to be undertaken by BiH before work on a Feasibility Study for the opening of negotiations on an SAA could be begun.

- 2000: Feira European Council states that all the countries covered by the SAP are potential candidates for EU membership.
 - 2001: First year of the CARDS assistance programme specifically designed for the SAP countries.
 - 2001: Commission adopts Country Strategy for BiH.
 - 2003: The Thessaloniki Summit decides to strengthen political co-operation, enhance institution-building and implement further trade measures to promote economic growth.
 - 2003: Commission approves BiH Feasibility Study
 - Since 1991, the EU has committed some 2.5 billion worth of funds to BiH
 - 2004: In June, the EU decides on a European partnership for BiH
 - 2004: In December, EUFOR replaces SFOR ("Althea" operation)
 - October 2005: Commission recommends to Council to open talks on a Stabilisation and Association Agreement (SAA)
 - November 2005: Commission issues annual progress report on BiH
 - November 2005: Council gives green light to opening SAA talks with BiH
 - January 2006: SAA talks formally open
 - March 2007: The Commission warned that it would not conclude SAA talks unless the country made progress on reforming its police and co-operated with the UN War Crimes Tribunal.
 - July 2007: Miroslav Lajcak is appointed EU High Representative in Bosnia and Herzegovina until 29 February 2009.
- December 2007: EU initialled a Stabilisation and Association Agreement (SAA), bringing the country "one step closer" to EU membership, however the eventual signing of the accord, expected mid-2008, is condition to the implementation of a police reform plan (euractiv).

ACCESSION PROCESS OF TURKEY TO THE EUROPEAN UNION

Still, some Turks believe that no matter how much the country reforms, the EU will ultimately reject a Muslim candidate. Christian Democrats in Europe, who are already uneasy about Muslim minorities in their home countries, argue that bringing Turkey into the union would mean importing problems from the Middle East. As a compromise, some EU states are exploring a third way of engaging with Ankara: something more than a partnership but less than accession. France has proposed granting Turkey "special status"; Germany's Christian Democrats have suggested a "privileged partnership," providing Turkey with free trade and closer integration in security and military affairs. But Turkey believes these would bring it few benefits that it does not already enjoy by participating in the EU Customs Union and NATO. Accusing recalcitrant EU states of applying double standards and shifting goalposts, The Turkish Government flatly rejects anything short of membership (Phillips, 2004). Saying by Cassese et al (1998) that Some Member States patently deny the existence of minorities on their territory, while others categorize their minorities into first-, second-, and even third-class citizens. Moreover, some Member States practice and easily get away with treatment of minorities that would instantly disqualify from accession any candidate country, as has already happened to Turkey. Accession negotiations with Turkey have been suspended on the account of the latter's poor human rights record (particularly as regards its treatment of the Kurdish minority). Cyprus also has been forewarned that its less than perfect human record may have negative repercussions for accession progress.

The Important Dates: Chronology of Turkey's Enlargement Process:

- 1959 - Turkey applies for associate membership in the European Economic Community.
- 1963 - Association Agreement signed, acknowledging the final goal of membership.
- 1964 - Association Agreement comes into effect.
- 1970 - Protocol signed providing a timetable for the abolition of tariffs and quotas on goods.
- 1980 - Freeze in relations following the 1980 Turkish coup d'état.
- 1983 - Relations fully restored following elections.
- 1987 - Application for formal membership into the European Community.
- 1989 - European Commission refuses to immediately begin accession negotiations, citing Turkey's economic and political situation, poor relations with Greece and their conflict with Cyprus, but overall reaffirming eventual membership as the goal.
- 1995 - European Union-Turkey Customs Union is formed.
- 1999 - European Council recognises Turkey as a candidate on equal footing with other potential candidates.

- 2002 - European Council states that "the EU would open negotiations with Turkey 'without delay' if Turkey fulfils the Copenhagen criteria".
- 2002 - 2002 Turkish general election brings the pro-EU Justice and Development Party (AKP) to power.
- 2004 - Turkish government and Turkish Republic of Northern Cyprus back the Annan Plan for Cyprus.
- 2004, December - European Union agrees to start negotiations.
- 3 October 2005 - Opening of six chapters of the Acquis: Right of Establishment & Freedom to provide Services, Company Law, Financial Services, Information Society & Media, Statistics and Financial Control
- 12 June 2006 - Chapter on Science and Research opened and closed.
- 11 December 2006 - Continued dispute over Cyprus prompts EU to freeze talks on eight chapters and state no chapters would be closed until a resolution is found
- 29 March 2007 - Chapter on Enterprise and Industrial Regulations opened
- 25 June 2007 - Chapters on Statistics and Financial Control opened, but the opening of the chapter on economic and monetary policy was blocked by French President Nicholas Sarkozy
- 20 December 2007 - Chapters on Health & Consumer Protection and on Trans-European Transport are opened

CONCLUSION

There can be of course concluded many conclusions from the Eastern Enlargement:

Firstly, the Eastern Enlargement has been considered as a huge success by many scholars and politicians. We know that it has been voluntarily and peacefully for both sides, especially the CEECs seem happier for gaining economically and politically; they are more stable and prosperous. They have been enjoying for being European since they were accepted. Secondly, The EU is a more global power than before with these countries. It has more than 500 million people and the biggest economy in the World. Thirdly, The Union has proven that it has brought peace and stability where it has gone as it has promised since the beginning. It has the ability to carry it for further enlargement. However, there is certain doubt about whether European people want further enlargement. If the Union wants further enlargement, it has to persuade its people.

On the other hand, there are some problems for the CEECs on the ground of governing their country; administrative structure has become more complex owing to the new institutions such as The European Parliament, the European Council, and the European Commission etc. in the European Union. It would have some time to get used to these new institutions.

Furthermore, from the previous member states' point of view, it would take some time to digest these new members. In this regard, this enlargement has been negative effects, not only for the candidate countries (Croatia and Turkey) but also for the potential candidate countries (the Balkan States and some former Soviet Union States such as Ukraine). It can be said that the EU has gone fast in terms of enlargement, because of accepting some unready countries, and this upsets people in the old member countries. This reason among the many reasons rejecting the Constitution Treaty in the Nederland and France could be the most dominant.

As seen, the EU accepted the CEECs as members, although they did not meet most of the criteria they should have implemented. In other words, the CEECs had friends in the right places at that time. However, this is fairly unfair for the candidate countries; as I know from my country, which is Turkey, people are very sensitive about being treated as equals, and most of them think that the Europe (the Union) treats them unequally, even if they met and satisfied all accession criteria, the Union would create another criteria for Turkey until Turkish people fed up joining the Union. In other words, many people think that the EU will not accept Turkey as an equal member forever. They seem right if we look at the Eastern Enlargement, because, although Turkey applied for full membership in 1987 and was in better conditions than some of the CEECs, the EU preferred to accept the CEECs instead of Turkey. Of course there can be said many logical reasons for this, but the reality is many people in Turkey think like this. Turkish people need not despair; however, if they despair about the EU, they may look for alternative partner for itself such as Iran, Russia or some Arabic neighbours. This idea is not a fantasy, which was mentioned by a senior officer in Turkey last year.

In conclusion, the EU cannot reverse from its enlargement policy, owing to globalized world at this stage. It seems that it has to find a solution for the Constitutional Treaty, which still needs to be signed by some members, not only for the candidate and potential candidate countries' benefits but also for its own benefits.

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A REGIONAL RESEARCH ABOUT THE EVALUATION OF NETWORK RELATIONSHIPS IN THE CONTEXT OF CLUSTERING AS A MEANS OF STRATEGIC COMPETITION

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ABSTRACT

Different means being located in process are appeared in front of us as an inevitable necessity due to increasing rivalry and ensuring continuity by enterprises. Even though used means has a potential to find specific solutions, it is appeared that different structures are occurred to develop jointly competitiveness and competition strategy. Especially in sectors developing relations between buyer and supplier industries, submitting strategies by local enterprises comes into question, even though size values coming into prominence and as different local suppliers' structures connected centre-surrounding relationships. Since appearing clusters, on the one and different local clusters produce rivalry, on the other hand with moving together conscious they are trying to develop main industry relations. To become definite this process at first, rivalry must be known by checking for local enterprises and according as this information value their self structures must be exhibited. This paper is about the enterprises which are set in Konya and are original equipment manufacturers (OEM) in automotive supplier industry. In this paper, 234 enterprises were considered which are registered in KOSGEB, KSO data bases and 68 of them were taken of a poll face to face. Defining the rivalry by enterprises, collaborator behavior forms as clusters and network relations evaluate characteristics were tried to measure with evaluated survey data. Eventually, cluster structure was found in the defined area but it can be seen this does not has an expected internal value, not struggling enough to set network relations and they could not be effective to perceive rivalry in the area.

INTRODUCTION

On the one hand the will of global actors in entering all the markets they can reach without considering scale makes learning the differences in the lives of enterprises necessary; on the other hand it directs them to manage the chain of value well in order to decrease the costs determined in the market conditions to the minimum level. The enterprises should develop new strategic instruments in order to evaluate choices of focusing, creating awareness, and cost leadership emphasized by Porter (1990;38-43). The importance of these instruments appears once more especially when the scale diversity and regional advantages/disadvantages were considered. Thus the new rules of the criteria defining decisiveness in the relation between center-surrounding and differentiated and restored supply chain networks cause rehash the indistinctive diversity between the advantage in competition and surviving.

We see clustering as one of the instruments with its conceptual frame and differentiated application forms. Besides the common intellect and the decisiveness of the collective leadership in the conditions of market, the enterprises should improve their value chains and the clusters which attract attention with structural arrangements are not absolute solutions but the means of competition (Porter,1998).

As introducing success rates of the examples of clusters in the world, it is seen that this kind of organization had reached the target via a network relation which should be explained truly. In the other words every player that can be placed from components to suppliers, opponents to cluster members is going to present the data of dominance during the competition and making the cluster effective (Duch,2006).

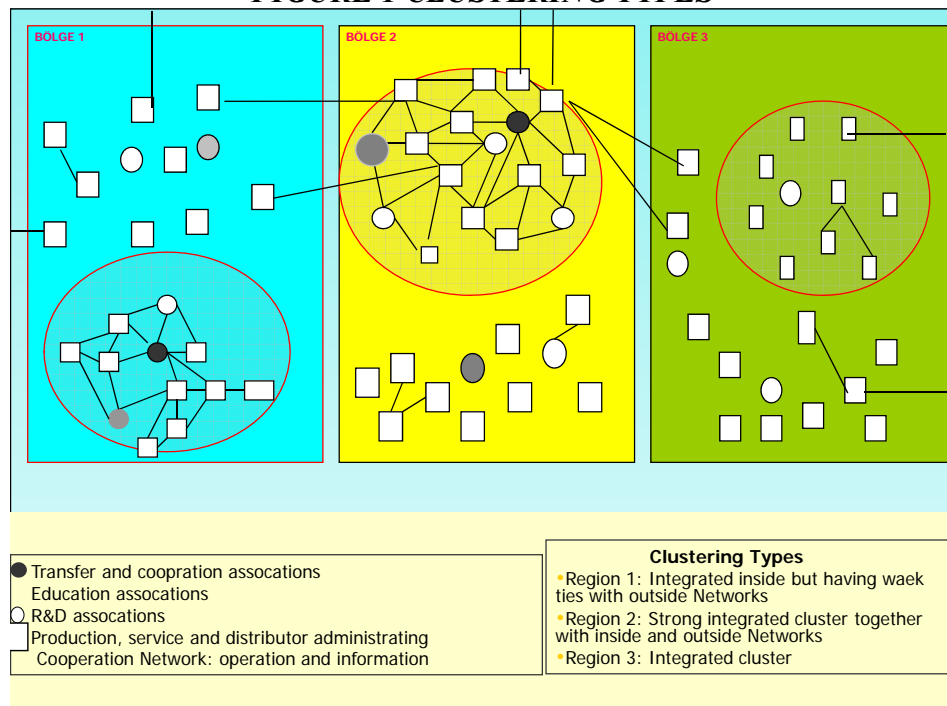
Clustering, Network and Competition

When taking into consideration the formation of competitive values and the development of the market in terms of surviving of the enterprises, although the determinativeness functions of the main industry, one of the competitive values of the suppliers is their moving in an identified organizational structure. Even though this preference put forth the determinativeness of the main industry, the suppliers who are shareholder for

determinativeness, and value partners who they are in contact, emerge as a decision focus through a proper policy. Likewise, the clusters, which have been talked about from Marshall to our present days and which provide continuously development, appear in front of us as the tools, which are important from the suppliers' point of view.

The cluster first brought up by Porter (1998) is becoming dense of the organizations, which produce and sell the products in associated with each other, and in integration to each other, on sector or geographical foundation. One of the most indicators of the becoming dense in terms of competition is network relationships. These relationships also identify and suggest the quality and sort of the cluster. This situation will also determine the competitive level with the other clusters of the cluster considered. Likewise, poor competitive strength of the integrated cluster and relative competitive advantages of the cluster integrated inside present a comparison opportunity related to this. From the other hand, as stated by Peltoniemi (2006), providing the integrity and effectiveness of the network structure can be accepted as the indicator of improvement toward the value chain of the enterprise, and its shareholder.

FIGURE 1 CLUSTERING TYPES



Krätke Stefan, Scheuplein, Christoph (2001;128). *Produktionscluster in Ostdeutschland Methoden der Identifizierung und Analyse*. VSA- Verlag, Hamburg.

Beginning from this point, in the cluster formed, the network relationships between both the stakeholder, shareholder, and cluster member and the improvements in the value chains of the enterprises will give an advantage in providing sustainable competitive advantage. As stated by Thompson, (2006) the advantage of the firm in supply chain during the competition process does not only depend on evaluating sub-industry relationships but also on improving the network relationship of the supplier with the clustering center. In the networkworking styles of cluster center (focus), it is seen that the priority is given to the integrated clusters (Krätke, Scheuplein,2001;141). Under the light of these foresights, the quality of the potential clusters taking place in Konya and the network relationships will gain importance in international integration.

A Regional Research About The Evaluation Of Network Relationships In The Context Of Clustering As A Means Of Strategic Competition: The Case Of Konya Automotive Sub-industry

As a result of the study about clustering tendency of the enterprises, which are operating in Konya Industry Areas, it is seen that the values of 12 sectors present a potential for becoming a cluster. From these enterprises, taking into consideration the relationship level in the national and international area of the

enterprises which are operating in the automotive sub-industry, network relationships are attempted to be measured in terms of clustering.

Aim and method of study

The aim of the research in this context is measuring the network relations of the enterprises operating in automotive supplying industry in the context of clustering as a strategy of competition. For this aim, from 234 enterprises which define themselves directly as a producer of automotive supplying industry, 68 of them was conducted a survey. The confidence interval of the study which was made with the method of face to face interview is $p < .95$ and SPSS 15.0 packaged software was used for the statistics analyses.

Findings of study and analysis

First basic data concerning the structures of the enterprises which are in the extent of the research are presented. According to the data 86.7% of the enterprises are family enterprises. When we consider that the 73.5% of the enterprises were founded after 1991, the region had focused on farming equipments before, the interest to the automotive supplier industry was after that date, it can be said that young enterprises are dominant. On the other hand it is seen that enterprises have kept the profile of the workers, generally the number of labors in the number of total workers has kept, but foremen and headworkers are employed as qualified workers. If we look at the information of the enterprises related with the production: 52.9% of the enterprises have integrated production, 38.2% have production by using product and intermediate product. An important amount of the producers (55.9%) produce directly for the consumers in other words shelf warmer, 32.4% provide out puts to the main industry and high level purveyors with shelf and order products. While we look at the subject from their production style and production structure, it is seen that they tend to whole sale, retail and market products and try to compete in the supply network.

The hypothesis of the rsearch are stated as follows

H1: It can be said that clustering potential exists for the automotive sub-industry in Konya Industry Area

As a result of study carried out, when considering the studies carried out by KSB, KOSGEB, and Cluster Center (in the frame of criteria described), it is possible to talk about clustering potential in Konya Automotive Sub-Industry. However, this cluster is introverted. In other words, the cluster is integrated inside, but it is weak outside.

H2: In automotive sub-industry enterprises, the analysis of competition, and competitors and the levels of identifying them are high.

According to the researches, the competitors of the enterprises center in the country and the region. The market in the abroad, it is said that the competitors is in the small rate. However the same occasion has appeared in the production of the same products. Moreover, it is reported that the competitors with small-scale and large-scale (30,0%) is also noticeable for the business enterprises while they describe the important parts of their competitors as an average-scale (48,5%).

In perceiving the competitive process, although all competitors in the level of the local, regional, national, and international are considered important (in Level 5). The data about the existence of the competitors becomes insignificant this importance. When regarding to the information obtained the questions posed toward perceiving the competitive values and nature of the enterprises, it is suggested that the competiton becomes dense, especially in Konya (69.1%) and Turkey (73.5 %). In the frame of studies considered in global point of view, it is seen that especially the clusters in China and, the other countries in Far East and, the countries in East Europe, were not considered. In connected with this result, it is seen that, for the judgment "those producing similar products", the answers were given in sparse spread or lower rate.

It is stated that all of the relations related to international scale from which the industry region for the process of competition are very important. To protect the power of competition, all the information of the business enterprises about the marketing and input is shown in the statistical results which are very important.

When regarding to the approach of becoming advocate of change, which is related to creating awareness presenting important from the view of evaluating the competition perceiving, for the enterprises, this emphasizes that producing a new product for the firm (27.9 %), improving a new product produced by the firm (29.4 %), and improving the process (26.5 %) are competitive advantage. It is seen that patent (23.5 %) and R & D (26.5 %) investments toward emerging a new product are not in adequate level. However, those becoming important the technological investment by providing a cost advantage (31.8 %) and those providing an advantage from input costs (42.5 %) are not in adequate level. When considering the quality concept as a tool of competition, it was identified that the enterprises concentrated on traditional quality

management (44.1 %), and that quality management system was important (41.2 %) in terms of documentation; while the understanding of management equipments based on quality such as providing awareness (8.8 %), and KKT (8.8 %) were not accepted and used in adequate level.

It is concluded that the business enterprises cannot have the relative information as theory; moreover, they cannot describe competition enough according to the values of application and description of the scale and they center in the country about their competitors. This situation has shown that according to their competition values, the business enterprises are not sufficient to develop a competition structure and strategy in global and local.

H3: Sub-industry enterprises have the actions toward a sharing/common aim.

It is claimed that most of the business enterprises (16,2%) do not use any supplier and they show its basic reason is the production capacity when it is examined the level of the relation between hosting a producer and a network in the supplier network and provide the input in the production. Furthermore, the reasons of the obstacles of main industry are raising the costs, deficiency in technology, etc. Konya is the basic network center for the produced goods which are the most important means in providing the input.

Depending on these reasons, it is seen that the enterprises are willing ($X = 4$) about providing information and presenting a common action plan; however, not sufficiently desirous (27.7 %). In the scale toward measuring the sharing areas, which are used for evaluating this hypothesis, it is seen that any relationship center did not form in forming of the network center related to using social capital except for the centers such as KSO (48.1 %) and KTO (41.6 %), which required obligation. It is observed that focus value about sharing is Konya again. Beside this, in the analysis toward the use values of the methods of product development, and of innovation, it is seen that social relationships were used in unorganized way and effectively (54.4 %). This case brings up that, in identifying the relationship value, rather than regular communication, rumors and local information instruments were used.

H4: The network relationships of the enterprises in automotive sub-industry are adequate and qualified

When the purchasing evaluation of the business enterprises is examined, the effect of the production of the shelf goods shows itself in the local options. While the centers such as Istanbul, Ankara, and Bursa attract the attention of which are the shelf current is available, Konya has an important part thanks to its nearness to the place and there also are places such as Karaman and Isparta. When it is examined in the order product, Aksaray, one of the place of Mercedes is made, has a low value but Kocaeli has a low rate. When it is examined in the view point of the abroad relation, 47% of the business enterprises export. It is stated that direct relation is important for export; moreover, it is observed that the export network is applied by the external trade firms centered in Istanbul. As it is seen in the process of purchasing, the network is run through the country and the known markets.

Additionally, in related to the togetherness based on the competition focused understanding, Konya put forth as a sharing center in the issues such as buying the equipment (42.6 %), using the machine in shred way (19.1), togetherness about product development (13.2 %), acting together about marketing (5.9), using the skilled worker in shared way (4.4 %), togetherness about labor training (10.3 %), and sharing the technical knowledge (8.8 %). In the noticeable part of these evaluations, the other provinces and regions are not assigned any value. Beside these findings about the quality of network relationships, it is sought why Konya, regarding to the input supply, is a main constraint determining the network center. As a result of this research, while the enterprises were placing the advantage of easy reaching in terms of logistic (51.5 %) into the first order, this was successively followed by the elements such as quality (35.3 %), easy cooperation (29.4%), and supplying duration (19.1%), Beside the input values, when the network structure is examined in aspects of output values, it is seen that Konya takes place in the first order with 88.2 % In terms of comparing to advantage values in competition, Preference level of location to the other provinces was also sought. From these findings, about the question "if I wanted to rebuild my enterprise, which province I would prefer", Konya takes place in the first order (47.1 %). This rate is 2.9 % for Adiyaman following it from the closest order, While the rate of those expressing that they were not in touch with the other provinces is 30.9 %, it is determined that the rate of those saying not being able to communicate, although they were in touch with them, as 27.9 %. Another finding supporting all of these, the judgments, which put in order as the reason of preference proceed around $X = 4$.

To provide the strategically competition, R&D which is the basic mediator in creating the awareness and/or minimizing the cost and the activities of modernism have invested a little and it shows that the activity is not sufficient comparing to the given importance. As well as this situation, it is seen that Konya is related to the data developing the process of such as engine, improving a product, and marketing.

4- Results

The results of the research on the automotive sub-industry enterprises operating in Konya, which are also supported by a research carried out by KOSGEB, and other indicators have shown *the existence of a cluster*. However, findings of the research indicate that the competition is limited with Konya and Turkey. Even

though companies are aware and have adequate knowledge and information about global competition and competitors it is not possible to conduct analysis and make descriptions in terms of relationships with clusters outside Konya and Turkey. Thus, while data on describing competition and evaluating the competitors from the point of scale has made the situation difficult, it has not confirmed the sub-hypothesis. Moreover, it has been concluded that the business enterprises in the scope of the research have shown insufficient effort on “the existence of the activities related to the aim of sharing” and limited the process with Konya. It has been seen that factors such as outside effects, competitors have had limited contribution to business enterprises. Finally, it has been concluded that the business enterprises which have joined the research have no tendency to “the sufficiency and quality of the network relationships; they do not have the capacity of leadership of cost, creating difference or developing a sufficient strategy on focus; and related to the situation, the basic hypothesis of “the enterprises, which are operating on automotive side-industry in Konya, have the capacity of strategically competition as a cluster” has not been confirmed. The business enterprises in the region want to be in the same lane as China in cost; however, it is known that they cannot be sufficient. As well as this situation, it is obvious that the business enterprises in the region will face problems in average and long term when it is considered that the developments in the countries of East Europe are not noticeable about focusing, there is not enough effort to creating difference and they are far from the advantages of the places which provides main industry. Using the cluster in hand on preventing this situation it is used both the synergy and the advantages of the structures, and thanks to this, it is possible that this will become more advantages with the improvement in the chain of value.

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A MODELING OF SOCIAL-LOCAL BASED BUSINESS INCUBATOR AS A REGIONAL DEVELOPMENT STRATEGY: ASSESSING OF “THE BUSINESS IMPROVEMENT CENTERS (ISGEMs)” IN TURKEY

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ABSTRACT

The main object of this paper to examine the ISGEMs as a modeling of social-local based business incubator for a regional development strategy in Turkey. Business incubation is a process; it encompasses all the facets of preparation and management that are required for the successful establishment of a new enterprise to the point at which the enterprise can be considered to be self-sustaining. Incubators provide hands-on management assistance, access to financing and orchestrated exposure to critical business or technical support services. They also offer entrepreneurial firms shared office services, access to equipment, flexible leases and expandable space-all under the roof. Business incubators are used as a means of regional/local development strategy, and create regional/local employment opportunities and economic wealthy in the country. In Turkey socially-local based business incubator is called as “The Business Improvement Centers” or ISGEMs in short. The ISGEMs applications have been realized by the coordination of the Privatization Administration and the Small and Medium Industry Development Agency (KOSGEB) under the Privatization Social Support Project. This project is financed by World Bank. The development objective of this project is to support the achievement of the objectives of the Government’s Privatization Program, mitigate the negative social and economic impact of the privatization of state-owned enterprises, and monitor the social impact of the Economic Reform Program. From the year of 2003, it has been established 6 ISGEMs included in Tarsus, Adana, Mersin, Eskişehir, Ereğli, Van regions. The ISGEMs have 212 businesses capacity totally and 181 businesses have been acting actively under market conditions in these business incubator centers. They have been employed 1116 workers directly up to now. So, the IGEMs create regional employment opportunities and economic wealthy and contribute to Turkey’s regional development strategy.

Key words: business incubators, ISGEMs, regional development, Turkey.

INTRODUCTION

Business incubators aim to assist entrepreneurs with enterprise start-ups and development. Incubators typically seek to provide workspace, often on preferential and flexible terms, for a specific industry or type of firm, while concentrating spatially the supply of utilities, services, facilities and equipment. In addition to workspace, the services provided by incubators can include various forms of business planning and managerial advice, office facilities, finance and accounting, access to business networks, and legal services. Local and regional governments, universities, chambers of commerce, science parks and private

real estate developers have all funded incubation programs. Incubators may also differ as regards selection criteria for tenant firms, as well as the quality and type of accommodation, and the structure of management. Variation likewise exists in the range of services offered: some incubators buy-in critical services when required, so-called “virtual” incubators provide only non-property-based services, and technology incubators may offer R&D facilities as well as legal services for issues of intellectual property. The underlying objectives of business incubation programs are similarly diverse. These objectives have included: combating unemployment by means of enterprise creation and improved rates of enterprise survival; redressing local and regional economic decline; nurturing a climate conducive to entrepreneurship; expanding the supply of infrastructure; providing a nursery for the commercialization of university research (especially through technology incubators); upgrading the technological capabilities of firms in a given location; fostering the development of specific industries and technologies.

LITERATURE REVIEW AND METHODOLOGY

Researchers began to discuss the concept of incubators in the 1980s. At first, researchers focused on describing the economic benefits of incubator programs and on discussing the key factors in establishing successful incubators. After the incubation conception became widely accepted, studies on incubators in the 1990s diverged in both research goals and methods. Some research proposed new concepts of frameworks; some developed new or integral methodologies; some analyzed the management practices of incubator operation, and still others assessed how incubators impact economic and technological development. The main research method in the literature included single or multiple case studies, national or local questionnaire surveys, in-depth interviews with experts and managers, and data analysis.

Evaluations of business and technology incubators have generally shown a positive impact in terms of improving firm survival. In Australia for example the failure rate within the first year is an estimated 8 per cent among incubator tenants, compared with a national average of around 32 per cent. Survival rates for incubated firms in the United States are around 80 per cent, considerably above the norm for new businesses. In 1996, the government of the UK set up an Enterprise Panel to examine business incubation. The Panel concluded that business incubators do improve survival rates, as well as facilitating technology transfer and innovation and generating jobs and local economic development. Evidence from France likewise indicates significantly higher survival rates among incubator tenants.

As regards employment, evidence from the US shows significant employment growth in incubator-resident firms. The Impact of Business Incubators study referred to above found that between 1990 and 1996 the average number of employees in the firms considered rose from 4.5 to 13. At the same time, employment data of this sort raise important issues of scale owing to the fact that the number of firms incubated may sometimes be too small to make significant inroads into the problems stemming from major plant closures. SPI – Italy’s premier agency promoting business incubation – hopes to create around 2 500 new jobs a year nationally with a network of 30 incubators. And in Australia the estimated total number of people working in firms in incubators is around 1700. These numbers are small when taken nationally. To be significant from a local perspective such employment growth needs to be well targeted. In this context it is relevant to note that firms graduating from incubators frequently locate in the vicinity of the incubator. For example, in the United States, in 1995, a study of incubators in Michigan showed that 80% of graduate firms located in the same community as the incubator facility. The same evaluation also found a significant impact on local economic development in terms of taxes paid and investments

realized. The available assessments indicate that the cost of public support per job created in an incubator can compare favorably with other public job creation programs. Data from the US show incubators to perform well by comparison with the best public works programs in terms of cost per job created. As an instrument of employment creation incubators may favor those in the workforce possessing higher levels of skill (depending in each case, of course, on the characteristics of the population of tenant firms). However, once established, new businesses can raise demand for services which are often provided by less-skilled workers (such as copying, packaging, freight services, printing, etc.). It should also be borne in mind that incubation is a medium- to long-term undertaking, unsuitable for responding to short-term employment crises.

In this paper we used business incubators data issued by Business Improvement Centers. In Turkey socially-local based business incubator is called as “The Business Improvement Centers” or ISGEMs in short. The ISGEMs applications have been realized by the coordination of the Privatization Administration and the Small and Medium Industry Development Agency (KOSGEB) under the Privatization Social Support Project. This project is financed by World Bank. The development objective of this project is to support the achievement of the objectives of the Government’s Privatization Program, mitigate the negative social and economic impact of the privatization of state-owned enterprises, and monitor the social impact of the Economic Reform Program. From the year of 2003, it has been established 6 ISGEMs included in Tarsus, Adana, Mersin, Eskişehir, Ereğli, Van regions. The ISGEMs have 212 businesses capacity totally and 181 businesses have been acting actively under market conditions in these business incubator centers.

LINKAGES WITH THE LOCAL ECONOMY AND REGIONAL DEVELOPMENT

Incubators provide an opportunity to build public/private partnerships for economic development. They provide a means to link a community’s assets and resources with the entrepreneurial culture. A willingness to take risks, patience, and a long-term perspective are required by a community. Incubators are no more the simple panacea to economic development than were industrial parks of the past. They are another tool to be used as part of a broader economic development strategy by a state or locality.

Incubators have been observed as helping to build entrepreneurial cultures and clusters and acting as a catalyst for the development of integrated business support network which include finance providers, universities, business schools, SMEs, business professionals and government bodies.

The empirical results illustrate three interrelated elements of importance to the economy, and the way in which business incubators facilitate the regional economic development process through supporting local enterprises, create new jobs and welfare for the local economy. The results demonstrate that the most important goal shared by all incubators is that of creating enterprises and jobs in the local economy. Other goals of incubators include, retaining business in the local economy, commercializing technologies, and revitalizing distressed neighborhoods.

Business incubators should seek to maximize synergies with the local business environment. The operation of many incubators is overseen by an advisory board comprising representatives of the local business community. Most incubators also have an affiliation with the Small Business Development Center like KOSGEB in Turkey. Conversely, incubators sometimes introduce infrastructure previously lacking in a given community, and can improve operating revenues by extending services to nearby firms. Larger incubators frequently offer telephone answering services to local “home businesses”. Incubators can also serve as a point of referral for local firms, signposting the

range of business, training and financial support services often on offer for small firms and start-ups. Marketing and matchmaking services have likewise been offered by some incubators, as well as by tenant firms within incubators, so as to facilitate outsourcing and supplier linkages between tenant and non-tenant local enterprises.

The economic characteristics of the location in which an incubator is established will greatly affect its operation and usefulness. The areas chosen as incubator sites should ideally provide access to markets for goods and services (as small firms within an incubator stand to benefit from trade and networking with larger companies outside) as well as a degree of business expertise in the surrounding community, diverse financial resources (such as venture capital funds, business angels, banks, etc.), and local commitment to the incubator program. However, such ideal conditions will often be lacking, especially as incubators are often established in response to local economic distress. Consequently, prior to setting up a business incubator it may be necessary to improve the local climate for entrepreneurship so as to encourage demand for the services an incubator would provide.

The number of states and local bodies undertaking efforts to develop business incubators is growing. Like many other aspects of enterprise development and advanced technology initiatives, local bodies have taken initiator roles in setting up and ruling business incubators. Publicly supported incubators are designed to help entrepreneurs develop their business ventures in a supportive business environment. Without the incubator most of the entrepreneurs would either not be in business or struggle to remain in business. The intention is that the business will relocate in the local community. Local community leaders must realize that an incubator has an appreciable impact only after firms leave the facility and expanded operations in the local area.

In many countries local governments, industry representative bodies and local financial institutions play a role in the financing of business incubators, heightening the significance of the nexus with the local economy. Furthermore, a number of incubators have become focal points for alliances between leaders from politics, business and the trades unions. And incubators have developed through partnerships involving local, state and commonwealth governments.

The majority of the incubators are established with the support of external agencies, which are instrument in establishing incubators as part of an economic development strategy. The incubators are actively involved with prominent agencies responsible for economic development in the region, for example, the Regional Development Agency and local authorities. Through these alliances, the incubators seem to benefit not only by way of financial support but also by way of policy and strategic guidance, which ensures mutual benefits to all parties involved.

The incubators that add value most effectively to the economy are those adopting a proactive role in business development and address the needs of the “clients” on an ongoing basis. The role of the incubator has been seen as “facilitator” rather than “real estate”, hence focus plays a crucial part. Their objective is more economic development in broader terms than industry specific. The industry specific incubators provide specific knowledge and expertise to businesses.

Table 1. Goals of Business Incubators

Goals	%
Creating jobs in the local economy	100
Enhancing a community's entrepreneurial climate	100
Retaining businesses in the local economy	94
Commercializing technologies	88
Diversifying local economy	82
Generating complementary benefits for the sponsoring agency	76
Opportunity to support other entrepreneurs and local economy	76
Generating net income for the incubator or sponsoring organization/founders/investors	60
Revitalizing distressed neighborhood	60
Building or accelerating growth of a local industry	55
Identifying potential spin-in or spin-out business opportunities	30

The value-added of incubator operations lies increasingly in the type and quality of business support services provided to clients. Incubators provide a range of business support largely dependent on their focus and availability of on-site expertise. The business support services generally offered on-site include basic start up training; marketing assistance; shared admin/office services; and specialized equipment/prototype facilities.

Table 2. Business support and specialized services/sectors provided

Business Support Services	%
Help with basic start up needs	100
Marketing assistance	94
Networking activities	94
Help with accounting/financial management	88
Shared admin/office services	88
Specialized equipment/prototype facilities	88
Property management and feasibility studies	88
Internet access	77
Innovation projects	77
R&D and science-based support	35
General legal service	24

EVALUATING BUSINESS INCUBATORS

A range of criteria have been employed in the evaluation of business incubators. These criteria include firm survival rates, the numbers of jobs/firms created, the public investment required for each job created, the profitability of the incubator, and the sales and profits performance of tenant firms. It is important to recognize some of the deficiencies in the evaluation data often advanced in support of business incubation. For example, it is difficult to gauge the significance of improved survival rates among incubator-resident firms if those firms enter the incubator after a process of selection. In other words, such firms may be unrepresentative: their success may be attributable more to inherent characteristics than to the effect of the incubator. At the same time, making assessments using a control group of firms can be a complex (and costly) undertaking, as

was found in the major US evaluation referred to above. For instance, methodologically, information on non-tenant firms is usually found in sources which exclude early enterprise failures, which complicates the identification of a truly comparable set of firms, while the dynamic effects of incubation on firms may be missed in short-run data sets. However, incubator managers might collect data on control companies by gathering information on “near miss” firms, *i.e.* firms which for reasons other than eligibility did not enter the incubation program. These firms might have failed to enter the incubator owing, for example, to inadequate space or a decision by the firm not to accept the offer of a place. As incubator managers take in a new firm they might also seek to identify and collect information on a comparable local company, using data from a chamber of commerce, economic development agency or other source.

Another frequently used measure of the performance of incubators is the public subsidy per job created. However, such estimates are of little use to policymakers, and may even mislead, if the job would have been created anyway outside the incubator. There is a need, then, for studies of a micro sort which assess the degree of additionally involved in job creation, as well as the performance of firms within incubators against that of similar firms outside of incubators, and the costs of incubation as compared with other measures which might be employed to achieve similar outcomes. Unfortunately, the lack of systematic evaluation of business incubators is a problem shared all too often with small enterprise support programs generally. In this regard, a noteworthy and potentially fruitful initiative is the preparation of toolkits by the National Business Incubation Association of the US aimed at facilitating and standardizing data collection by incubators so as to provide meaningful statistics for evaluation. Such a measure could be emulated by institutions in other countries representing and/or working closely with the incubation industry.

ASSESSING OF “THE BUSINESS IMPROVEMENT CENTERS (ISGEMs)” IN TURKEY

In Turkey socially-local based business incubator is called as “The Business Improvement Centers” or ISGEMs in short. The ISGEMs applications have been realized by the coordination of the Privatization Administration and the Small and Medium Industry Development Agency (KOSGEB) under the Privatization Social Support Project. This project is financed by World Bank. The development objective of this project is to support the achievement of the objectives of the Government’s Privatization Program, mitigate the negative social and economic impact of the privatization of state-owned enterprises, and monitor the social impact of the Economic Reform Program. From the year of 2003, it has been established 6 ISGEMs included in Tarsus, Adana, Mersin, Eskişehir, Ereğli, Van, and will be opened in Avanos, Elazığ, Yozgat, Diyarbakır, Samsun regions in the near future.

The ISGEMs have 212 businesses capacity totally and 181 businesses have been acting actively under market conditions in these business incubator centers. They have been employed 1116 workers directly up to now. So, the IGEMs create regional employment opportunities and economic wealthy and contribute to Turkey’s regional development strategy.

Table 3: ISGEMs in Turkey

ISGEM	Establish Date	Business Capacity	Number of Business (%)	Number of Empty Business (%)	Number of Employed People	Number of Graduated Business	Number of Closed Business Before Graduation
Tarsus	2003	80	69 (%86)	11 (%14)	750	8	2
Adana	2004	39	34 (%87)	5 (%13)	167	7	4
Mersin	2004	19	19 (%100)		17	3	3
Eskişehir	2004	19	16 (%84)	3 (%16)	32	7	1
Ereğli	2004	18	16 (%89)	2 (%11)	60	2	1
Van	2005	37	27 (%73)	10 (%27)	90	1	0
Total		212	181 (%86)	31 (%14)	1116	28	11

Table4: Distribution of Industries of ISGEMs in Turkey

Industry	Number of Business	(%)
Information Technologies	35	19
Food	25	14
Textile	24	13
Furniture	23	13
Machines	16	9
Services	8	4
Other	51	28
Total	181	100

Figure 1: Number of Business in ISGEMs by Industries

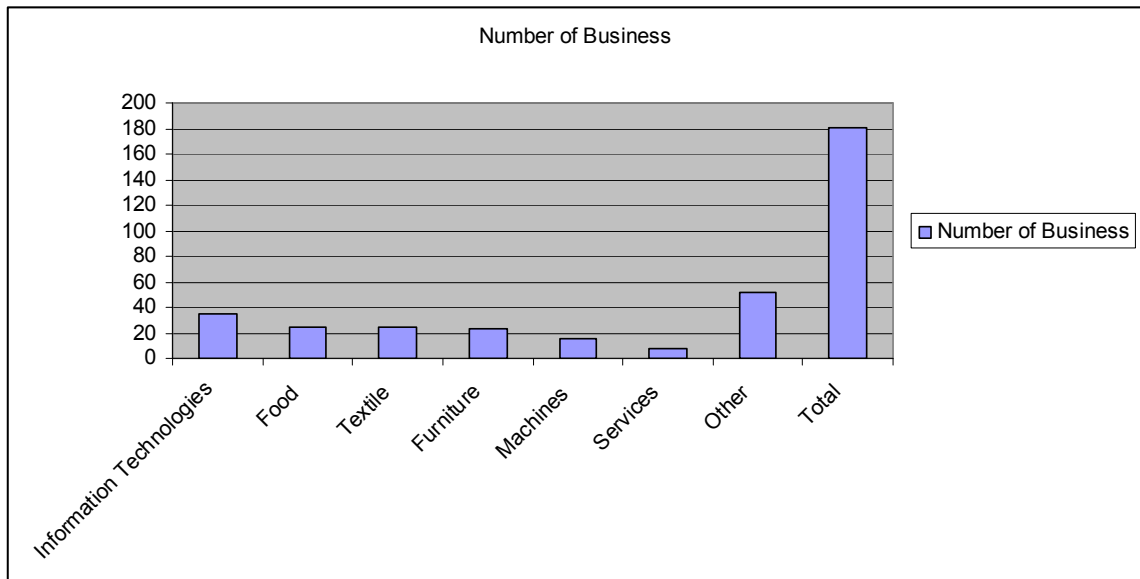


Figure 2: Capacity and Number of Business in ISGEM

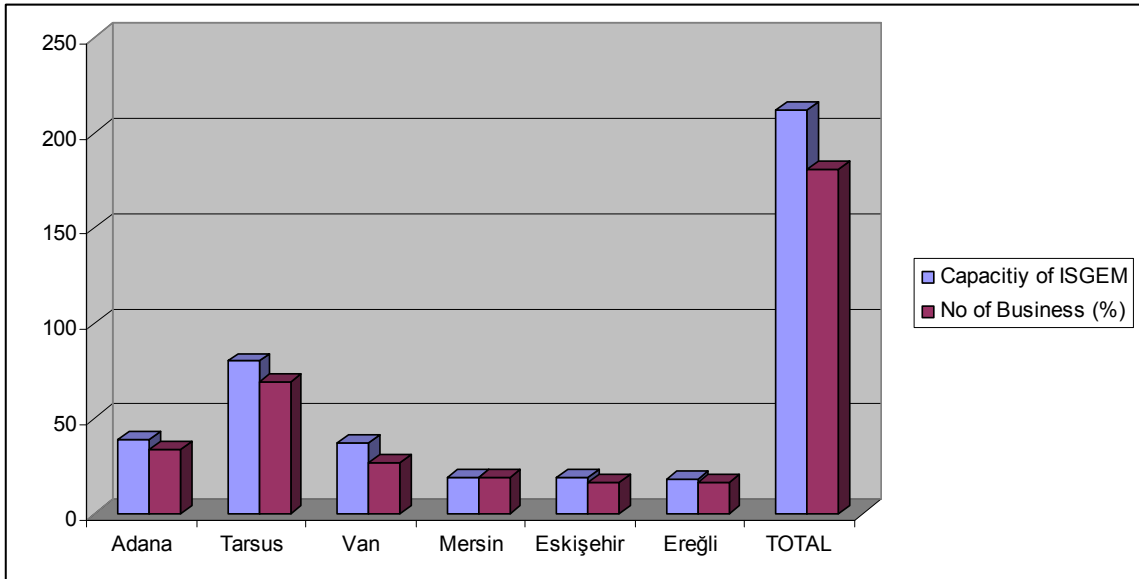


Figure 3: Number of Graduated and Closed Business in ISGEMs

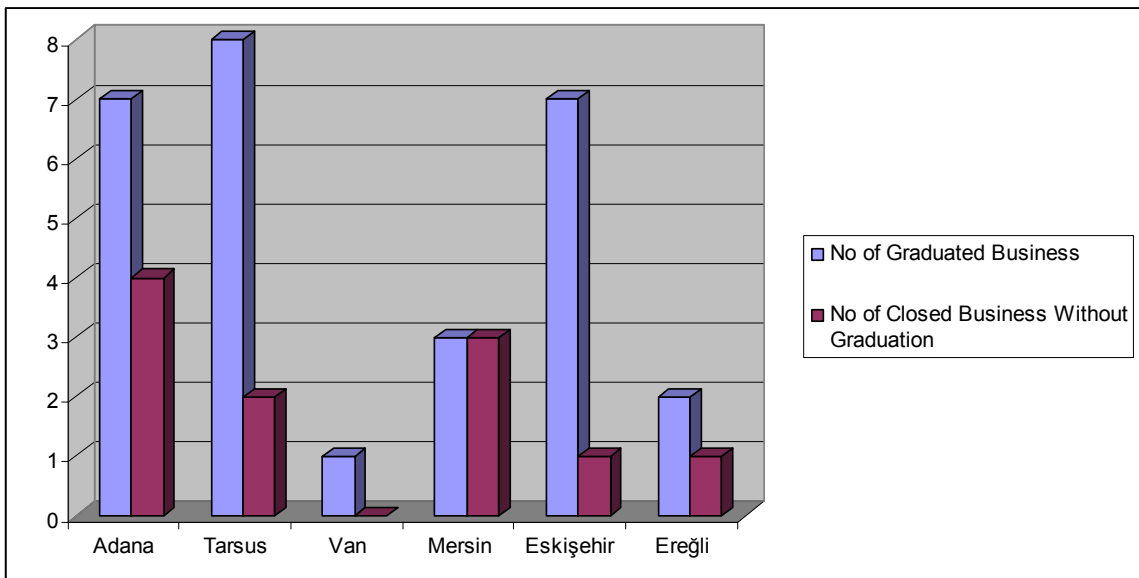
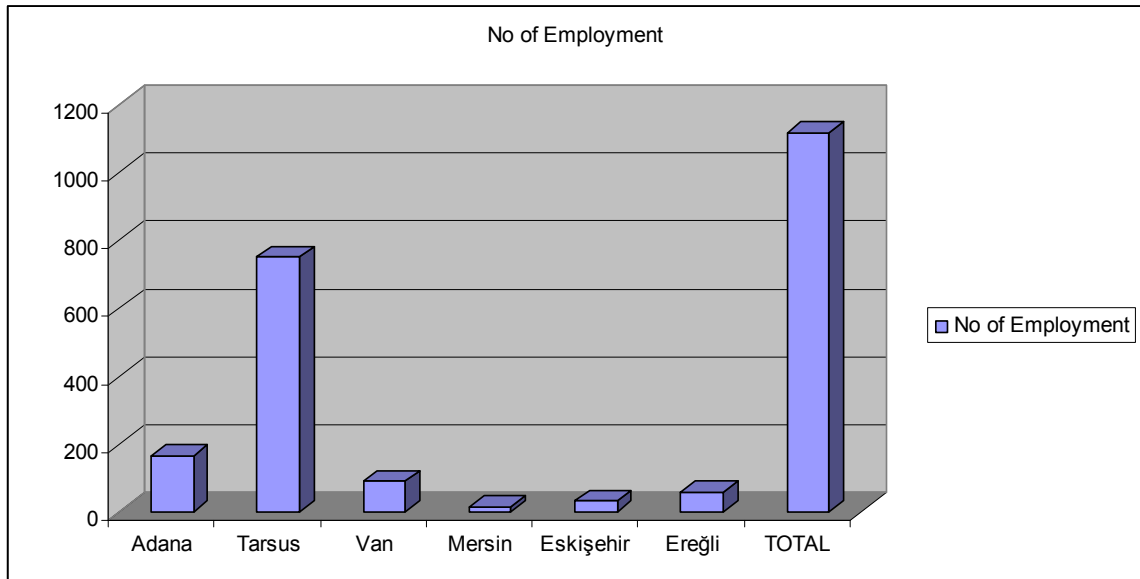


Figure 4: Employment in ISGEMs



CONCLUSION

There are now actively six such business incubators in Turkey. Five of them were conceived under a World Bank-financed project that seeks to cushion the impact of unemployment caused by large-scale privatizations and economic reforms. Besides financing job-loss compensation, the Privatization Social Support Project has helped laid-off workers launch new businesses or find new jobs.

Tenants, who benefit from the building's synergies and free rent, also have access to precious contacts and advice provided by the ISGEMs. The ISGEMs have 212 businesses capacity totally and 191 businesses have been acting actively under market conditions in these business incubator centers. They have been employed 1116 workers directly up to now.

So, the IGEMs create regional employment opportunities and economic wealthy and contribute to Turkey's regional development strategy. The ISGEMs have been one of the successful applications of means of regional developments to create new jobs and welfare by decreasing employment costs and fostering jobs, new business at local level in Turkey. In addition, this model of ISGEM must be encouraged and developed in whole country. Sustainability of this model in Turkey depends on financial and intuitional sustainability also. Does sustainability present sufficient rationale for the use of public funds? Not sufficient. In addition to public funds this model of ISGEM needs supporting by private funds provided by especially local chambers and business environment in the near future.

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SOCIAL MUNICIPALISM CONCEPT IN TURKEY: THE CASE OF KOCAELI METROPOLITAN MUNICIPALITY

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ABSTRACT

Until recently, municipalities, which play a role in the development and implementation of the social policy of a country, used to be regarded as organisations rendering services related to the physical structure of a province or a district. Today, the concept of “social municipalism” has started to be used frequently in the scope of municipality services. Indeed, though this concept was first considered during the initial years of the Turkish Republic, it took quite a long time to put this concept into practice. For instance, the Municipality Law dated 1930 provided for local administrations to open rest homes for the elderly in need of care and protection; however, the first nursing home did not open until 1966 in Konya Province.

Social municipalities undertake the functions of making plans and arrangements about social sectors. In this framework, these municipalities channel public expenditure into social purposes so as to cover fields such as housing, health, education and environmental protection; provide aid to the unemployed and the homeless; try to build social cohesion and integration; make efforts to secure infrastructure investments that are necessary to carry out socio-cultural activities and works and, to this end, envisage development of enlightened policies; undertake socialisation and social control function to strengthen social cohesion and concepts of justice which have shrunk among some individuals and some social groups. In this study, the concept of “social municipalism” in Turkey will be discussed and the related activities of Kocaeli Metropolitan Municipality will be examined.

INTRODUCTION

Public administration units in the modern sense appeared with the Tanzimat Decree (1839) and the first municipal organisations were established as of this period. Until Tanzimat, the basic structure of urban administration in the Ottoman Empire had consisted of the Administrator, Foundations, Guilds and Neighbourhoods. The Administrator had duties in the municipal sense in addition to administrative, judicial and military duties. The supervisor of Foundations was the chief of municipal services and security. Foundations would build such educational, cultural, health and social aid facilities as hospitals, madrasahs, inns, public baths, fountains and bridges; Guilds, on the other hand, which were the vocational organisations, would deal with the order, cleaning and illumination work of markets and bazaars. There also was an administrative body including a police organisation that would arrange prices in general, and would issue fines when necessary. People of the neighbourhoods would elect their own guards and meet common local needs of neighbourhoods such as order, cleanliness and the like. The first municipality in the European sense was established in 1850 in Galata-Beyoglu region under the name of the Sixth Municipal Unit, and this Istanbul Sehremaneti (Municipality) ensured coordination. Relevant legal arrangements quickly followed this development (Ortaylı, 2007: 269, 283-290, 305, 315, 436).

Municipalities were given few social responsibilities during the early Republic. The poor became unprotected during the initial years of the early Republic due to scarce resources, shutting down and nationalization of most foundations. Following the Second World War, social policies began to gain importance in Turkey as they did all around the world. Municipalities were granted comprehensive responsibilities and authority under the Municipality Law (Number 1580) that was adopted in 1930. Although this law actually opened up the opportunity for practices of social municipalism, municipalism remained limited only to physical infrastructure services due to limited resources of both the state and municipalities. The concept of Social Municipalism came to the forefront based on such reasons as Municipality Law 5216 (dated 10.07.2004), Municipality Law 5393 (dated 03.07.2005) and the changing views of elected mayors regarding the provision of local services.

The concept of welfare state entered into the Constitution with the Constitution of 1961. A reflection of the understanding of the welfare state, social municipalism has recently become the objective of a large majority of Turkish municipalities, ranging from metropolitan to town municipalities. Whilst trying to solve

infrastructural problems of cities, municipalities focus simultaneously on social and cultural policies. This study will discuss the concept of social municipalism and the development of social municipalism in Turkey, and will observe the activities of Kocaeli Metropolitan Municipality related to social municipalism.

I. THE CONCEPT OF SOCIAL MUNICIPALISM

The term *Belediye* (Municipality) in Turkish was developed from the word *beled* in Arabic, and means land, town and city. It is also related to the word *Medina* in Arabic. *Medina* has been used to distinguish the lifestyle in quasi-city regions from the lifestyle outside these regions both in terms of economy and of relations brought about by the lifestyle. The opposite of *Medina* is *karye* which is a term used to indicate nomadic and rural life. Today, the word *medeni* in Turkish is used for civilized people living in cities, while the word *bedevi* is used to indicate nomadic people living in rural areas (Toprak, 2006:87). Urban administration in Turkey belongs to municipalities. Until recently, the term municipalism used to imply mostly services related to the physical structure of the city. Though its use dates back a long time, it is only recently that social municipalism comes to mind when the term municipalism is used.

It is a model that assigns to the local authority the functions of planning and implementing policies in social areas; channelling public expenditure into the social good covering housing, health, education and protection of the environment; developing policies to secure the necessary infrastructure investments so as to carry out socio-cultural activities, providing assistance to the unemployed and needy, ensuring social solidarity and integration; carrying out socialisation and social control activities to reinforce the weakened understanding of social security among individuals and social factions (Es, 2007:45-52)

- The services that could be provided in the framework of Social Municipalism can be summarised as follows:
- Meet the accommodation requirements of the needy, homeless, orphans and women in need
- Build kindergartens and orphanages
- Secure rest homes for the elderly
- Open health centres, mobile health buses and pre-diagnosis centres
- Build guest houses near hospitals for relatives of the patients
- Build cultural, arts and sports facilities
- Make theatres, cinemas, libraries and cultural centres widely available, to the level of neighbourhoods
- Build meal houses and alms houses for the poor and needy
- Facilitate provision for people with disabilities in transportation, education and socio-cultural environments
- Provide skill-building and vocational courses
- Make parks/gardens and picnic areas widely available
- Create affordable accommodation areas that preserve the natural balance with improved environmental conditions
- Provide guidance and equipment for women and children who will establish their own business
- Establish sale supermarkets and bakeries
- Provide food, domestic fuel, medicine and stationery assistance
- Provide guidance to and improve solidarity amongst social groups, civil society organisations and mass organisations
- Build centres that will ensure socialisation of young people, women and people with disabilities

II. SOCIAL MUNICIPALISM IN TURKEY

A. The Place Of Municipalities In The Turkish Local Administration System

It is not possible to administer the whole range of public services from the state capital. Even if that were possible, such a centralised approach would weaken the effectiveness and efficiency of services and social benefits could not be ensured. Democratic political values also could not flourish and the people would become disinterested in public services (Eryılmaz, 2007:131). Such problems and requirements as different local conditions, spatial distance, participation of people in administration and better service delivery led to the emergence of local administrations.

Local administration in Turkey is enshrined within the Constitution. Including the 1876 Constitution, all other Constitutions included regulations and principles regarding local administrations. Both 1961 and 1982 Constitutions stipulate that “foundation and responsibilities of administration are based on the principles of central administration and decentralisation” (Atay, 1997:148-149).

Public services of national interest are delivered by the state, and those of local interest are delivered by the local administration. If a public service is of a local nature, this service is delivered by local administrations that are territorially organised, have a legal identity, distinct from that of the state, and whose decision-making committees are publicly elected. Services which can only be organised territorially and only be used by the local people technically and economically are local in nature. For example, the operation of buses within a city is a local service since it is only used by the people of that city and it can only be organised technically and economically at the town scale. However, the construction of inter-city highways cannot only be organised at the city scale, but also the area that benefits from the service transcends the city scale. Economic and technological elements also determine local services. For instance, while local administrations would previously generate their own electricity, technological developments required generating electricity at a larger scale. The Turkish Electricity Institution (TEK) thus emerged and took up the role of generation and distribution of electricity from local administrations. Whereas all these decentralisation criteria present indicators in the sharing of public services among the state and local administrations, the allocation of responsibility between the national and local level is determined by legislation. Many responsibilities of municipalities that are observed in previous laws have been taken up by the central administration in later years (Ornek, 1988:112).

Local administrations in Turkey consist of special provincial administrations, municipalities and villages. A Special provincial administration is a public administration of distinct legal identity within the boundaries of the provincial unit and may cover many districts, towns and villages. It is generally the largest administrative body that is responsible for meeting the requirements of the local people within these borders regarding development, health, education and economy (TOBB, February 1996:81). There exist two types of municipality in Turkey. The first type consists of those municipalities which have been established and operate according to the Municipality Law; the second type consists of Metropolitan Municipalities of a different status that operate only in large cities.

Based on the principle of decentralisation, local administrations, as institutions having legal public identities, are able to act and decide freely within their areas of competence. However, this freedom to take decisions is under the supervision of the state through direct tutelage. The administrative tutelage of the state over provinces and villages is stronger than that over municipalities. Local administration naturally involves the organisation of adjacent communities so as to execute their own work. This is true for villages and municipalities. It is the laws that bestow legal identity upon villages and municipalities. If it were not for this legal standing, villages and towns would exist as communities but would have no legal powers to address issues specific to their own locality. From this perspective, provincial local administration (special provincial administration) is not a natural construct, but an artificial one whose existence is directly based on the law. This is why the existence of provincial local administration is much debated, including arguments that the provincial tier serves no function and should therefore be removed. However, this idea is in no way acceptable for municipalities and villages (Ornek, 1988: 112). A municipality can be established in a settlement with a population of 5,000 and above. It is imperative to establish municipalities in provincial and district centres (<http://www.tbmm.gov.tr/kanunlar/k5393.html>). Village local administration, on the other hand, does not have sufficient organisational capabilities due to its small scale. In terms of administrative tutelage, the supervision of the state over the province and village becomes a form of hierarchy, a situation that weakens the qualities of local administration. This is the reason why the local administration qualities of municipalities are more prominent (Ornek, 1988:112).

B. Developments Regarding Social Municipalism

Today, increased competition within the globalised economy obliges all countries both to guarantee their economic growth and to start effective production. Local administrations as well as central governments have to formulate social policies in order to minimize the economic and social implications of any crises that occur. Laws and constitutional principles also impose duties upon local administrations, including social responsibilities.

During the entire history of the Republic, cities have been administered based on the Municipality Law of 1930 (No. 1580) and on Public Hygiene Law accepted on the same date. Article 15 of the Municipality Law (No. 1580) contains 82 paragraphs which list, in detail, the responsibilities of municipalities. These responsibilities can be generally summarized as town health and cleanliness, social assistance, reconstruction and infrastructure work in the city, ensuring the security and safety of the town and its people, market control and cultural works (<http://www.khgm.gov.tr/mevzuat/Kanun/belediyekanunu.htm>). Having had

considerable and comprehensive responsibilities and functions under this law passed in the initial years of the Republic, local administrations, however, could not meet these functions adequately during the period of 1923-1945 since they did not have the necessary resources proportional to these responsibilities. Many responsibilities of municipalities and special provincial administrations were taken up by Ministries and centralised after the Second World War. While the centralisation process began in the 1950s(Ersöz, Winter 2007:35) municipality and special provincial administrations that had been administered by the Governor before 1 March 1957 were again separated, and the responsibilities of the municipality and the special provincial administration were delegated to the Municipal Council and Provincial Council whose members were publicly elected. One day after the military coup d'état of 27 May 1960, all Municipal and Provincial Councils were annulled. The Constitution of 1961 stipulated that all mayors be appointed via elections, which were held on 17 November 1963. The 1981 Law (No. 2561) stipulated that settlements close to metropolitan cities be placed within the administrative boundary of main municipalities (Sunay, 2001:194-195).

Increasing demand for urban services during the 1950s, along with rapid population increase, migration and urbanization led to the already scarce resources of local administrations to be used for meeting the demands for urban infrastructure and services. Socio-cultural functions thus had to remain outside the remit of these institutions. Nevertheless, except for a few metropolitan municipalities, the Turkish municipalities attempted to deliver such functions as roads, paving, clean water, waste-collection, sewerage systems, market control etc., and could not be effective in social and cultural areas until the mid-1990s. In some cases, even the need for urban infrastructure services could not even be met sufficiently. As of the mid-1990s, the responsibility and functions of metropolitan municipalities increased substantially. Following the local elections in 1994, some metropolitan municipalities also began to show interest in social areas such as social assistance, social services, education, health and housing without any further legal amendments besides the urban services. The concept of social municipalism that was shaped during this period gained a new impetus in the early 2000s. Those services that were initially adopted only by a few metropolitan municipalities began to be delivered by other municipalities. A key driver in this process was the increasing demands from residents for more comprehensive packages of local services and the corresponding awareness amongst local municipalities of the need to maintain the support of voters in local elections. This service competition paved the way for the emergence of a form of municipalism which was understood to be responsible for economic, social and cultural development of the local community (Ersöz, Winter 2007:36).

The Metropolitan Municipality Law No. 5216 was accepted on 10.07.2004. Under this Law, the boundaries of the metropolitan municipalities were enlarged to include all of the territory within the provinces of Istanbul and Kocaeli. The legal identity of all villages within these borders was abolished and turned into neighbourhoods. Article 7 of the Law stipulates that the responsibilities of the metropolitan municipality are to execute and develop health centres, hospitals, mobile health units and every social and cultural service for the elderly, disabled, women, young people and children; to establish and run social facilities, establish or facilitate skill-building and vocational courses to this end; to cooperate with universities, high schools, vocational high schools, public institutions and civil society organisations in delivering these services; to construct buildings and facilities if necessary for health, education and cultural services; to maintain these building and facilities and provide supply of materials for these services belonging to public institutions; to build, run or otherwise facilitate social facilities, regional parks, zoos, animal shelters, libraries, museums, sports and recreational areas that address the integrity of the metropolis; to provide the necessary support and equipment to amateur sports clubs if necessary; to hold sports matches among amateur sports teams; to determine appropriate rewards for sporting achievement in domestic or international competitions (<http://www.tbmm.gov.tr/kanunlar/k5216.html>).

Municipality Law No. 1580 was superseded on 03.07.2005 by Municipality Law No. 5393, which became effective on 13.07.2005 by being published in the official gazette. Law No. 5393 increased the responsibility and authorities of local administrations for delivery of local services; municipalities were turned into institutions not only responsible for infrastructure, but also for development of culture and arts, tourism and promotion, youth and sports, social services and assistance, economy and trade (<http://www.tbmm.gov.tr/kanunlar/k5393.html>). The concept of social municipalism which is expressed in the Law enacted in 2005 can, in effect, also be seen in the Metropolitan Municipality Law No. 5216 dated 2004.

III. PRACTISING SOCIAL MUNICIPALISM IN REAL LIFE: THE CASE OF KOCAELI METROPOLITAN MUNICIPALITY

A. The Province Of Kocaeli From A Social And Economical Perspective

Kocaeli is one of the important industrial, commercial and cultural centres located in the Marmara Region of Turkey. It has the Black Sea to the north; Sakarya province to the east and south-east, Bursa to the south, Yalova and Istanbul to the west. The sixth smallest city in Turkey, Kocaeli has a surface area of 3,505 km². Due to its' location, it is one of the most important transit points in Turkey with road, sea and air transportation.

Kocaeli has 7 districts: the main district Izmit, Derince, Gebze, Gölcük, Karamürsel, Kandira and Körfez. Kocaeli's population has grown by 2.7% annually, from 1,206,085 according to the 2000 Census to 1,437,926 according to the 2007 address-based census. With a population density of 398 people per square km, it has become the most crowded province in the country after Istanbul. In contrast, it is the 7th smallest province of Turkey in terms of surface area.

Table 1: The Socio-Economic Development Level of the City of Kocaeli

	The Level of Socio-Economic Development amongst Turkish Cities (1996)	The Level of Socio-Economic Development amongst Turkish Cities (2003)	The Level of Human Development Index (HDI) (2000)	The Level of Human Poverty Index (2000)	GDP per capita (2000 PPP US\$)
KOCAELİ	4	4	1	2	16.536

Reference: Hüseyin Gül, Songül Sallan Gül and Dilek Memişoğlu (2007), " Türkiye'de Yoksullukla Mücadele Politikaları, Kentsel Yoksulluk ve Yerel Yönetişim", Yerel Yönetimler Üzerine Günce Yazılar II, Nobel Yayın Dağıtım, Ankara, pp.266.

It is the fourth most developed province of Turkey after Istanbul, Ankara and Izmir. With a GDP of 6,236 USD per capita in 1999, Kocaeli has the highest GDP in Turkey (www.dtm.gov.tr/dtmadmin/upload/EAD/KonjokturIzlemeDb/ticari.doc). The most important reason for this is the large number of businesses operating in the industrial sector.

The earthquake in Kocaeli on 17 August 1999 considerably damaged industrial facilities as well as settlements. 32% of industrial facilities (345 firms) were damaged due to the earthquake. The information provided by these firms state that the number of casualties in these facilities (outside of the facility) was 295. Approximately 953 people lost their jobs due to 16 seriously damaged firms. A loss of 1,500 million USD occurred in industry due to the quake. Total loss of production was valued at 2,000 million USD. The rate of utilization that declined to 30% during the earthquake recovered to the rates prior to the quake six months after the incident. The province, which quickly recovered from the impact of the earthquake, once again became the most important industrial city of Turkey.

There are around 1,300 operating industrial businesses under the Kocaeli Chamber of Industry. Industrial facilities are mostly situated in Gebze, Izmit and Körfez districts. 18 of the 100 biggest industrial facilities in Turkey are located in Kocaeli. 2.82% of consumption goods, 22.03% of intermediary goods and 10.23% of investment goods from Turkey's manufacturing sector are produced in Kocaeli. Kocaeli's share in the country in terms of manufacturing industry is 13%, and its share in foreign trade is again 13%. When the share of important sectors operating in Kocaeli is observed at the national scale, the chemical sector takes the first position with 28%. This is followed by metal goods industry, metal main industry, automotive industry, machine industry and the quarrying and aggregates industries respectively.

Around 10% of electrical energy consumed in the country is consumed by the industry in Kocaeli. The industrialists in Kocaeli, 33% of whom utilise advanced technology in production, have enhanced their opportunity to compete on a global scale. There are more than 100 industry organisations of foreign capital in Kocaeli. Germany takes the leading position among these organisations.

According to the data from the year 2000, 25% of women and 67.3% of men among the population are in paid employment. 0.6% of women and 2.9% of men are employers. 68% of the women and only 9% of the men are engaged as non-salaried family workers.

Besides the high number of industrial organisations in this region, there are also many scientific research and development centres in the province of Kocaeli, providing the opportunity for technological developments in industry. These include: Kocaeli University, Charabanc University close to the border of the region, Marmalade Research Centre, Gebze High Technology Institute, TUBITAK (Turkish Scientific and Technological Research Institute), Central Laboratories of Turkish Standards Institution, TEKMER (Technology Development Enter), TUBITAK Techno-park, Gebze Organised Industrial Zone Techno-park and Kocaeli University Techno-park

Kocaeli is a modern city with active cultural and artistic activities, theatres, cinemas, cultural centers, artist communities, press, arts and cultural publications. There are cultural facilities and theatres in the city where plays, concerts, exhibitions, galleries, national and international conferences are held (<http://www.kosano.org.tr/common/default.asp?id=63>).

B. Kocaeli Metropolitan Municipality's Practices Regarding Social Municipalism

Industrialisation on the scale experienced in Kocaeli brings with it migration, uncontrolled urban development and environmental pollution and an observed rise in social and economic issues. Unemployment and poverty, augmented by rapid migration, increases the number of women, children, elderly and homeless people in need of state protection; Care, poverty and deprivation therefore become the main issues facing the province. At this point, social municipalism activities of municipalities become crucial.

While Izmit Metropolitan Municipality was in action in Kocaeli prior to 10 July 2004, with Law No. 5216 being accepted, Kocaeli Metropolitan Municipality was founded replacing Izmit Metropolitan Municipality. Following that, the 44 municipalities in the province were assigned to the Metropolitan Municipality. Kocaeli is the only province other than Istanbul where the entire area within the city boundaries comes under the Metropolitan Municipality. While on the one hand, Kocaeli Metropolitan Municipality provides infrastructure services which are primary municipal functions such as water, sewerage, paving and highways to every part of the province, they also work on social municipalism activities. The fact that physical infrastructure services are provided by Kocaeli Metropolitan Municipality to the whole province, steers the district municipalities to various arts and culture activities. The social municipality activities of Kocaeli Metropolitan Municipality can be categorised as follows:

1. Activities Aimed At Reducing Poverty And Deprivation

Despite being one of the most developed provinces in Turkey, social assistance expenditure of Kocaeli has dramatically increased during and after the earthquake period. Kocaeli Metropolitan Municipality works on many activities aimed at combating poverty amongst the victims of natural disaster, people with disabilities, poor elderly people without families and orphans. .

a. Compassion Stores

This is an establishment within the structure of Kocaeli Metropolitan Municipality, which works with a membership system. Its aim is for those in need to be able to meet their food and clothing requirements according to their personal tastes, using free shopping vouchers, where cash is not accepted. The Compassion Store was established in central Kocaeli on 13 September 2005 and the second branch opened on 5 July 2007 in Gebze. Apart from the municipality's resources, the store is also supported by philanthropic donations. Families who have suffered natural disasters, such as fires and earthquakes, are provided with assistance in the form of white goods and building materials if they intend to rebuild their homes, in addition to food and clothing aid. When they apply to the metropolitan municipality, people in need are directed to these stores and necessary investigations are made after they complete the application forms. Those who have a verifiable need are given a shopping voucher for 125 YTL (50 YTL if they are under 16 years of age) and a further 50 YTL food voucher. There are symbolic prices on products in the store. As of 20 April 2007, a suit costs 75 YTL, shoes 30 YTL, shirts 10 and 15 YTL and tracksuits 30 YTL in the menswear section of the store. Since opening, 3,638 families, 12,410 people have benefited from the store and 102,632 pieces of clothing worth 1,256,000.00 YTL have been distributed.

b. Food aid for Tuberculosis Patients

Food packages containing foods necessary for their recovery are delivered by vehicles to the homes of tuberculosis patients every month.

c. Shelter and Aid Centre: Destitute Shelter Home

Homeless shelters were founded which provide temporary accommodation for people of all ages who do not have mental health problems, who can take basic care of themselves and who are not sought by the authorities for any reason. The people admitted to the shelter are first given a physical examination by the resident doctor, cleaned and cared for and provided with clothing from the Compassion Store if required. In the process that follows, the social situation of these individuals is assessed by social services professionals and the information gathered is kept in their individual files. First, efforts are made to contact the families of the homeless. If their families are not found or they have no family, efforts are made to allocate them a permanent place to stay. A special team has been set up to rescue the homeless from freezing in the streets, especially during winter nights. Homeless people are collected by this team and taken to the shelter. Individuals can stay at the shelter for a maximum of three months. The reason for this time-limit is to prevent people staying here out of habit when more appropriate forms of long-term housing may be available (Çakır, March-April 2006:6-9).

d. Settlement of Water Bills for those in need

Individuals who have been unable to pay their water bills due to poverty may be sued by the water company and fined for this debt. In such cases, Kocaeli Metropolitan Municipality may settle the arrears on one occasion.

e. Project for Children Working in Streets

With the cooperation of Kocaeli Governorship, Kocaeli Metropolitan Municipality and Gebze District Social Services Authority, a project was been set up on 25 January 2007 to protect children who work in the streets and may be at risk. The great majority of these children sell tissues, polish shoes and work in markets. A mobile team of two or three professionals such as psychologist, social services officer, sociologist, teacher, child development expert, child education expert, nurse etc., are constantly working to identify children working in the streets. 295 children have been identified, 280 of whom have been spoken with and information taken about them. The families of 288 of these 295 children, have been interviewed and cash aid provided by Gebze District Social Services Authority and food and clothing aid provided by the Kocaeli Metropolitan Municipality. Following the initial assessment, the children's individual files are sent to the 80th Year Children and Youth Centre and Gebze Region District Social Services Authority, who aim to guide the children towards social activities, thus trying to save them from working on the streets. While some of the children were guided towards activities such as football, basketball and volleyball, some have been guided towards theatre activities. This project is still in action.

f. Other Aid activities

Ramadan Marquee: Marquees which were formerly set up for people working late to be able to break their fast during Ramadan, have now become places where families in need and even families on low income can come to eat.

Other Aid: Kocaeli Metropolitan Municipality also supports social action institutions. It provides resources for the Children and Youth centres and supplies aid for the children who attend these centres. An additional 8,130 people have been provided with healthcare clothing, transport, furniture removal, furniture, building material, emergency food, baby food, electricity, water, gas and various aid (totalling 1,163,431 YTL) for this purpose (Kocaeli Metropolitan Municipality, January 2007).

2. Healthcare Services

a. Health Screenings

Health screenings are carried out in order to protect and promote the well-being of the public, by the request of municipalities, village offices, civil society organizations and some public institutions. These screenings are carried out at times and places where people gather in large numbers such as schools, conferences and mobile theatre trucks. The scope of these health screenings is diagnostic and treatment focused applications, such as physical and dental examinations, bone density measurement, blood sugar level measurement, blood cholesterol measurement, blood type and blood pressure. In addition to these services, during the dental health screenings, toothpaste and toothbrushes are distributed with the aim of encouraging children to acquire the habit of brushing their teeth. Additionally after each screening, informative leaflets on various subjects are distributed. Visitors to the Kocaeli Fair, which is open between June and September each year, for entertainment and shopping, are offered simple tests such as blood sugar level and cholesterol in addition to emergency medical treatment (Kocaeli Metropolitan Municipality, January 2007)

b. Services for People with Disabilities

Hello Disability Support Line : The “Hello Disability Support Line” has been set up to provide free transport to public institutions and organizations for citizens with orthopaedic and sight disabilities. The Metropolitan Municipality has provided this services to 824 people to date. People with disabilities who contact the support line are first required to provide contact details and information regarding their personal and family social and economic status. The disabled person is taken from their home to the place they need to go to and later returned home in the same way. The service is provided by a vehicle with a lift that can carry four wheelchairs at one time (<http://www.haberler.com/kocaeli-de-ozurlulere-servis-haber/17.03.2008>).

Other Aid : In 2007, as per their requests, disabled citizens have been provided with battery and manual wheelchairs, wheelchairs suitable for tennis, adult pads, baby nappies and aid for baby food, catheter, patient bed, hearing aid, pushchair, medical equipment and medicine. The number of people provided with this assistance is 1,079 according to the Metropolitan Municipality’s figures. 12 citizens have been provided with interpretation services in official organizations by the Metropolitan Municipality’s Sign Language Interpreter (Kocaeli Metropolitan Municipality, January 2007).

c. Care In the Home Services

The Care In the Home Services, set up in Gebze region on 20 September 2006 and generalized to include all of Kocaeli in 2007, is a service provided to socially and economically deprived individuals. The legal regulation regarding provision of Care In the Home Services came into effect by being published in the official gazette on 10 March 2005 (<http://rega.basbakanlik.gov.tr/Eskiler/2005/03/20050310.htm>).

Individuals covered within this service provided by Kocaeli Metropolitan Municipality are poor or deprived, paralysed but not needing hospitalization or suffering from illnesses making them constantly bedridden. In addition to these people, elderly patients who live alone, who cannot get support from their relatives or friends, who cannot look after themselves and cannot perform day to day tasks on their own also benefit from the care in the home service (<http://www.kocaeli.bel.tr/print.asp?CategoryID=36&ContentID=10515>).

d. Milk Aid for Mums Organisation

The Milk Aid for Mums Organisation came into action with the protocol signed by Kocaeli Metropolitan Municipality and Kocaeli Province Health Authority on 18 October 2005. In the framework of the project which runs under the slogan “Free milk for mums for a healthy generation”, free milk is distributed to mothers-to-be during the last three months of their pregnancy and in the first three months after the birth. After the mother-to-be attends the outpatient clinic and undergoes her examination, she is given a free milk voucher. This entitles her to 12 units of one-kilo milk in total, which can be obtained at participating supermarkets. The process works in this way until the fourth month after birth, providing a total of 72 kilos before and after the birth. The reason for stipulating the examination at the outpatient clinic is to ensure the mother-to-be has regular examinations and the baby is immunised. In the scope of Milk Aid for Mums Organisation, 1,374,895 litres of milk was distributed to 23,669 mothers in 2007 (Kocaeli Metropolitan Municipality, January 2007,208)

e. **Seminars For Education Institutions**

Health at School Seminars: In 2007 seminars were organised in 48 primary and secondary schools in total (Kocaeli Metropolitan Municipality, January 2007, pp:195). As a result of meetings with the Provincial National Education Authority, seminars on the subject “The Negative Effects of Smoking on Health and the Relationship between Smoking and Cancer” are organised in schools within Kocaeli province in addition to the seminars on “Health at School”. Leaflets on “cleanliness”, “first aid” and “the effects of smoking” are distributed to students.

Public Health Seminars: Education Seminars aimed at the general public are delivered by the Metropolitan Municipality in health clinics set up by the municipality and in associations, institutions and organisations working in the Kocaeli province in general. Although seminar themes are chosen from topical subjects, they are also chosen according to the characteristics and needs of the public. To date, seminars have been organised on subjects such as menopause, family planning, diabetes and bird flu. While the public is being educated in the seminar, they can also be offered simple analysis and tests such as blood sugar level, cholesterol and bone density measurement. The results from the surveys conducted in conjunction with these tests are used to create a database.

Education Seminars Delivered In Conjunction with Provincial Social Services: Training on various subjects is given to children who stay in the Children’s Homes run by the Provincial Social Services Authority and to their families. Training on first aid, adolescent health, and the effects of smoking are given to children and on family planning and personal hygiene to the parents.

3. **Education Services**

a. **Vocational Courses**

Kocaeli Metropolitan Municipality Vocational and Skill Building Courses (KOMEK) deliver free training to help people acquire a vocation and learn a skill (<http://www.komek.org/kurumsal.asp>).

b. **Life is Hope Project**

The Life is Hope Project was established in 2006 with the support of KOMEK, Turkey Job Centre Kocaeli Authority, Kocaeli University, Kocaeli National Education Authority and the Public Employers Syndicate. The aim of this project, intended for ex-convicts and people with disabilities, was to increase the skills and knowledge, interest and talents of these people and enable them to acquire a new vocation as a result of the education program. 60 disabled people and 20 ex-convicts were selected for training from among almost 200 people who applied to the Turkish Employment Institution.

In August 2006, 80 former trainees of the Project hired were employed by the institutions within Kocaeli Metropolitan Municipality, ISU and Metropolitan. All had successfully completed the communication, office management and computer courses at the Smiling Faces Vocational Rehabilitation and Workplace Centre.

4. **Other Social Activities**

a. **Arts, Culture and Sports Activities**

Kocaeli Metropolitan Municipality provides cultural services via the city theatre, conservatory and art galleries and by building cultural centres in various districts. It also supports physical activities by building sports complexes and providing ongoing materials support to amateur sports clubs. For example, there are numerous athletes within Kagitspor Sports Club which is run by the Kocaeli Metropolitan Municipality. In 2005 the Mobile Theatre Truck of the Kocaeli Metropolitan Municipality City Theatre came into service. This project was started with the aim of meeting the needs of children who live in rural areas and have little opportunity for contact with theatre, comes to life in town squares, school gardens and football grounds. The Mobile Theatre Truck attracts attention from adults as well as children at each place it visits. The project continues to stage a variety of theatrical productions. (<http://dergi.kocaeli.bel.tr/tr/okuma.asp?id=162>). Activities are organised for occasions such as 10- 16 May Disability Week, 3 December World Disability Day and 18-24 March Elderly Week, and by organising marches, panel discussions and gala evenings. These events serve as a framework to achieve effective participation.

b. SEKAPARK

SEKAPARK was founded at the former Seka Paper Factory (covering an area of 550,000 m²) as the first industrial regeneration project in Turkey. Despite appearing to be a physical infrastructure work, the project transformed this very large and valuable site in the centre of the city into a park and cultural centre. City residents are now able to relax, socialise and exercise on the site. The development of the site as social and public space can be regarded as an example of social municipalism. Potential alternative uses included commercial development or a shopping centre which, within a short period, could have generated a huge potential income for municipality.

CONCLUSION AND EVALUATION

Municipalism is an evolutionary process with physical, social and cultural phases. Most of the municipalities in Turkey are having to deal with the most basic issues of urban life, which can also be called physical municipalism, such as water, sewerage, highway infrastructure and traffic. These issues, which should have been resolved much earlier with careful planning and adequate resources, are still the main issue for many municipalities and are consuming a considerable amount of municipal resources. The inadequate resources remaining after tackling these basic problems are then allocated to social and cultural activities. It can be seen that the Metropolitan Municipality is trying to prioritise social municipalism work despite limited resources. The “Disability Support Line” and “Free milk for mums for a healthy generation” are especially worthy of admiration. Nonetheless, within the process of municipalism this is still at a point nearer to physical municipalism.

It is obvious that Kocaeli Metropolitan Municipality will be required to continue the expensive physical infrastructure investments in coming years, due to the ever-increasing infrastructure requirements of the province, which is constantly receiving immigration and growing rapidly. Like many municipalities in this situation, its capital resources are proving inadequate for these types of infrastructure investments. Therefore, these investments are made with loans from various credit organisations; in short, by public debt. Planting tulips in several places in the city in order to achieve a different look for the city, while complaining about a lack of resources, may be seen as squandering the limited resources available.

High levels of immigration and rapid economic growth bring new physical and social problems. Existing settlement areas have become more crowded. And inward migration has brought together an ever-growing population of differing cultural backgrounds, who have established new settlements.

Besides the existing physical infrastructure needs of these areas, the social problems that arise also need to be resolved rapidly. As failing to resolve these social issues will have consequences for the general economic and social order of the city, these issues need to be addressed as much as the physical infrastructure investments. Neglecting or delaying the resolution of issues will result in larger issues over time, which will become increasingly expensive and complex for the municipalities to resolve.

In addition to the existing physical infrastructure investments that place a significant burden upon municipal resources there is a pressing need to deliver the social agenda which can help resolve social issues and familiarise new-comers with city life. This is only possible by increasing the resources allocated to social services and, more importantly, by utilising those limited resources effectively and efficiently.

The basic problems observed within social services of Kocaeli Metropolitan Municipality and the recommended solutions can be summarised as follows:

It has been observed that the metropolitan and district municipalities act independently from each other in their delivery of social services and provide these services to the citizens according to their own priorities; Most citizens are not aware of the social services offered.

The majority of social services requires adequate resources, good organisation and experience. Independent provision of similar services in each administrative area, under different names, will adversely affect the quality and continuity of these services. This lack of co-ordination causes further un-necessary strain on resources as each municipality is thereby required to establish their own organisation, operations and infrastructure support for these services.

Existing resources could be better utilised through a joint organisational and funding structure. An institution formed collectively by the metropolitan and district municipalities would permit pooling of resources and more effective planning of services. Employing full-time, professional personnel to manage these services

and ensure transparent allocation of resources will deliver additional efficiency-gains and improve the quality of service-delivery.

Thus social services will reach the people with genuine need rather than being influenced by political expectations. The most important step in implementing such an organisation is setting up an advanced information management infrastructure. As in the e-government model, all social services and benefits, programs and finances should be incorporated into this system. The institutional structure should include a representative from every municipality; The planning of projects and programmes should be able to be monitored and supervised jointly by metropolitan and district municipalities via this information system. Opening the system to the public via an interface, website and phone lines will make social services more accessible and enable those in need to more quickly identify the services they require. . Such a system will also facilitate evaluation of the services provided. As it will contain the socio-economic data which will help identify problem areas across the entire Kocaeli region, it will ensure that social services are able to adapt and respond to evolving situations and needs. Such a structure will ensure that the individual perceives the provided service not as linked to a political party or a specific municipality but as a service of the city and thereby increase the individuals' urban awareness and commitment to the city.

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LEGAL ASPECTS IN COOPERATIVE STRATEGY OF BUSINESS CLUSTERS

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ABSTRACT

Increasing support of cluster initiatives with the vision of another Silicon Valleys, causes impression that clusters differentiate from other types of associations in aspects of Competition Law. Of course, it is not true. Cluster has to respect competition rules exactly like any other cooperating subjects. Impression of untouchability should be exchanged for the compliance of strategy with Competition Law.

There have been two researches done in 2007 and 2008. One has concerned of theoretical approaches to cluster support issue and the other was practical research of consciousness of Czech cluster managers about the Competition Law. The outcomes form this paper.

INTRODUCTION

There is a necessity of legal aspects in cooperative strategies of business clusters pointed out in this paper. This issue may look not very serious nowadays while there is a massive support of creating clusters on state and regional levels. Nevertheless, the possibilities of breaking the competition rules in clusters do exist and with an increasing support of cluster initiatives this topic is becoming more and more important.

The purpose of this paper is to show that clusters, subjects tightly related with regional and national economy with not always known influences, should comply their cooperative strategy with competition aspects.

CLUSTER INITIATIVES

There is no doubt about contribution of associations, especially clusters for Small and Middle-Size Enterprises (SME). Cluster has to be understood as a group of SMEs, individuals, universities and other institutions connected to each other in some particular specialization or cross specializations, vertically or horizontally, sharing information, costs of development, marketing etc. in order to development of each member. Together with massive support from government or regional institutions, it is the reason why there is a boom of new clusters being created nowadays.

To cluster or not to cluster

To create functional cluster is not an easy work. Not all of new clusters have potential to become the new Silicon Valley. It is possible to see all those cluster initiatives from two perspectives. One perspective is the effects of clustering for its members and the second is the effects for an environment (regional, national or even international).

By summarization of cluster studies (Rocha, 2004) has been proved that individual scientists, studying clusters and their impacts to development in various levels (firms, regions/national levels), use different methods of measurement and use different performance indexes. A positive contribution of cluster initiatives for their members is often used as a proof of positive contribution for the development on the regional or national level, which is considered as overmuch simplifying.

- **Cluster and performance of its members**

Empirical studies have proved that performance indexes of firms in clusters are higher than those of individual firms. The higher potential to innovations has also been proved (Rocha,

2004). Firms enter to clusters mainly with the expectation of increasing knowledge about opportunities, transforming knowledge into products and innovation process, offsetting demand and supply fluctuation – optimalization of source use and sharing risks (Maskel, Lorenzen, 2004).

- **Clusters and local development**

Despite of some encouraging cases, various factors complicate empirically generalize impact of cluster initiatives on local development (Rocha, 2004). Development strategy of regions without theoretical support, often rely on local economy and social system, where SME, entrepreneurship and innovation plays lead role. Krugman (1991) points out that cluster initiatives may lead to development only limited number of clusters in region, which may lead to risks in case of economical or competitive fluctuation more than in regions more diversified. Another risk for regional development may be the fact that all clusters belong to one industrial branch. This may cause full dependence of region on development in the particular industrial branch.

It is essential to analyze also view of appropriate time horizon while judging clusters and their influence on local development (Capello, 1996).

- **Clusters and national development**

National competitiveness is based on quality of market mechanism, particular factors of Porter's diamond are well fulfilled when concerned firms are geographically localized (Porter, 1990). There are two main topic on the national level discussed: difference of development particular regions and impossible transferability of cluster initiatives between regions or countries (Rocha, 2004). Despite of many theoretical studies, there is no empirical research proving explicit effect of clustering for national development.

Clusters and Cooperative Strategy

If clusters do not have a good cooperative strategy, they are not able to work effectively together to achieve success. Different companies have different strategies, desires, and goals therefore difficulties arise when trying to align all of these for successful cooperation. Owners of particular companies have usually difficulties to let go of control of their firm. Other problem is lack of trust to other members of clusters, there is always risk of taking advantage by other members (Lydeka, Adomavičius, 2007). Proper cooperative strategy management has to deal with these problems.

Cooperative strategy in business clusters combines resources and capabilities of subjects, with their knowledge and innovative potentials to create a mutual competitive advantage. This involves the exchange and sharing of resources and capabilities to create, co-develop or distribute goods and services.

Effective cooperation strategy has usually these benefits for engaged subjects: access to new markets, technologies, know-how, innovations; share costs of R&D, marketing, logistics; better use of capacity of each subject, fundraising for large projects, etc.

Clusters and Competition Law

Competition between firms is the basic mechanism of market orientated economy and supports innovation issue, reduces production cost and increase performance of the whole economy. Only those firms stimulated by competition offer products that are competitive from the price and quality perspective. Competition has a huge impact for consumer, because strong competition helps to choose from wider range of goods for better prices. It is simple, but very effective guarantee of optimal state between quality and price. Effective economic competition is key factor for competitiveness and economical grow. Effectiveness is especially made by market of independent firms that are in competitive relation to each other. To ensure ability of suppliers to make such a pressure, the

Competition law defines some forbidden practices able to restrict competition. Against such practices acts the Office for the Protection of Competition in Brno (which fully complies with EU Competition Law) with the primary aim to eliminate negative influence of competition.

Legal Regulations in the Czech Republic

The Czech Republic is the part of EU and the legislation does not differ from EU regulations coming from Article 81 and 82 of European Competition Law.

The Law allows competitors freely develop competition to reach economic profit, but forms particular obligatory rules for them. The Commercial Code in § 41 states generally for all subjects (individuals and corporate bodies) participating in economic competition (competitors):

- Right to freely develop own competition activity in the interest of reaching economic profit and associate for it,
- obligation respect Competition Law and not abuse the participation in it,

Regularity of competition activities is covered by system of precept of law that protect abuse of participation in economic competition. There are two groups of precepts of law shaping competition rules:

- Norms leading against unfair competition – Commercial Code (§ 41 to 55 C.C.),
- norms leading against forbidden restraint of economic competition – Law #143/2001 (the Law about the protection of economic competition and about changes of certain laws)

Competition Law from Cluster Perspective

According to Porter (1990), clusters represent combination of competition and cooperation. Strong competition exists in case of attracting costumers but in other cases, e. g. supplier relationship, local R&D centres, educational institutions, etc. clusters cooperate.

Competition and cooperation are able to coexist in some particular conditions, because, in some ideal cases, they exist in the different dimensions or because cooperation on one level means victory on another. (Desrochers, 2004).

On one hand the government must, if wants successful cluster initiatives, eliminate barriers to innovations, capital and human resources investments, infrastructure and other limitation (Porter, 1990), on the other hand must respect policy of protection of economic competition, which through Competition Law barriers create. Porter by saying “*most of clusters forms independently on government acting and sometimes in spite of it*” probably meant government support of clusters, eventually barriers in form of limitations of labour fluctuation, administrative obstructions during establishing businesses etc., but no eluding the Law. In case of Competition Law, the main aim is to avoid establishing of associations ruining the healthy competition environment, e. g. cartels. Nevertheless the true is that Competition Law is limiting cluster initiatives more than their actors would imagine. The development of region is preferred to development of cluster.

Nevertheless, possible conflict of business clusters with competition law is, unfortunately, not an issue nowadays (outcome of research done in 2007, when representatives of government institutions and also managers of cluster have been interviewed). The size of most of them is not large enough to affect the all market and due to massive support of clusters by government and regional institutions clusters consider this issue as not very

actual. The true is that the Office for the Protection of competition in Brno, the Czech Republic (www.compet.cz) judges clusters as any other association. It doesn't dispute competitors' right to fuse for purpose of effective cooperation, but the competition must not be harmed or at least, moderate disturbance must be equilibrated with advantage for the other participants of competition, especially for customers (if a smaller number of small competitors starts cooperate to compete transnational company, it is possible to consider such a cooperation even useful. For such cases exists a rule called “*de minimis*”). In the case of clusters it is clear that cooperation is between competitors (rivals in horizontal relationship and suppliers in vertical relationship) and the risk of breaking the competition rule can really be very serious. It is strictly forbidden among the other things collectively gather information concerning of prices, planned sales volume and other sensitive or strategy data, which could lead to direct or indirect fixing the prices, sales volume control, dividing of market etc. Even in clusters and even in clusters supported by some government cluster initiative.

Impact of Cluster Initiative Support on the Competition

After the research of theoretical approaches, that has been done during 2007 - 2008, it is possible to say that most of experts, working in evaluating public convenience of clusters, are, at least theoretically, quite positive in the question of clusters – business subjects, R&D and educational subject, cooperating in certain regions. Where they are disunited is the problem of governmental and regional support of new clusters. This support is motivated by success of functional clusters, which is really attractive to follow. Experts are very cautious about lack of competencies of administrative officers, not motivated by profit, having insufficient entrepreneurial and technological knowledge and making decisions about support of clusters.

Other very important outcome of research is a lack of empirical or theoretical studies describing impact of such support into competitive environment of region. Clusters have no exclusivity in the question of Competition Law against other associations; what's more, there is higher risk of violation of competition rules due to tighter relationship between members, who still stay competitors to each other. To mentioned above, there must be understood also higher risk of anticompetitive acting in cluster (collective pricing policy, sharing information about customers, etc.).

There is a support (from public budget) of associations, who may, in competitors fight with other subjects on the market, use not only synergic effects of cooperation, but also some illegal acts leading to disturbance of healthy competition environment. Important fact is that they may do it knowingly or unknowingly.

Aspects of Competition Environment in Cluster strategy

To eliminate negative impacts on competition environment caused by creation and supporting functionality of cluster is not the responsibility of government, but belongs to subjects engaged in cluster initiatives. Especially, when some more serious tort against the competition law happens, it is the cluster (or responsible subject) who is punished. Cluster cooperative strategy should define position of cluster to competition rules in particular industry and comply with it. Examination (audit) of possible risks in clusters is needed for relevant outcome used in strategy formation. Cluster manager should know answers for following questions (Peterka, 2007a):

- What is the cluster market share? What is the possible influence of cluster on market? If the common share of involved subjects on the relevant market is higher

than 10 per cent (horizontal deals) or 15 per cent (vertical deals), such cooperation may be considered as competent to harm competitive environment.

- Does cluster decide collectively about price policy, dividing of market, sources or customers, or control production, distribution; such cooperation must be evaluated as forbidden no matter what the market share is.
- Do employees or managers of particular members of cluster have regular contact with competitors on professional or social level? Members of cluster are still the competitors, so the questions must lead even inside involved subject, not only to relation with outside environment.
- Does cluster share information? There is exactly said what kind of information, and what kind of form, may be shared and what kind not.

What should cooperative strategy of business cluster respect:

- No barriers for other subjects willing to join cluster
- No plans of the collective product price making in a cluster strategy
- No dividing a market or customers under any member control in cluster strategy
- Strategy should establish rules of cooperation, sharing information, etc.
- Implementation of strategy compliant with competition law

Increasing of Legal Consciousness between Employees of Cluster

Principles of protection of competition environment and compliance with cluster strategy point out need of increasing of legal consciousness between managers and particular employees in all cases, where does exist even small risk of violation of law. Large companies have special trainings, corporate e-learning applications, specialized tutors or outsourcing consultant firms. In cluster, these competences belong to responsibilities of cluster managers. They decide about the way and intensity of legal education.

The all issue looks like not very important object of interest of companies or government from the survey made in 2007. The possibility of breaking the competition rules in clusters are underestimated and this issue is not considered while creating strategy of business clusters. One day it may cause serious problems to clusters not respecting these basic rules.

CONCLUSION

There have been research of theoretical approaches to cluster support issue done during 2007 and 2008 and practical research of consciousness of Czech cluster managers about the Competition Law done in 2007. This paper sums up outcomes of these two researches. Scientists mostly agree about the contribution of clustering for involved subject, but there is a large discussion about the regional/national contribution and about propriety of external support of these initiatives. These discussions don't usually go to the influence of competition environment. I see this issue widely open to future.

The reason is that clusters are very special type of association based on cooperation and competition at the same time to keep and evolve an innovation potential. There is a higher risk of crossing the line made by law in the matter of protection of competition. It is not only manager but all employees, who stay in touch formally or informally with other employees in the similar position of competing company, are involved. What to do? Cluster cannot succeed without proper cooperative strategy, and that's exactly where should be Competition Law compliance (after appropriate audit) implemented. Thus good cooperative strategy in clusters has to include also mechanisms for keeping space for rivalry and competition between concerned subjects not to lead to cartel-like management.

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***INTERNATIONAL
STRATEGIC
MANAGEMENT AND
GLOBALIZATION***

INTERNATIONALIZATION OF THE RUSSIAN CONSTRUCTION INDUSTRY: ENTRY STRATEGY PERSPECTIVE

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ABSTRACT

The entry strategy development is still considered a frontier issue within the field of internationalization – as judged from the academic interest as well as from the numerous articles published in scientific journals. Despite considerable progress in later years in formulation of theories many weaknesses still exist within this field. A further development of theory is therefore needed.

As nowadays emerging markets show the greatest activity in the field of internationalization, as a through example the Russian market which is being considered by most of potential entrants as a huge and perspective chosen. Methods of entry and models of operations of the international contractors entering on the Russian market are investigated in this paper, as well as oversea strategies and foreign experience of Russian construction companies.

It is presumed that selected approaches may contribute to a development regarding the construction market penetration problems. The aim of this article therefore is to critically evaluate and compare the basic conditions and ways of application of these theories in the construction markets of emerging economies.

Keywords: internationalization, entry mode choice, international strategy, foreign direct investment, construction industry, Russian market.

INTRODUCTION

Not so many studies regarding construction companies' process of internationalization exist. Most of them are related to the experience of foreign construction firms, for example, the British or Chinese. Russian companies as well as other firms from emerging economies have started to enter foreign markets in the recent years. Therefore, the analysis of their activity, motives for internationalization and success factors in the foreign markets are of interest for this research.

The aim of the present article is to determine the factors influencing the operations of construction companies in foreign markets on the basis of comparison of modes of foreign market entry of Russian and European construction companies. In turn, that requires critical evaluation and comparison of the basic conditions and methods of application of key theories of internationalization in the construction markets of developing countries.

Research objectives are: to survey the contemporary theory of internationalization and its application to construction industry; to compare experience of process of internationalization by Russian and European construction companies and their entry modes; to reveal the factors of success in the internationalization process of large construction enterprises entering emerging markets of Eastern Europe and Russia, and of newly internationalizing firms from developing countries.

This research was conducted through in-depth personal interviews with top managers of MNC's subsidiaries in Russia and chief executives of large Russian construction enterprises. Articles from magazines and newspapers and monographs were also studied. The research was based on a case study approach. The contemporary theory on internationalization is analyzed in the article. The works by Bartlett and Ghoshal (2008), Bitzenis and Marangos (2007), Crosthwaite (1998, 2001), Gunhan and Arditi (2005), Helfat and Lieberman (2002), Hitt (2006), Phatak (1997), Whitelock (2002), Yu (2007) and many others are used in this study.

CONTEMPORARY APPROACHES TO INTERNATIONALIZATION

Previous Research of Entry Strategy

The phenomenon of internationalization is widely studied and many researchers contributed to this field. There are fundamental and contemporary studies on the foreign market entry. The fundamental research on internationalization was mainly focused on the foreign market entry decision process, entry mode choice, analysis of the large multinational enterprise (MNE) as an economical organization, as well as headquarter-subsidiary ownership and control issues. The investigations of Bartlett, Caves, Dunning, Ghoshal, Hymer, Kogut, Perlmutter, Singh and many others could be referred to as the classical works on internationalization.

The entry mode choice is explained in most cases by the following theories: monopolistic advantages theory, internalization, transaction cost approach, eclectic paradigm. Agarwal, Dunning, Malhotra, Ramaswami, Ulgado studied the problems related to the market entry process and to the activity of MNC subsidiary.

A review of the literature reveals that research within the field of entry strategy is still fragmentary regarding terminology, problem identification, methodology, and coherent theory. As a result literature concerning entry mode represents a rich variety of perspectives and paradigms today.

The research has primarily focused on the examination of coherence between the foreign market and specific factors relating to the given enterprise – and finally the most efficient entry mode for an enterprise in relation to these parameters. The manufacturing sector has been in focus at the expense of the service sector (Erramilli & Rao 1993; Ekeledo & Sivakumar 2004; Domke-Damonte 2000) and emphasis has primarily been given to making predictions regarding accumulated levels of entry modes (Aulakh & Kotabe 1997). Taking into account considerable changes in the global environment over the past few years it is of vital importance to reassess the frames of terms and references which have dominated research in the field of entry mode so far (Axinn, Matthysens 2002).

Despite limitation of this approach, the foreign market entry strategy decision making is considered as an important stage of the internationalization process in the construction industry in the given article. According to Root (1994), three various decision rules for foreign market entry mode choice are defined by the degree of sophistication: the naïve rule, the pragmatic rule and the strategy rule. According to the naïve rule the company uses the same entry mode for all foreign operations. The pragmatic rule stipulates to apply “a workable entry mode for each target market”. The “right” entry mode should be used for each target market as the strategic rule suggests. Taking into consideration the severe competition in the world of construction, the formation of the “right” strategy is the serious challenge for newly internationalizing construction firms from Russia as well as from other countries in economic transition.

Alternatives in the Study of International Decision Making Process

The dichotomy of the entry strategy study was analyzed by Benito and Welch (1997) from two main approaches – “economic perspective” and “process perspective”. According to Whitelock (2002) the model incorporating the key elements of each approach may present a more realistic and comprehensive picture of the market entry decision.

The dramatic problem of the state of contemporary research in the field is that none of the traditional theories take the changes of internationalization terms and conditions into account. Axinn & Matthysens (2002) call for new/revised theories which not only comply with the demand above, but also are capable of explaining and predicting enterprise evolutions through model adaptation or model innovation.

Gunhan and Arditi (2005) developed an international expansion decision model particularly for the construction companies but it could be used for other industries as well (Appendix 1). The model consists of two steps. On the first step the firm makes a decision if it is necessary for the company to internationalize and determines if it possesses the resources. When the outcome of this step is positive then the company implements the second one. During the second step the firm could compare the benefits with losses in a foreign market. And when the outcome is positive, the company can choose the entry mode.

The evolutionary view on the company’s internationalization pays attention to the experience of the MNE. The greater the international experience, the greater the degree of control in the chosen modes. Phatak (1997) has offered a comprehensive framework for the entry mode choice (Appendix 2). Such factors as firm

capability, industry factors, location-specific factors, venture-specific factors, strategic factors are mentioned in his book.

Cullen (2002) suggested a matrix for making a decision concerning the choice of the foreign market entry strategy. This matrix combines the factors and entry strategies and evaluates conditions for the foreign market entry (Appendix 3)

MNE considering entry into an overseas location by means of foreign direct investment (FDI) faces two strategic decisions regarding the organizational form of its international operation. First, the level of control over its foreign entities (full ownership vs joint venture) and, secondly, the mode of entry (setting up a new venture via greenfield investment vs acquisition of an existing enterprise) has to be determined.

The theoretical literature on the choice of entry mode already provided important insights into the determinants of this decision (e.g. Bjorvatn, 2004; Norbäck and Persson, 2002). Buckley and Casson (1998) concluded that market structure as well as competition intensity in the market has crucial impact on the entry decision. Görg (2000) analyzes the effect of market structure on the choice between greenfield investment and acquisition. He shows that generally acquisition may be the preferred mode of entry, while only with a high cost of adaptation greenfield investment may be an optimal choice. Mattoo et al. (2004) examined how the choice of entry mode affects the transfer of technology and the degree of competition in the host country.

INTERNATIONALIZATION IN THE CONSTRUCTION INDUSTRY

Internationalization Preconditions in Construction

David Crosthwaite wrote several works concerning construction companies' process of internationalization with the special attention on British firms. In one of his works Crosthwaite (1998) studied the period of 1990-1996 and made a conclusion that mostly the firms dealt in the well developed markets in spite of the developing markets' entry. The reasons were the financial stability and low level of corruption in the developed countries.

International construction develops in various markets with different intensity. The study of Ranko and Crosthwaite (2001) showed that at the beginning of the XXI century the most attractive markets for construction were China, USA, Singapore, Yugoslavia, Germany, Poland and Russia. According to the cities ranking Moscow was ranked in fifth place by the attractiveness for construction industry in the world.

Usually the contractors and developers create a joint venture or establish wholly owned subsidiary to internationalize their operations. Such companies as Skanska, Amec, Balfour Beatty, YIT, Vinci Group and many others have a presence in a global scale. They are going to continue the internationalization process.

The Research of Russian Construction Firms Internationalization

When analyzing the Russian construction industry internationalization process, Michael Porter's five forces model can appear especially useful. According to Porter's approach, the company should pay attention to such forces driving industry competition as a threat of potential entrants, a bargaining power of buyers, a threat of substitute products or services, a bargaining power of suppliers, a rivalry among existing firms. Wheelen (1995) proposed to add to these 5 forces the sixth one – the relative power of other stakeholders.

From this point of view the most significant driver of competition in the Russian construction industry is a rivalry among existing firms. The buyers cannot force down prices since the great unsatisfied demand for housing exists. The threat of potential entrants is not essential because of high entry barriers into this industry. There are no substitutes for housing, so their threat does not exist. Bargaining power of suppliers is not sufficient for a huge construction corporation, usually a system of bribes works in supplying a construction company.

We have stated the following *hypothesis*: the overcapacity of large contractors leading to the rise of competition significantly causes the internationalization of the construction industry in Russia. The data on competitive actions in the Russian construction market were gathered from the observation of the empirical evidence concerning the development of Russian construction in the last decade. According to interviews with experts and CEOs of large construction firms, the most efficient strategies are related with one of four action types: product action, pricing action, marketing action, capacity action. Exhibit 2 gives details on these four action categories we identified.

EXHIBIT

Competitive Action Types as Motives of Internationalization in Construction

Action Type	Description	Implementation by Russian Contractors	Relation to the Internationalization
Product action	Product actions involving substantial investment in the new product development and key technology breakthroughs	LEK launched the studio flats. After couple years this type of habitation became a popular brand in the real estate market in Russia	No product action lead to the internationalization of the Russian construction market
Pricing action	Price-related actions such as price cuts, rebates, and discounts	LenSpecSMU who avoided to invest considerable sums at once proposed significant discounts to those buyers who were ready to pay for the housing in the initial stages of the construction process	No pricing action lead to the internationalization of the Russian construction market
Marketing action	Marketing-related actions such as marketing campaigns, advertisement investments, brand management	Stroimontazh, being very active in the field of marketing, has created new brand – Mirax – when establishing the Moscow partnering company, investing into this brand when moving in the markets of former CIS countries	Marketing action may prevent the internationalization process of the Russian construction firms
Capacity action	Changes in company's capacity or output	M-Industria established its subsidiary in Bavaria (Germany), its activity focused on training and educating of the company's employees and also on attracting foreign specialists to work on the company's objects in Russia; Etalon-LenSpecSMU when planning entry to Portuguese and Spanish markets had seek for plots in these countries	Capacity / output action in most cases led to the internationalization of the Russian contractors

These models, being introduced by large Russian construction companies in the recent past, and predominantly in Russia, reveal the motives of their internationalization.

Russian construction companies which have started their internationalization process have various goals: the strategy of development, compensation of the lack of plots in big cities, searching for new profits or just attempt to improve the image of a company. All these goals are related to the competitive actions in the table above.

According Hitt et al. (2006; 1143), there is a positive relationship between internationalization and firm performance. Objectively it is one more reason of internationalization.

In Moscow there are dozen of companies which entered foreign markets and have business there for several years or have the intention to enter in the nearest future (Inteko, Dekra, Konti, Mirax Group, Zarubezhstroj, Dohodnii dom "Bazis", etc.). At the moment most of them entered the markets of former Soviet Union, for example, Latvia or Ukraine. Some companies explore Western markets in such countries as Spain, France, Germany, etc.

According to Hovratovich (2005), the reasons of Russian construction companies to internationalize are the lack of plots for construction in Moscow and the market is going to be saturated. At the same time the markets of former Soviet Union and regions of Russia are at the primary stages of their development.

FDI-based Entry in the Russian Construction Market

FDI is expected to bring a wealth of benefits to the local economy including fresh inputs of capital and, most importantly, the impetus that knowledge from outside may bring to local processes of technological change (Barrell & Holland 2000).

FDI flows towards less developed countries have not always resulted in the long-term growth outcomes one would expect (Lipsey 2002). Russia similar to many other transition countries faces the fundamental problem that it has few alternatives to the outside injections of capital, knowledge and network resources that FDI

provides. Countries in transition in many respects appear to be closer to developing than developed countries when it comes to their particular experiences with hosting FDI (Konings 2001; Jensen 2004).

At the same time, it is questionable whether local firms in transition countries benefit much from the technological change introduced by foreign investors as is usually true for developed host countries (Lipsey 2002; Blomström et al. 2001).

Development of the relations between European Union and Russia has affected a construction industry as well. The investment climate is getting better, competition is becoming more fair and entrepreneurial culture is improving in Russia. The management has become more professional. According to the research “New Tendencies in the European Real Estate Market in 2007” by PricewaterhouseCoopers (Restate 2007), Russian market is one of the major destinations for investment. There is a lack of commercial, residential real estate and huge growth potential.

European companies in the Russian construction industry deal mostly in markets of construction materials and construction instruments. Some companies export their production, another establish their own production facilities. German firms are among the most active foreign investors in the Russian economy. For example, Knauf, which started its operations from the acquirement of a factory producing construction materials in Moscow region 15 years ago, is the major investor in the Russian construction industry. When the company entered the market it was a risky decision but now it bears fruit. Producers of windows (Rehau, Veka), finishing materials (Caparol, Bau-Color), glues (Henkel Bautechnik), sanitary engineering (Grohe, Villeroy&Boch), construction instrument (Bosch, Hilti, Kress) have been successfully operating in the Russian market for several years. The exporting of these numerous companies was so massive that they decided to develop their own production through “brownfield” or “greenfield” strategies.

The models of foreign investments into Russian construction market are following:

- Foreign company invests money and seeks for the transparency of the projects;
- Foreign investor enters Russian market with its own project and management and organizes network with local contractors;
- International construction group searches for optimal entry mode to enter Russian market.

Western companies prefer to use the service of the familiar partners while deciding to establish manufacturing facility in Russia. For example, the plants for Philip Morris, Rothmans and Gillette were built by Skanska.

Western companies pay a lot of attention to the standardization of construction and management processes. Dom Lemkon (subsidiary of Finnish construction company Lemminkainen) uses “the model of project management LEMCON”. The whole construction process is divided into separate packages and subcontracts while tenders are organized. A contractor has the functions of general contractor and is the coordinator of subcontracts. The advantages of such an approach are an economy of the time spent to start the construction and for the whole project, a competition of subcontractors and suppliers, which minimizes costs, and absence of conflict between interests of customer and contractor because customer always knows about real costs.

Construction concern YIT started its expansion in Russian market through establishment of the subsidiary. In 2006 the company started the construction of 3,699 residential units in Russia (in Finland – 2,818 – for comparison). In total YIT currently has 13,600 units under construction (YIT 2007). According YIT, in Russia it takes two years to build a housing project because of the large size of the residential complexes and in Finland – only one year. Also the apartments are not equipped and are unfinished in Russia what is unacceptable for Finnish customers. In such a way YIT tries to use the standards which are applied for developed countries.

The Study of MNCs’ Success Factors on the Russian Market

The research made by the author earlier have allowed to issue that major factors of MNEs’ success in Russia are: 1) the right choice of mode and time of entry to the Russian market, 2) quality of production (including perceived quality which is defined by the brand of the country of MNE origin), and 3) marketing activity with the strong focus on the communication to customers.

MNEs that entered the Russian market in the times of the beginning of transition processes in the national economy are now the leaders in their industries. All risks and difficulties which these firms have faced during the initial stages have approved themselves, and nowadays these companies are profitable.

At the heart of the chosen strategy of an entry on the Russian market are: orientation to high quality of production and services; the effective marketing policy adapted for Russia; local partnerships. At the same time, each company has its own know-how, concerning manufacturing and servicing, marketing, pricing, etc.

Those MNEs reach considerable competitiveness working in the Russian market, which conduct purposeful and consecutive marketing activity. More often at the heart of such strategy orientation to quality (including perceived) of the goods and services, adaptation and development of marketing mix, partnership (in particular, with suppliers, local authorities, personnel) lay.

CONCLUSION

The tendency of rising demand for housing is stipulated by several factors: the ageing of the population, especially, in the Northern region; increasing incomes of the population due to the oil sales in Norway and Russia; membership of Baltic countries in EU; establishment of the new Housing Codes (particularly, in Russia), all this has made the population more confident; the trend of the population's migration to big cities in Russia. The construction companies should not lose such opportunities to satisfy this demand. Additional investments should be made in the acquisition of plots for construction because of their lack. Financial resources could be received from other businesses or with the help of banks' credits.

The construction companies of emerging economies countries should explore new foreign markets to insure themselves from political and economic risks in the countries of origin and to increase profitability. These companies could have an advantage over Western competitors applying new approaches in marketing, HRM, construction technologies and developing unique projects.

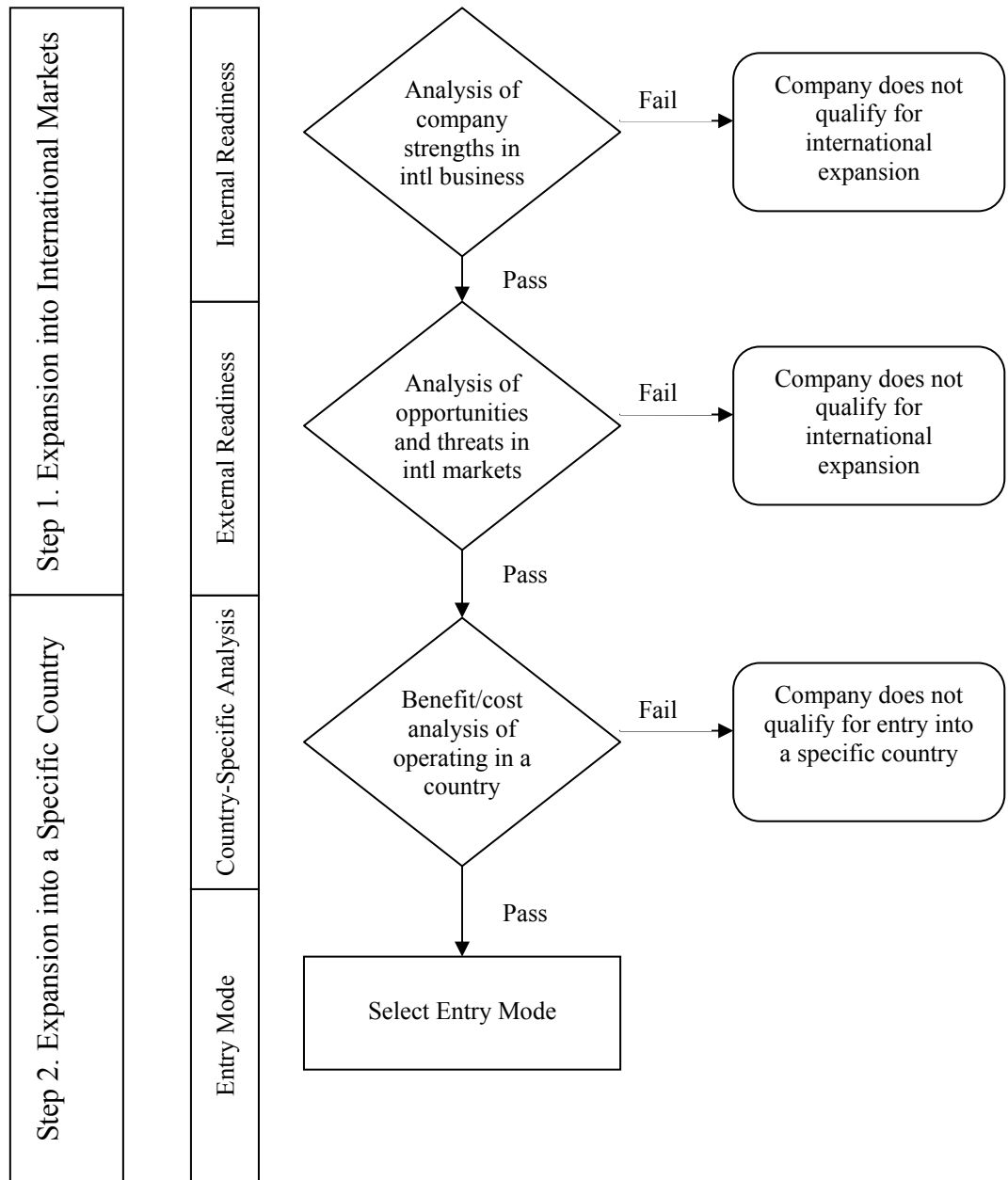
For Russian companies which enter foreign markets the form of the wholly owned subsidiary as an entry mode is preferable due to the investment of capital into other businesses to avoid risks in the local market. Diversification of business is also one of the ways for construction companies to reduce the potential risks.

It is usually easier for big and well known construction companies to develop internationally. At the same time, their complicated organizational structure leads to slower decision-making process. Hence, restructuring is recommended for such companies.

Russian companies should first of all internationalize their operations to minimize risks, increase profitability and develop the image.

APPENDIX 1

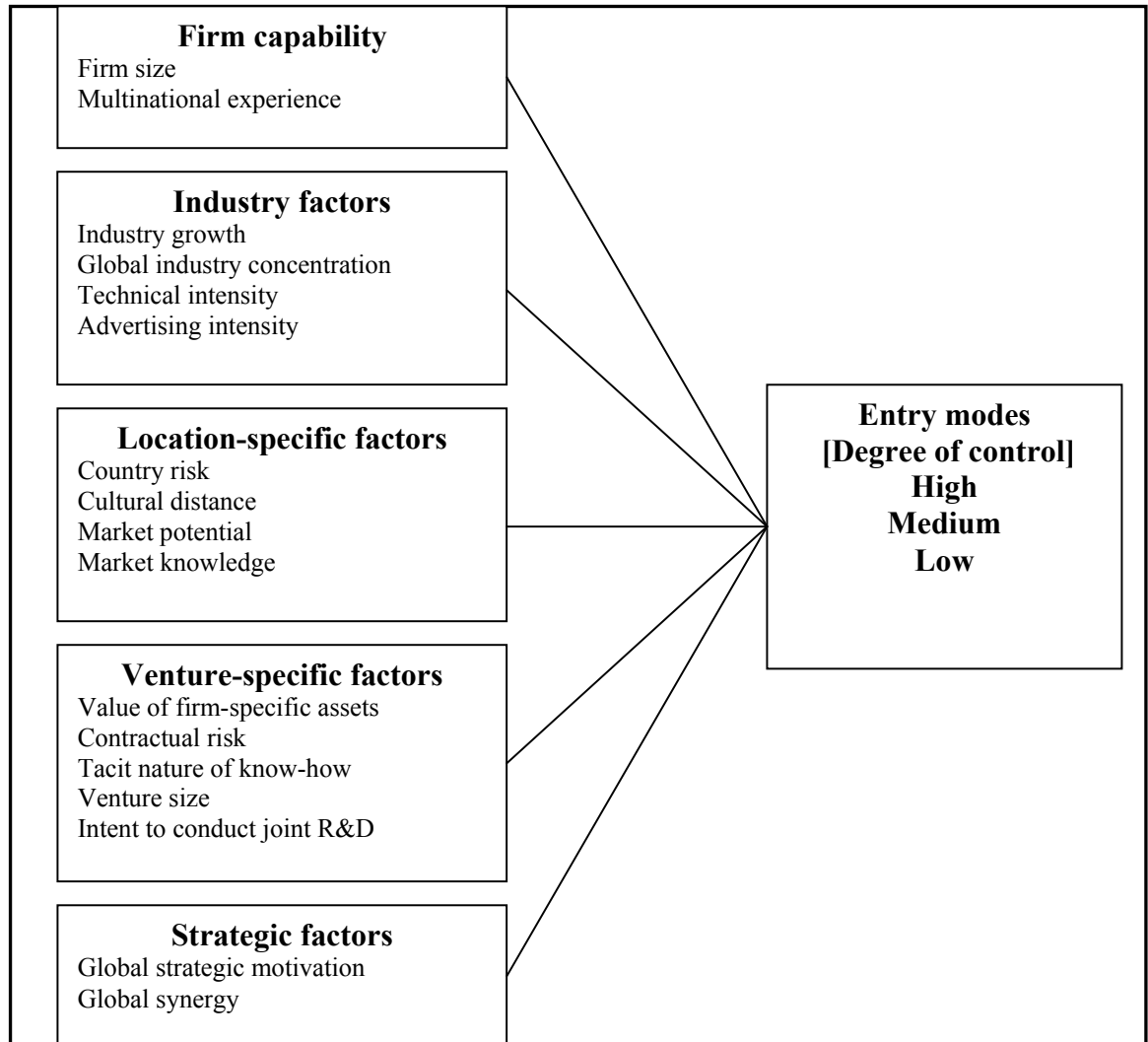
International expansion decision model



Source: Gunhan and Arditi (2005)

APPENDIX 2

A comprehensive framework for entry mode choice



Source: Phatak (1997; 273).

APPENDIX 3

Decision matrix for formulating participation strategies

Company situation	Participation strategies					
		Indirect export	Direct export	Licensing and contracts	IJVs and other alliances	FDI
Strategic intent	Learn the market			+	++	+++
	Immediate profit	+++	+++	++	+	+
Company resources	Strong financial position				++	+++
	International expertise				+++	+++
Local government product	Favorable regulations		+	+	++	+++
	Difficult to transport			++	++	++
	Easy to adapt	++	++	++	+	++
Geography	Long distance between markets			++	++	++
Culture	Large differences between cultures	++	+	++	+++	+
Need for control	High				+	+++
Risk	Low	+++	+++	++	+	+
+ favorable conditions for participation strategy ++ more favorable conditions for participation strategy +++ most favorable conditions for participation strategy						

Source: Cullen (2002)

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THE ADAPTATION OF MERGERS AND ACQUISITIONS TO DIFFERENT MARKETS AND POSSIBLE CONSEQUENCES: A CASE OF TESCO- KIPA

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ABSTRACT

PURPOSE

Mergers and acquisitions have showed a tremendous growth in recent years. Due to this fact, mergers and acquisitions are primary strategies for companies which want to expand worldwide and aim growth. While these movements and attempts are applied among companies, there are usually some deficiencies which cause problems during this process. In other words not only positive consequences are faced but also negative consequences are experienced in nature. The aim of this study is to find out what kind of problems occur when two different organizations join. The existence of these problems requires healthy strategies to be applied in order to minimize the upcoming bad results. The link between effective strategies, and merger and acquisition process is going to identified through the case of Kipa-Tesco acquisition in Turkey.

DESIGN/METHODOLOGY/APPROACH

A qualitative research approach is adopted in this study. The benefit of qualitative research is that it allows the researcher to find out answers in details and open ended questions usually provide more explanatory findings. In this research, semi-structured interview is used to identify the answers exploring the positive and negative consequences of acquisitions and the continual strategies in the duration of the process. Because each merger and acquisition has its own history and nature, in the study, Kipa-Tesco is taken as a case in relation with an interview that was held with the founder of Kipa and a current member of board of directors.

PRACTICAL IMPLICATIONS

This research is going to be an indicator of the merger and acquisition process' possible consequences in details. The most important practical implication is that this research focuses on Kipa-Tesco acquisition case which is a live reality of two different organizations belonging to different cultural backgrounds. The findings may provide some necessary information to different foreign organizations that seek to grow in Turkish market in short-term and/or long-term period.

ORIGINALITY / VALUE

Frequently, in an acquisition process, the mostly placed emphasis is on financial objectives and strategic decisions concerning this fact. In addition to financial concerns, there should be some attention paid to political, human resources, social and cultural factors as well. This research is going to handle all possible consequences of this deal in terms of financial, political, psychological and socio-cultural values and discuss the process in strategic management frame. The findings are going to guide the companies which are going to experience the process of expanding in Turkish market in the near future.

INTRODUCTION

Merger and acquisitions (M&As) is an internationally developing strategic tool. Organisations which attempt to achieve growth by adopting recently popular methods such as M&As also seek to increase the return to

shareholders and also to diversify in different markets (McDonald, Coulthard & De Lange, 2005; Bennett, 2005). In this sense (M&As) is a unique process that presents its own characteristics, positive and negative consequences, problems and related solution alternatives. However, this process has significant effects on the economy, finance, politics and human resources of the organisations which should never be neglected.

With regard to the characteristics of M&As, this exploratory research aims to analyse the crosscultural adaptation of M&As to different markets and to underline the link between corporate strategic management and, M&As. In this framework, world's one of the best leading brand Tesco's adaptation to Turkish market with the acquisitions of Kipa is examined as a case for the enlightenment of this growth strategy and critical success factors.

THEORETICAL BACKGROUND

Strategic Movements Worldwide: A Growth Strategy - Merger and Acquisitions

M&As is a commonly used way to pursue growth strategies. A merger occurs when two organizations of equal size unite to form one enterprise. In other words it is the consolidation of two organisations into a single one. On the other hand an acquisition takes place when a large organization purchases a smaller organization where the acquirer maintains control. If the acquisition is desired by both parties, it is called as friendly merger, in contrast it is called as a takeover or hostile takeover (David, 2007; Schraeder & Self, 2003).

Merger and acquisitions have gained an enormous interest and there have been so many organizations worldwide experiencing the process. Lipton (2006) in his study, showed some significant numerical indicators which may be accepted as the indicators of the spreading popular event (Exhibit 1 and Exhibit 2).

Due to the popularity of M&As, there have been various researches made whereas each pointed out different sides of this strategic movement.

The reasons underlying M&As are examined so far. In this sense, some of the forces spurring acquisitions are classified as increased market power, reduced entry barriers, reduced cost of new product development, increased speed of products to markets, lowered risk compared to developing new products, increased diversification, technological changes, avoidance of excessive competition, opportunity to learn and develop new capabilities, deregulation, a depressed stock market, the need to gain economies of scale (David, 2007; Ahammad & Glaister, 2008; Appelbaum et al, 2000)

The reasons indicated above urging the organisations to merge and acquire the control over the others do not always result with success due to some reasons such as poor strategic rationale, poor assumptions and analysis about business environment, overly optimistic projections, mismatch of cultures, difficulties in communicating and leading the organisation, difficulty in putting together an effective plan due to inability of people to think strategically, failing to address change management, bad decisions resulting in bad strategic plan, poor integration planning and execution., paying too much for the target company . Some of the researches made in past have also proven that not all the M&As attempts have succeeded (Panchal & Cartwright, 2001; Papadakis, 2007; Schraeder & Self, 2003; McDonald, 2005; McDonald, Coulthard & De Lange, 2005, Gadiesh and Ormiston, 2002) Bennett (2005) underlines the most important critical success for M&As as communication, cultural integration and fit, integration project planning, due diligence, leadership and talent placement and management.

EXHIBIT 1

WORLDWIDE M&A ENVIRONMENT GLOBAL ANNOUNCED M&A ACTIVITY BETWEEN 1.1.1985-9.5.2006

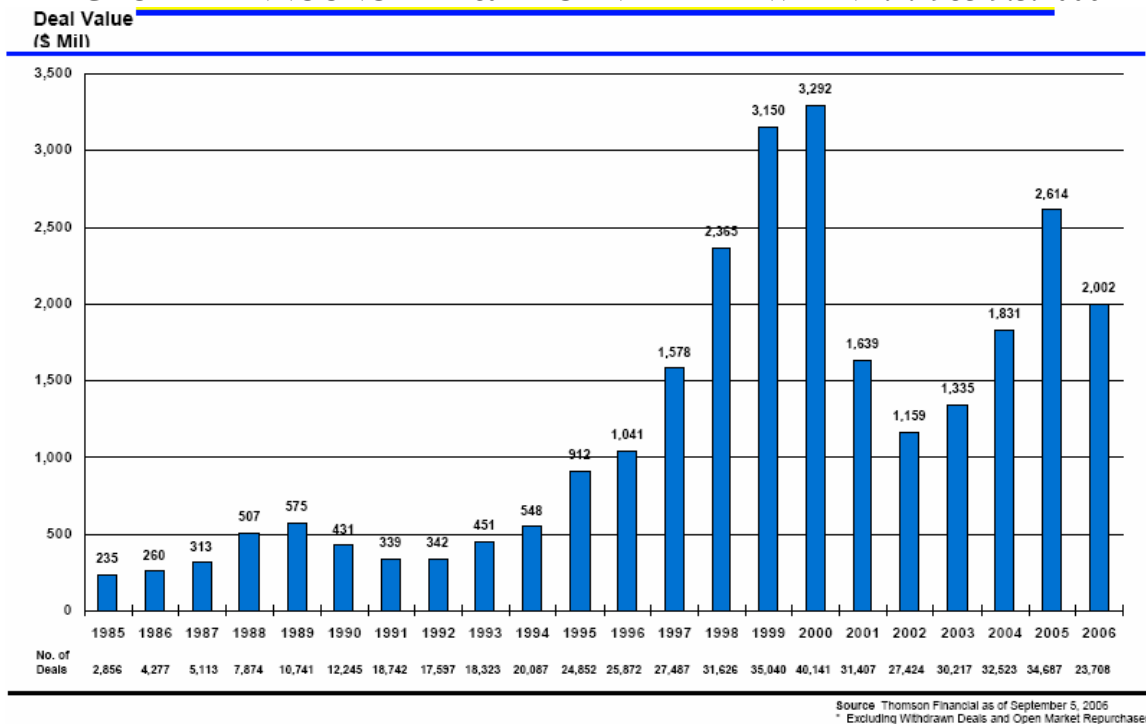
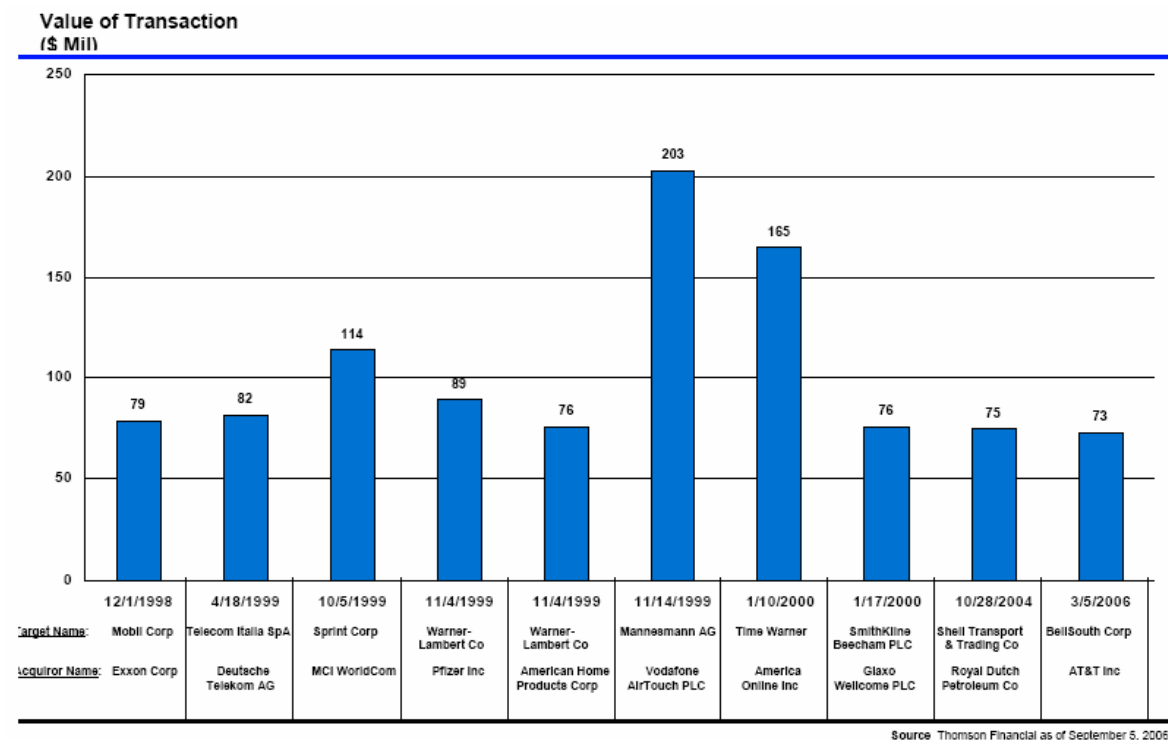


EXHIBIT 2

TOP 10 DEALS WORLDWIDE



The business environment nowadays is very hostile and uncertain. While this environment is changing the organizations are suffering usually and trying to answer some important questions such as how to stay competitive, reduce the operational costs and capture new markets. Organizations need to strengthen their strategic planning and management practices so that they can compete fully (Marcus Evans Conferences, <http://www.hbc.hk/strategic1005.pdf>; 10.02.2008) However, managers can apply a set of proven principles to those implementation issues (Caltech, <http://irc.caltech.edu> : 10.02.2008).

TESCO: A M&As LEADER AND ITS ADAPTATION TO TURKISH MARKET

A General Overview of Tesco

TESCO, got its name from its founder TES Cohen. It has started with one single shop in United Kingdom and has been one of the most important 10 leading chain companies in the world (The Secrets of Tesco, 2005). The Group has four-part strategy which was laid down in 1997 and still accepted as the foundation of Tesco's success in recent years. This so called strategy consists of (Tesco, 2005);

- ✓ Growing the core UK business,
- ✓ Being as strong in non-food as in food,
- ✓ Developing retailing services and
- ✓ Becoming a successful international retailer.

On the company's Annual Review and Summary Financial Statement, 2007, the brief success story is summarized as the following (Tesco, 2007):

Tesco was first listed on the London Stock Exchange, as Tesco Stores (Holdings) Ltd, with a share price of 25 pence approximately 60 years ago. In the first 50 years, Tesco worked to establish a brand and build up a strong UK business. The way of doing this was ensuring that everything done was driven by a continuous ambition to improve the customers' shopping trips. A new strategy for growth was developed 10 years ago. This was a strategy of finding new customers, new markets, new products and new opportunities. Tesco has opened its one thousandth store outside the UK in 2007 (including five hundredth store in Central Europe and one hundredth store in Hungary, one of their first international markets). Over the last ten years the company has built up a thriving international business which led it access markets with over two billion people, and enabled it to reach out to an increasing number of customers all around the world. More recently, in 2004, it has announced its entry into China. The next plans and strategies were built up for a new entry into the United States, and to India.

Tesco got interested in Turkish market in 2001 and has spread to Turkey in 2003 by acquiring one of the most important supermarket chain Kipa located in Izmir. It has been operating with over 2,300 stores in the UK, Ireland, Hungary, Poland, Czech Republic, Slovakia, Turkey and Asia. Tesco's operations include convenience ("Tesco Express"), small urban stores ("Tesco Metro"), hypermarkets ("Tesco Extra"), financial services and a telecoms business. Tesco is also a leader in online grocery sales through its online store (Retalix, 2005).

Tesco's Growth Strategy and Critical Success Factors

Tesco has 3 existing strategies one of which is concentrated on new geographies. In this sense Tesco has expanded into Europe and Asia. Its growth strategy is shown on exhibit 3 (http://www.coriolisresearch.com/pdfs/coriolis_tesco_study_in_excellence.pdf; 10.02.2008). In addition Tesco is rapidly expanding in 12 countries which are seen on exhibit 4 in details. (http://www.coriolisresearch.com/pdfs/coriolis_tesco_study_in_excellence.pdf; 10.02.2008).

EXHIBIT 3

THE GROWTH STRATEGY OF TESCO

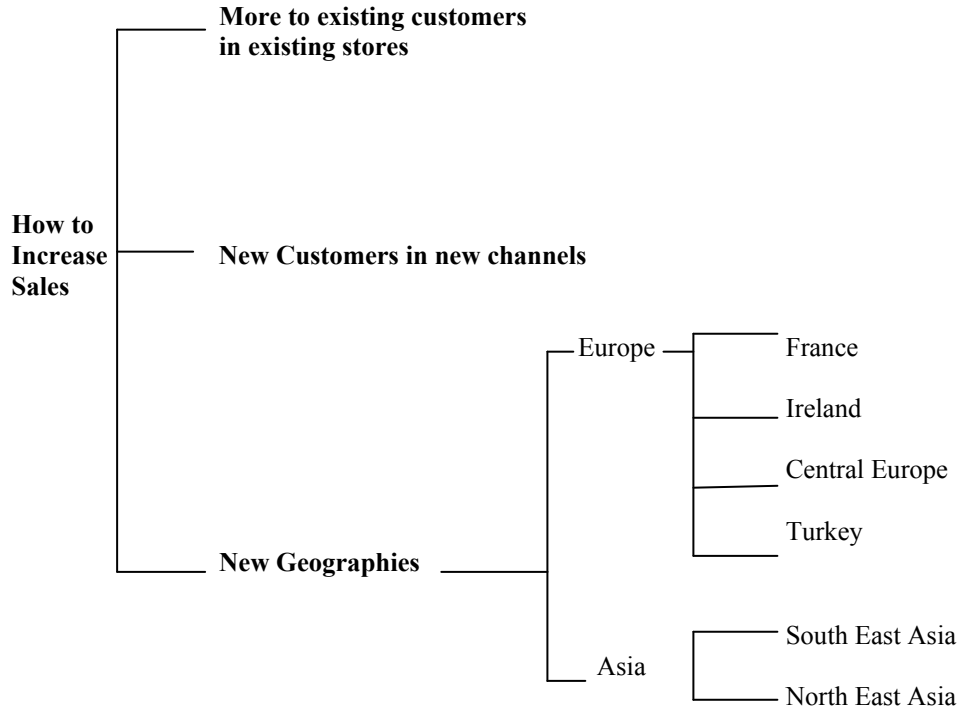
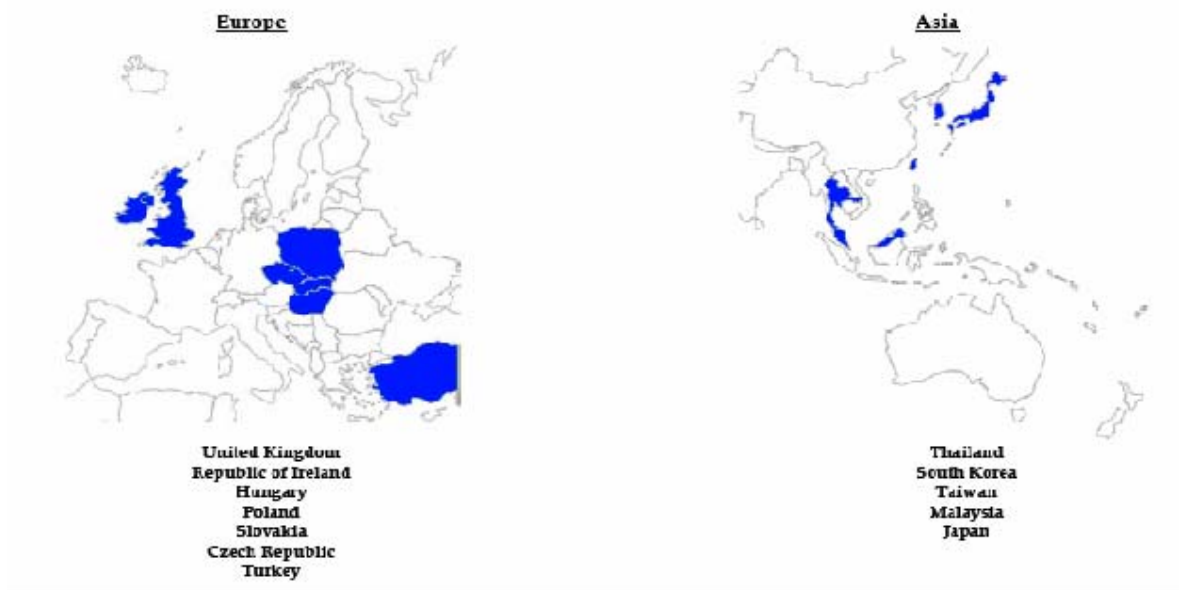


EXHIBIT 4

NEW GEOGRAPHIES – COUNTRIES OF OPERATION



Tesco was never afraid to make mistakes during this internationalization development because it knew that it would benefit and learn from them, this was the most important issue. The confidence it had always enabled it to overcome any problem being faced and now Tesco is almost double its size. In Strategic Direction (2005), the reasons of the success of Tesco's strategic movement was questioned because the achievement in M&As is the primary thing which attracts many other companies that seek to internationalise. In regard to the in-depth interviews held with the key management staff, Tesco's critical success factors were summarized as follows;

- ✓ Buy successful companies abroad, not ones that need turning around
- ✓ It is all about market synergies and market share: Internal strategic processes.
Market selection is one of the chief success factors. Tesco decided to enter into markets where local competition was soft. Tesco also adapted to opportunistic events, and decided on different entry modes in order to develop knowledge.
- ✓ You will never learn anything until you open some kind of store somewhere: External strategic processes
Tesco decided on an aggressive, organic expansion strategy in its target markets. However after sticking with the strategy, it has been seen as a necessity for long-term growth internationally.
- ✓ Use strength and size at home to secure the best human resources overseas: Internal operation functions.

Palmer (2005) , in his research has drawn the attraction to the same factors but more in details;

1. Internal strategic processes
 - ✓ Market selection experience
 - ✓ Entry mode experience
 - ✓ Divestment experience.
 - ✓ Locus of control experience.
 - ✓ Experience with learning structures and processes.
2. External strategic processes
 - ✓ Competitor orientation experience
 - ✓ External regulatory experience
 - ✓ Internal regulatory experience.
3. Internal operational functions
 - ✓ Human capital experience.
 - ✓ Financial capital experience.
 - ✓ Marketing and communications.
 - ✓ Global sourcing and supply chain experience

Turkey's Retail Market

As Turkish hypermarkets, supermarkets and discount stores markets are analyzed; it is noticed that hypermarkets have recently become fashionable investments within the retailing sector in Turkey. In addition to Kipa; Sabanci and Koç are two major Turkish conglomerates and there are more than 50 different chains operating in Turkey's retail business. Foreign investors present in the Turkish food retail markets include Metro (Germany), Carrefour (France) and Tesco (UK) (PriceWaterHouseCoopers, 2005-2006)

In Turkey, when the store openings are analyzed it is seen that the regulation of supermarket establishments is conducted through city planning and development law, and overseen by the government. There are no limitations on opening hypermarkets in city centres; the only problem is finding a convenient location. According to the new draft Retail Law, existing stores will be allowed to remain at their current locations, but the establishment of new stores in metropolitan areas will require the approval of the governor's office for stores smaller than 2,500sq m and the Minister of Industry and Commerce for stores larger than 2,500sq m (PriceWaterHouseCoopers, 2005-2006).

TABLE 1
THE KEY FOOD RETAILERS

Retail Structure
Comparison of Market Share of Top Retailers-
March 2006

Major Retailers	% Share (Rank)	Number of Stores	Fascias/ Formats
Migros	(1st) 4.6%	722	191 Migros, 219 Tansaş, 312 Şok
Carrefour	(2nd) 3.1%	446	12 Carrefour, 7 Champion, 82 Gima, 345 Dia
Bim	(3rd) 2.1%	1204	Discounters only
Metro	(4th) 1.6%	16	9 Metro, 7 Real
Kiler	(5th) 0.9%	110	Kiler Maximum, Kiler, Kilerim
Tesco Kipa	(6th) 0.6%	8	Hypermarkets only, excludes Express
Bakkals	30%	125.000	Number decreased from 155.000 in 1998

Source: Tesco Investors Presentation: Izmir/Antalya, 25/26 May
<http://www.tescocorporate.com/images/kipa.pdf>

There are various factors attracting foreign direct investment to Turkey, depending on the sector. The main factor attracting retailers to invest in the sector and to develop modern structures has been the growth potential due to a large and growing population and unsaturated market conditions. Factors such as the growth of disposable income, along with changes in the composition of the country's production factors, demographic characteristics, lifestyles and consumption patterns, have all fostered positive expectations (PriceWaterhouseCoopers, 2007)

Due to the indicated reasons there have been some experiences of M&As in Turkey since 2003. The following table summarises the major mergers and acquisitions that have occurred since 2003 in the Turkish retail market. Among the leading international retailers, only Carrefour, Metro, Tesco and, more recently, IKEA are present in Turkey. However, there are strong signs indicating that more foreign retailers are eyeing Turkey for possible acquisitions (PriceWaterhouseCoopers, 2005-2006).

TABLE 2**M&As IN TURKISH RETAIL MARKET**

Year	Acquired Company	Acquirer/JV Company	Nature of Business	Equity Stake (%)
2003	Kipa	Tesco Plc	Food Retail	82
2005	Gima	Carrefour/Sabancı Holding	Food Retail	60
2005	Tansas	Migros	Food Retail	70
2007	Beymen	Citigroup Venture Capital	Non-food Retail	50

Source: PriceWaterHouseCoopers (2007). Retailing in Turkey: From Grand Bazaar to Modern Shopping Malls. *Retail and Consumer Worlds*.

Although Tesco experiences success in foreign markets, it is going to be unrealistic to accept that it doesn't face any problems. The most important side of this fact is that Tesco has been applying successful strategies to overcome the challenges.

The problematic of this research mainly focuses on the problems that occurred during the acquisition period of Kipa and Tesco. The roots of the problems, the strategies applied to overcome them, the responds of top level managers and CEOs to unexpected consequences are analyzed in details with the help of semi structured interviews made with a member of top board level managers who have experienced this process. The responds and the data gained through interview are going to be reflected to the study in frame of qualitative research as a live case.

RESEARCH DESIGN AND METHODOLOGY

This study employed an interpretative, qualitative methodology due to the benefit of qualitative research which is that it allows the researcher to find out answers in details and open ended questions usually provide more explanatory findings. Therefore, qualitative research approach is adopted in this study. In this research, semi-structured interview is used to identify the answers exploring the positive and negative consequences of acquisitions and the continual strategies in the duration of the process. Because each merger and acquisition has its own history and nature, in the study, Kipa-Tesco is taken as a case in relation with an interview that was held with the founder of Kipa and a current member of board of directors. Based on the findings gathered through the interview have been adapted to the case which is a live reality from the current developments in Turkey's retail market.

M&As Case from Turkey: Tesco-Kipa

Turkey: An Attractive Destination for Investors

Turkey with a 780.580 sq km area is located in the Suthestern Europe and Southeastern Asia. The population is 71 million and the growth rate per year is 1.06%. With regard to the economical indicators, GDP is £192 billion and GDP per capita is £2.800 while the GDP real growth rate is 6%. When the trade is analyzed the total amount of exports is £41 billion and the total amount of imports is £57 billion. Turkey is attractive for multinational investors which regard Turkey as country with dynamic business environment, liberalised markets, young population, increasing urbanisation and unsaturated market structure. (Tesco Investors Presentation). In this sense when the international direct investment is analysed; the net international direct

investment inflow has been \$616 million in February 2008. The equity investment inflow, which represents the equity share transfers of international investors for their new or existing companies in Turkey, and for their participation into the existing domestic companies, has been \$ 356 million. In the January-February period in 2008, majority of the total 595 companies with international capital is in the wholesale and retail trade sectors. Currently, a total of 18.903 companies with international capital are operating in Turkey. Majority of the total 18.903 companies with international capital is in the wholesale and retail trade sectors (Prime Ministry Undersecretariat of Treasury, 2008).

The Retail Market in Turkey and TESCO-KIPA Development

The indicators of TESCO-KIPA development refers to the Tesco Investors Presentation (<http://www.tescocorporate.com/images/kipa.pdf>):

The retail market is shared by 3 domestic, 3 multinational firms and some other medium-scale retailers. There exists an organic development by organised retailers throughout 2003-2005 and organic growth is expected to maintain, despite food retail market overcrowded with small operators ready for consolidation. Koç and Sabancı are two major Turkish conglomerates that dominate hypermarket and supermarket formats, although over 50 different chains operate in sector. German Metro Group and local BIM other important rivals. Migros is owned by Koç Holdings and it is the primarily supermarket operator (MMM, MM, M) but also runs 3 hypermarkets and discount chain called as Şok. It acquired Tansaş in September 2005 and after the acquisition, annual turnover estimated GBP £1.2 billion. When international retailers are analyzed, it is seen that Carrefour entered in 1993 and established as joint venture with Sabancı Holdings. It acquired 6th largest operator in May 2005 and after acquisition, annual turnover estimated GBP £780 million with an operating 12 hypermarkets, 6 of which located in Istanbul.

Leading part of the case Kipa was established in August 1992 in Izmir. Its first store was opened in 1994 in Bornova and further stores were opened in Çiğli (1999), Gaziemir (2000), Denizli (2001), Balçova (2001), all in Aegean region. Then Tesco acquired Kipa in November 2003 and after acquisition Kipa name changed to Tesco Kipa. First Tesco Kipa store was opened in June 2005 in Bodrum. The format changed when Antalya and Çanakkale opened in January 2006, both of which were outside Aegean Region this time. First express format store 'Kipa Ekspres' was opened in March and the second one in May 2006. Latest store was opened on 23 May in Aydın. First 'Kipa' private label product was launched in November 2000 and First 'Kipa Pazar' discounted private label product was launched in February 2005. There have been over 400 Kipa Pazar products, over 300 are Minimaxi textile products and there have been 651 Kipa Standard non-food products. Other markets opened are in Lüleburgaz, Çorlu and Konya.

The economic indicators have shown variations when compared to the process before the acquisition and after;

TABLE 3

BEFORE AND AFTER THE ACQUISITION

BEFORE	AFTER
Stores: 5 hypermarkets	Stores: 9 hypermarkets and 2 express
Other: 2 gas stations	Other: 2 gas stations
Net Sales Area: 39K	Net Sales Area: 56K
Employment: 1447	Employment: 2625
Turnover: GBP £96 million	Turnover: GBP £187 million
Customer per week: 220.000	Customer per week: 262.000.
Suppliers: 1741	Suppliers: 1529
	2004 Total Sales Growth: 9.21%
	2005 Total Sales Growth: 11.04%

Source: Tesco Investors Presentation: Izmir/Antalya, 25/26 May
<http://www.tescocorporate.com/images/kipa.pdf>

Following this part, the interview, with the founder who has been the Head of Board of Directors (1992-2007) and an ongoing member of Board of Directors, takes place. The findings of the interview will be discussed to analyze how the acquisition is viewed by the Kipa founder and how Tesco-Kipa is performing.

The problematic of the research is going to be scrutinized. As it has been indicated before the problematic of this research mainly focuses whether there exist some problems that occurred during the acquisition period of Kipa and Tesco. The roots of the problems, the strategies applied to overcome them, the responds of top level managers and CEOs to unexpected consequences are aimed to be analyzed.

The Acquisition with its Good Works...

The Success of a Retailer: Kipa and Tesco Acquires in 2003

The founders of Kipa were 100 in number and each of the shareholders had 1% share within the company. They made a negotiation with Ege University in Bornova to lease their property for 49 years in order to open the first store in the university campus. The founders believed in professionalism and specialization that is why before they opened their first store in Ege University Campus, they decided to apply know-how and made a negotiation with a Belgian company in 1993 and the first GM of Kipa was a Belgian. The company showed success and began to grow by opening the other stores. This success in Turkey market attracted Tesco management and the first attempt of Tesco to acquire Kipa was made in 2001.

The general strategy of Tesco consists of five elements;
(http://www.tescocorporate.com/images/Prelim_pr_08Final.pdf);

- ✓ become an international retailer
- ✓ maintain a strong core UK business
- ✓ to be as strong in non-food as in food
- ✓ develop retailing services
- ✓ put community at the heart of what they do

The first strategy was the first reason Tesco got interested in Turkey. Since they want to grow and become an international brand they were in search of new markets in Europe and Turkey was only one of them.

As Tesco was attempting to enter Turkish market, it had international strategies that they follow in the long run
(<http://www.tescocorporate.com/page.aspx?pointerid=3B3A4B25C27741408604630168DAE624>);

- ✓ Be flexible - each market is unique and requires a different approach
- ✓ Act local - local customers, local cultures, local supply chains and local regulations require a tailored offer delivered by local staff
- ✓ Maintain focus on a few countries - to be the leading local brand is a long term effort and is not about planting flags
- ✓ Use multi-formats - no single format can reach the whole of the market. A whole spectrum from convenience to hypermarkets is essential and you need to take a discounter approach throughout
- ✓ Develop capability - It's not about scale, it's about skill - so we make sure we have capability through people, processes & systems
- ✓ Build brands - brands enable the building of important lasting relationships with customers.

The reason Tesco was interested in Kipa was just because the company didn't have any debts, it was growing rapidly and steadily.

In 2003, the attempts of Tesco was concluded and Tesco entered Turkish market with the highest total amount of direct foreign investment; 170.000.000 dollars and finally in 2007 Tesco acquires Kipa totally (%100).

How Tesco evaluates the acquisition at the moment
(http://www.tescocorporate.com/images/Prelim_pr_08Final.pdf);

“In Turkey, our Kipa business continues to grow rapidly and profitably and we are making progress towards creating a national chain of hypermarkets in a market which offers great potential. We are investing in creating the necessary infrastructure for long-term expansion with our first major distribution centre at Yasibasi covering 400,000 square feet, now in operation and with similar infrastructure projects planned over the next two years as we begin to secure sites in Istanbul, Ankara and the other cities in central and western Turkey. We aim to grow our space in Turkey by around 60% this year, from our base of 26 hypermarkets. Customer response to the Express format has been very encouraging and we plan to add more than 40 further stores this year, bringing the total to over 80”.

**TABLE 4
EUROPE SPACE SUMMARY**

Actual at 23rd February 2008

NUMBER OF STORES

		2006/07 year end	openings H1	openings H2	extensions / adjustments	gross store number gain	closures / disposals	2007/08 year end
Czech Republic	- hypermarkets	46	1	6	-	7	-	53
	- other	38	3	6	-	9	(4)	43
Hungary	- hypermarkets	67	5	4	-	9	-	76
	- other	34	7	6	-	13	-	47
Poland	- hypermarkets	52	-	2	-	2	(1)	53
	- other	228	9	20	-	29	(9)	248
Slovakia	- hypermarkets	37	-	4	-	4	-	41
	- other	11	5	3	-	8	-	19
Turkey	- hypermarkets	15	8	3	-	11	-	26
	- other	15	9	16	-	25	-	40
Republic of Ireland	- hypermarkets	1	-	-	5	5	-	6
	- other	94	-	7	(5)	2	(2)	94
France	- other	1	-	-	-	-	-	1
Total Europe	- hypermarkets	218	14	19	5	38	(1)	255
	- other	421	33	58	(5)	86	(15)	492
Total Europe	- TOTAL	639	47	77	-	124	(16)	747

SPACE - '000 SQ FT

		2006/07 year end	openings H1	openings H2	extensions / adjustments	gross sales area gain	closures / disposals	2007/08 year end
Czech Republic	- hypermarkets	3,342	32	215	(4)	243	-	3,585
	- other	764	22	57	(1)	78	(36)	806
Hungary	- hypermarkets	4,687	182	269	-	451	-	5,138
	- other	137	70	64	-	134	-	271
Poland	- hypermarkets	4,252	-	140	-	140	(93)	4,299
	- other	2,281	129	231	-	360	(284)	2,357
Slovakia	- hypermarkets	2,091	-	129	-	129	-	2,220
	- other	436	54	33	-	87	-	523
Turkey	- hypermarkets	1,068	344	184	(7)	521	-	1,589
	- other	40	24	52	(6)	70	-	110
Republic of Ireland	- hypermarkets	63	-	-	250	250	-	313
	- other	2,199	-	138	(171)	(33)	(30)	2,136
France	- other	16	-	-	-	-	-	16
Total Europe	- hypermarkets	15,503	558	937	239	1,734	(93)	17,144
	- other	5,873	299	575	(178)	696	(350)	6,219
Total Europe	- TOTAL	21,376	857	1,512	61	2,430	(443)	23,363

Source: <http://www.tescocorporate.com/images/Broker%20pack07-08Prelim.pdf>

There Always Exist Problems with Foreign Companies Within an Acquisition Process

There are main certain areas in which problems arise in this bargaining process before final decision is made (for both of the parties-in general);

- ✓ Financial Problems
 - Revenue and expense balance of the company
 - Existance of debts
 - Taxation

- ✓ Legal Problems
- ✓ Human Resources Problems
 - Restructuring organization
 - New management style
 - Organizational culture: Adaptation to the acquirer's organizational culture
 - Changing of current personnel with new and foreign staff
 - Language and communication problems
 - Resistance to change by the staff and the top management of the company
- ✓ Relationship with the host community
 - Acceptance and tolerance
- ✓ Forecasting incompetency
- ✓ Lack of risk and crisis management competency

Tesco-Kipa Experiences

The problems indicated above were minimal in Tesco-Kipa acquisition process. The reason why this period was concluded in peace depends on the professionalism of TESCO as an international company and its huge experiences in internationalisation. How were they asided?

First of all when financial and legal issues are taken into account, it is seen that when Kipa was acquired by Tesco it didn't have debts. This was an important issue that Tesco regarded because acquiring a company with so many debts in the market could be a great burden in the achievement of this growing strategy. This was also an indicator of how the forecasts and the evaluation process were done successfully. This new formation contributed to Turkish economy in terms of employment, tax and income.

When managing human resources is analyzed, the partners didn't experience so many problems. Here are the highlights;

- ✓ The organization structure didn't change and the current staff went on working without a threat of being fired.
- ✓ Tesco demanded Turkish managers to participate in the top management as being members of board of directors
- ✓ The process proceeded smoothly and training was the most important issue
- ✓ Professionalism of Tesco and enthusiasm of Kipa staff got together hand in hand
- ✓ There is not a family business logic, everything is professional, very well figured out
- ✓ Code of ethics, value, mission and vision building were the first steps of strategic thinking
- ✓ New procedures, methods of doing business eased the way of performing and motivated the staff
- ✓ Language wasn't accepted as gap between the partners, there was a real tolerance mood dominating the process

DISCUSSION AND CONCLUSION

Most important factors for acquiring another organization lie under the followings (<http://mercato.concordia.ca>);

- Increasing the market power,
- Developing new capabilities,
- Overcoming entry barriers
- Cost of new product development
- Increasing diversification
- Reshaping firm's competitive scope
- Increasing speed to market
- Lower risk compared to developing new products

These are in general important factors that amaze companies. But on the other hand the situation doesn't seem very easy as indicated above. It is apparent that M&As holds difficulties and problems in nature. What

might be the problems and how they should be solved are two important questions to be addressed as well (<http://mercato.concordia.ca>) ;

- Integration difficulties: This is one of the basic challenges and how it should be overcome might include trying to adapt the cultures to each other efficiently and maintaining good working relationships within the organizations especially by adjusting the managerial processes.
- Inability to achieve synergy: Firms should not underestimate indirect costs when evaluating a potential acquisition and the assets should be used in conjunction with each other.
- Too much diversification: The managers should not rely only on financial issues. In addition to financial circumstances they should also focus on strategic controls to evaluate the performance. Innovation and knowledge should never be ignored.
- Resulting firm is too large: Sometimes the benefits may be in short when compared to the general costs and also the managerial control might be harder. That is why, forecasting and being proactive are very important to reduce this risk.
- Inadequate evaluation of target: Effective actions taken for financing and tax consequences of the transaction are of primary concerns to handle this problem.
- Large debt: The result of the acquisition may be serious if necessary precautions are not taken. In other words, the acquirer should always be very well organized to make a good investigation concerning the financial strengths and weaknesses of the target organization.
- Managers overly focused on acquisitions: The executives should never be hesitant to make decisions with long-term consequences although the negotiations haven't been completed.

When compared to the successful rivals in retail market of the world, such as Carrefour and Wall Mart, Tesco seemed to be a weaker company although it was very dominant in UK. Despite this fact Tesco was an ambitious and stable company which had an aggressive, organic expansion strategy. Tesco has learned that it must achieve leadership or exit a market. Paul Kenedy, CEO, Tesco Hungary, explained this in his words in September 2003 (Coriolis Research, 2008).

"Our strategy is to expand rapidly and become the strongest player in the markets we operate in."

Tesco as a leading European retailer continually grows and maintains success because it believes in development and professionalism. Linked to its strategies which are clearly defined, it pursues a constant movement in international area and has a well established way of doing business.

Since Tesco had this kind of an approach, it was once again successful in deciding to acquire Kipa which carried a brand value and still carrying it. However, Tesco-Kipa acquisition is one of the best examples of a free of problems deal which have been already discussed above.

In this research, the findings resulting from the interview showed that Tesco has achieved its aim. The main strategies mentioned about minimizing the risk of possible arising conflicts and problems are;

- ✓ Being professional which means that the acquirer should take precautions and forecast all the possible consequences in advance. It should take the necessary steps one by one without skipping any detail. The policies, programs, procedures and the methods should all be clear and well defined in order to succeed.
- ✓ Being persistent and consistent in obtaining a rhythm between strategies and tactics: Not only the long-term interests are important but also, short term interests, in other terms, tactics are also very important for the organization.
- ✓ Being respectful: Tesco, had a very important approach which is respecting the identity of the target company. The acquired organization could survive by the contribution of their current members to the managerial processes and their current staff were still the ones that would work for the company. This means that Tesco, respected the current staff, the current top-level management's decisions and ideas, the existing organizational culture and the possible problems that may arise because of the differences between two organizations.
- ✓ Applying values and ethics to the way of doing business was also primary concern for Tesco which is a clue that shows its ethical beliefs and related implementations.
- ✓ Having a great corporate responsibility is one of the most important issues Tesco always draws attention to within different countries.

- ✓ Being people oriented; staff, consumers and the community means that Tesco always contributes to the benefits of these stakeholders as well as the benefits of the organization itself. So there is always a balance between the benefits of the partners.
- ✓ Being willing to learn and react to the developing circumstances especially to the unexpected is a way for Tesco to be successful. This is also a clue that shows the proactive strategy of the organization.
- ✓ Meaningful and pleasurable management approaches which include respect, understanding, and systematic approaches.

Definitely, the success of Tesco lies under these approaches and practices which are mentioned above and certainly this way of doing business will always contribute to the success of Tesco in the following years.

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INFORMATION SEARCH FOR FDI: THE EFFECT OF FIRM AGE, SIZE AND THE SECTOR

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ABSTRACT

The purpose of this paper is to examine the type of information sources and the usefulness level of these sources utilized by the FDI firms based in Turkey when they were establishing equity ventures in foreign countries. The paper also aims to examine the relationship between information source used by the FDI firms and their age, size and the sector. Analysis of the cross-sectional data collected from 27 manufacturing and 36 commerce FDI firms indicates that sampled firms utilized in-house research, the internet and the other media prior to FDI involvement. Non-parametric test results show that there is almost no significant difference between the young and old firms in terms of usage and usefulness of different information sources for FDI. While the usages of different information sources for FDI moderately vary based on the size of the FDI firms, there is no significant difference between the mean values of small and large firms in terms of the usefulness of the information sources for FDI. Finally, usage and usefulness of the information sources do not vary much between manufacturing and commerce firms.

INTRODUCTION

As one of the means of firm internationalization, foreign direct investment (FDI) activity is becoming increasingly important for both developed and developing country-based firms. In a more globalized and interconnected world, many forces encourage companies to involve in FDI. Acceptance of market mechanism for allocating resources and heightened competition among firms can be considered as key economic forces. Another force is that the prevalence of liberalization of the markets and increase in the number of democratic governments buttressed with strengthened judiciary system, stronger property and human rights throughout the world. Lastly, as a result of improved information, communication and transportation technologies, consumers are more aware and receptive of the products and services provided by foreigners. Collectively these forces lead to accessing to factors of production at lower cost and expanding the business operations to more far flung jurisdictions.

An essential ingredient in making decision for FDI is information. Utilization of the information within the firm and transforming it to the knowledge is one of most important competitive advantages of the FDI firms (Kogut and Zander, 1993). Since entering foreign market via more committed and risky mode of FDI is critically important decision, FDI firms do environmental scanning activity to collect information about their environment for adapting to the changing environment (Ghoshal, 1988). From the rationalist perspective, a firm that intends to do FDI has to systematically analyze both its internal and external environment in terms of whether it can involve in FDI or not. Having analyzed the internal environment and being convinced that it can involve in FDI, the firm has to look at external environment and analyze it appropriately. Because of the fact that one of the key differences between international business and domestic business is the complexity of external environment, variety of environmental factors (such as political, legal, societal, economic and geographical) causes liability of foreignness and increased risks for FDI firms. Even though liabilities of foreignness is lesser in the regional market than more distant market (Rugman and Verbeke, 2007), it still creates risks for the firms. Besides, internationalization through FDI has many difficulties arising from “loss of advantage provided by resources transferred abroad; creation of a disadvantage by resources transferred abroad; and lack of complementary resources required to operate abroad” (Cuervo-Cazurra, et al., 2007:713). Having fulfilled by necessary information and knowledge can bring success in FDI since they may reduce risks and uncertainty; and, they may lead to calculated risk taking.

In this paper, we focus on the information-seeking behavior of Turkish FDI firms. The purpose of the paper is to examine what type of information sources is used and what is the usefulness level of these sources to the

FDI firms based in an emerging market economy. In addition to this, we attempt to examine the relationship between information source used by the FDI firms and their age, size and the sector. The structure of the paper is as follows. After this brief introduction, we will review the relevant literature and develop hypotheses. Next, we will describe research methodology of the study. And then, we will present research results. In the final section, we will draw conclusions and we will make suggestions for future work in this area.

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

Internationalization of firm is an umbrella term used to denote many activities of corporations and it is defined as “the process of increasing involvement in international operations” (Welch and Luostarinen, 1988:156), and “the process of adapting firms’ operations (strategy, structure, resources, etc) to international environments” (Calof and Beamish, 1995: 116). The internationalization concept covers corporations’ numerous activities such as exports, imports, contractual agreements (e.g., licencing, franchising, turnkey operations and other formal and informal agreements) and short and long-term international equity investment. Foreign direct investment (FDI) is a long-term equity investment endowed with management and control of assets and operations. It can be in the form of joint ventures, acquisitions and greenfield investment.

There are different strands of theoretical perspectives in explaining and predicting FDI behaviors of firms (see Kaya, 2003). Among the many theories three of them (namely OLI, incremental and network theories) is more relevant for information search and usage; and, they are widely used theoretical frameworks in the FDI research (Coviello and McAuley, 1999). Dunning’s (1988, 2000) eclectic theory or ownership, location and internalization (OLI) framework purports that in order to involve in FDI a firm has to have certain internal ownership (O) advantage in the form of certain resources, assets and know-how. For exploiting these resources and assets foreign country has to provide some locational (L) advantage like market size and growth, favorable political and socio-cultural environment etc. Lastly, exploiting the resources internally within a foreign country must be more beneficial to the firm compared to other means of serving the foreign markets such as exporting, licencing and franchising. If exploiting the resources internally within the firm is more beneficial, the firm has an internalization (I) advantage. When we look at the information search issue from the OLI perspective, a firm should analyze both internal and external international environment and make a decision for FDI according to the results of this analysis.

Stage or incremental theory of Uppsala researchers asserts that the internationalization of a firm takes place in incremental process (Johanson and Vahlne, 1977) starting from no exports; continuing with exports via indirect and direct exports, and finally ending with sales or manufacturing subsidiary. The model follows certain stages because of the assumptions that firms have imperfect access to information and internationalization is a process of increasing experiential knowledge. Therefore, firms gradually acquire, integrate, and use knowledge about foreign markets and operations, and increases the commitment to foreign markets. The theory posits that “experiential knowledge of the market, the clients, the problems, and the opportunities abroad are acquired by operating in the international market” (Eriksson et al., 1997:340) and it is very much important than general knowledge of foreign business environment. Since the model is harshly criticized about its incremental nature (see Anderson, 1993), Johanson and Vahlne (1990) brought their exceptions to the model. When the firms have large resources and when it has considerable experience from markets with similar conditions and when the market conditions are stable, internationalization of the firms may not follow certain stages. Related to information search and usage, this theory gives more emphasis on experiential knowledge and considers general knowledge of foreign business environment less important.

Lastly, network theory of internationally operating firms explain any type of international involvement with establishment of exchange relationship with suppliers, distributors, competitors, customers and the other related stakeholders of an organization (Thorelli, 1986). In the network view, firms develop and maintain long term business relationship with the other actors in the business environment through mutual trust and knowledge (Johanson and Vahlne, 1990). The network perspective gives more importance to role and influence of social relationship in terms of extending business activities into foreign countries. Therefore, to go abroad through FDI, a firm has to establish several bonds with relevant stakeholders; and, based on the information accumulated from these bonds the firm initiates FDI involvement.

Having analyzed information gathering activities of internationalizing firms from different FDI theories’ lenses, we should note that under the open system view every organization is affected from constituents of general and task environment. Accordingly, a firm that intends to choose more risky and beneficial entry

mode of foreign involvement (i.e. FDI) has to do both internal firm analysis and international business environment analysis systematically. Assuming that a potential FDI firm made internal analysis, it has to analyze international business environment. When analyzing the international environment an analyst or FDI decision maker can group countries as relatively homogenous markets and collect specific information about one or a few foreign market; or, the analyst can initially limit the country search for FDI to “those countries that are similar to the firm’s country of origin in terms of culture, language and method of doing business” (Ehrman and Hamburg, 1986: 96). In addition to this, FDI decision maker can apply “...decision theory using ‘expected value’ (EV) as a means for appraising returns on investment resulting from FDI. For each investment, the decision maker assigns probabilities to relevant events and projects the revenues/looses that will occur for these events” (Ehrman and Hamburg, 1986:97).

In all of the previously mentioned country selection methods, analyzing the international environment is necessary. International business environment can be broadly subdivided into the layers of task environment (which consist of customers, competitors, suppliers and labor market) and general environment which made up economic, legal/political and sociocultural elements. In analyzing economic environment, countries should be screened based on certain economic indicators such as gross national income, percapita income, purchasing power parity, income distribution, degree of human development, inflation, unemployment, exchange rates, infrastructure and the other economic conditions (Daniels et al., 2007; Mutlu, 2005). Legal political environment can be analyzed in terms of political risk, political instability, government takeovers, laws and restrictions, tariffs, quotas and taxes etc. (Daniels et al., 2007; Mutlu, 2005). Socio-cultural environment can be examined in terms of social values, beliefs, kinship pattern, religion, formal education and literacy, time orientation, individualism and collectivism, masculinity and femininity, uncertainty avoidance etc. (Daniels et al., 2007; Mutlu, 2005).

FDI information sources related to general and task environment can be grouped as primary information sources and secondary information sources (Mutlu, 2005). Primary information sources consist of interviews, focus groups, observations, surveys and experimentation. Secondary or external information sources for FDI can be foreign or home country government agencies, international organizations and agencies (United Nations, World Bank, World Trade Organization etc.), information service companies, trade associations, market research and business consulting companies, and the internet. (Mutlu, 2005; Daniels et al., 2007). In this article, we attempt to focus mainly on external sources of information used by Turkish FDI firms.

Below, we will relate the types of information sources used by FDI firms to certain firmographics, including age of the firm, number of employees, amount of sales and their sector of operations in foreign countries. Looking from the resource-based view of the firm (Barney, 1991) higher levels of age, size and sector-specific know-how can be considered as valuable, rare, inimitable, and nonsubstitutable resources of the firms. In analyzing firm behavior age is a very important component of firmographics. As it is known, with the passage of the time, firms gain bundle of information about operating in foreign countries via different networks. However, in the extant literature there are not many studies examining the relationship between firm age and information usage. Related to using diverse information channels and usefulness of sources of information, Cavusgil (1984) found that experienced internationalizing firms use more sources of information than young inexperienced ones. In line with this finding, we think that there has to be differences between young and old firms in terms of usage of diverse information sources and finding these sources as useful. Therefore, we hypothesize that:

H1: There are significant differences between the mean values of young and old firms’ usage of different sources of FDI information.

H2: There are significant differences between the mean values of young and old firms in terms of their perceptions towards the usefulness of the sources of FDI information.

Compared to age and information seeking behavior of firms, there are relatively large number of studies that examine the relationship between the size of the firms and information seeking behavior. Nevertheless, this body of the literature focus more on exports (e.g., Cavusgil, 1984; Hart et al., 1994; Ellis, 2000; Riddle and Gillespie, 2003) than FDI (Ghoshal, 1988; Mariotti and Piscitello, 1995). According to Ghoshal (1988:70), in large companies “...there may be both a formal system of scanning consisting of a special unit and personnel dedicated to the tasks of acquiring, interpreting, and internally communicating information on different aspects of the firm’s environment, and an informal system built around the day-to-day scanning activities of individual managers”. Mariotti and Piscitello (1995: 833) argues that “[i]nformation gathering and channelling to support effective decisions are particularly management-intensive and incur heavy costs for a small firm with severe constraints on management time”. According to Crick (2001) different resource

endowments of larger firms can lead to behave differently from smaller firms in terms of market information activities of firms in several ways. First, firm size can have an effect on utilizing the services of international market research companies. Second, firm size may have an influence on the type of information collected and the usage of the collected information. Third, “larger companies have been shown to engage in international marketing research more often and use more rigorous techniques than smaller firms” (Crick, 2001: 15). Since larger firms enjoy more opportunities to exploit network ties and other resources than smaller companies, information usage and finding useful the existing information could vary according to the size of the investing firm. Accordingly, we hypothesize that:

H3: There are significant differences between the mean values of small and large firms’ usage of different sources of FDI information.

H4: There are significant differences between the mean values of small and large firms in terms of their perceptions towards the usefulness of the sources of FDI information.

Finally, sector of foreign operations can have substantial impact on the usage of information source and usefulness of these sources. On one hand, manufacturing and trade firms face different competitive and business environment, consequently utilization and usefulness of the information sources can vary based on the sectors. In fact, Zaheer and Zaheer (1997) found significant differences in banks’ information-seeking behavior in response to market volatility. On the other hand, required information for the manufacturing companies might be more intense than commerce firms which results in differences in information utilization and usefulness. Therefore, we hypothesize that:

H5: There are significant differences between the mean values of manufacturing and commerce firms’ usage of different sources of FDI information.

H6: There are significant differences between the mean values of manufacturing and commerce firms in terms of their perceptions towards the usefulness of sources of FDI information.

RESEARCH METHODOLOGY

In this study we employ quantitative methodology through a cross-sectional survey. Based on an extensive literature review about information source and usage for internationalization (e.g., Daniels et al., 2007; Mutlu, 2005; Crick, 2005, 2001; Clark and Pugh, 2001; Robertson and Wood, 2001; Ehrman and Hamburg, 1986), we developed a data collection instrument. Because all variables are drawn from conceptual and empirical studies, we can say that content and construct validity of the variables included in this study is high. For assessing the reliability of the variables, we have calculated Cronbach’ alpha value. Calculated Cronbach’ alpha value of .82 indicates that reliability of the variables were also very high. Since this study is a part of a larger research, in this part of the questionnaire, we asked the questions of “How often have you used below information sources before involving in FDI in foreign countries?”, and “How do you rate the the usefulness of the mentioned sources?”. Both type of questions were measured on a five point scales ranging from 1 to 5 (1: never used, 5: used very often; 1: not useful at all, 5: very much useful, respectively). There were also factual, open-ended questions in the questionnaire related to ages, sizes and sectors of the FDI firms.

To be included in this study a manufacturing or trading firm has to have a foreign subsidiary or branch in at least one foreign country. Since the population of the study is unknown, we used non-probability sampling (namely, snowball and convenience sampling). By utilizing various information channels such as official data sources, sector associations’ records and other sources (i.e., firms that have contacted for the survey) we have identified approximately 500 commerce and 200 manufacturing Turkish FDI firms as a sampling frame for this study. Upper level managers of these firms were contacted by phone and e-mail and appointments were made with those who were available. Completed Survey Questionnaire is returned through mail, fax, and e-mail; and, some of them were administered personally. As a result, 63 usable questionnaires were collected from 27 manufacturing and 36 commerce FDI firms, collectively representing 9 percent response rate. By looking at the titles of the participants we can say that the managers of FDI firms were complete knowledge of foreign involvement. Data collection took place in the period of October 18, 2007 and January 15, 2008. Collected data is analyzed through Statistical Package for Social Sciences (SPSS).

THE RESULTS

When we categorize parent firms according to their ages, we see that 18.6 % of them were less than 10 years old; 31.4 % between 10 -14 years old; 10 % between 15 – 19 years old; and 38.6 % 20 years old and over. Combining the four age categories of the firms into two groups as 50 % were young firms (less than 15 years old) and 48.6 % were older firms (15 years old and over). In both groupings remaining values indicate missing values. As expected, the ages FDIs established by the sampled firms were rather younger compared to domestic firms (18.6 % one year old; 42.9 % between 2 – 5 years old; 17.1 % between 6 and 9 years old; and 12.9 % 10 years old and over).

In terms of total employment in the sampled firms, relatively largest group (29.4 %) was the group of the firms in which the number of employees was below 50. The other categories of the firms according to total employment were 50 – 150 (19.1 %), 151 – 500 (23.6 %) and over 500 (27.9 %). Similarly, in terms of total employment of the foreign equity ventures, relatively largest group (55.7 %) was the group of the firms in which the number of employees was below 50. The other categories of the subsidiaries or branches according to total employment were 50 – 150 (16.4 %), 151 – 500 (16.4 %) and over 500 (11.5 %).

Sampled firms established 27 manufacturing (42.8 % of the sample) and 36 commerce (57.2 % of the sample) firms in developed countries (37.1 %) and developing countries (62.9 %) through wholly owned subsidiary (75.7 % of the sample) and joint ventures (24.3 % of the sample). Seven of the sampled Turkish firms had foreign ownership share of which 5 of them less than 50 % and 2 of them 50 % foreign ownership.

The rank order of the Turkish FDI firms' preferences for the information channels to collect knowledge about foreign markets is reported in Table 1. Examining the Table 1, we see that “in-house research by the firm” (4.41) and “research through internet” (3.95) are the most often used information channels by the Turkish FDI firms. This may mean that managers of the Turkish FDI firms are relying more on personal sources of information and easily accessible information sources. This finding is in line with the findings of the previous research (Crick, 2005). Although Turkish FDI firms somewhat utilize “printed and visual media” (3.10) as information channels, they do not utilize “academic publications” (2.95) and “sector associations” (2.82) very often as information sources. Contrary to our expectations, academic works and sector associations' information feedback is limitedly used by the sampled firms. Additionally, some information channels such as “state institutions” (2.62), “marketing research firms” (2.23), “consulting firms” (2.19) and “international institutions” (1.93) such as reports by United Nations, World bank are not utilized or preferred as information sources in accessing foreign markets.

Table 1: Usage and Usefulness Level of FDI Information Sources

Information Sources	Usage Level			Usefulness Level		
	N	Mean1	S.D.	N	Mean2	S.D.
In-house Research by the Firm	63	4.41	1.07	59	4.56	0.75
Research through Internet	62	3.95	1.34	56	4.02	0.84
Printed and Visual Media	61	3.10	1.26	48	3.33	1.00
Academic Publications	60	2.95	1.36	47	3.40	0.95
Sector Associations	61	2.82	1.38	43	3.53	0.93
State Institutions	61	2.62	1.50	40	3.35	1.19
Marketing Research Firms	62	2.23	1.57	29	3.76	1.12
Consulting Firms	62	2.19	1.33	34	3.26	1.08
International Institutions	59	1.93	1.24	27	3.33	1.21

Notes: N= Number of firms; Mean1= Average information utilization based on a five-point scale, ranging from 1 (never used) to 5 (used very often); S.D. = Standart Deviation; Mean2= Average information usefulness based on a five-point scale, ranging from 1 (not useful at all) to 5 (very much useful).

In order to determine the usefulness level of the information channels used for collecting market knowledge, the respondents were asked to rate helpfulness of the utilized information sources for collecting market knowledge. As seen in the second part of Table 1, the number of responses in each category seems to change due to the different usage levels of each source by the sampled firms. By looking at Table 1, we see that mean valuess of all sources are above the mid valuuue of 3; hence, all of the information sources have been considered as worthwhile. Among the 9 different information channels, “in-house research by the firm” (4.56) and “research through internet” (4.02) appears to be more benficial and helpful for collecting FDI information

For testing the previously developed hypotheses we used non-parametric data analysis. The reason for that is the answers to some variables were below 30 and the variables were not satisfying the assumptions of the parametric test such as normality and linearity. Among the several test techniques of non-parametric data analysis, The Mann-Whitney U test was employed because of the fact that it is a widely accepted non-parametric technique for analysing differences between two ‘relatively’ small uneven samples (Crick, 2001). When interpreting statistical results within this study, firms’ mean responses to each information source are used for detecting whether significant differences exist between the two groups in relation to the information usage and the usefulness of the utilized information.

Turning to the test results of individual hypotheses, Table 2 shows the mean values for different groups of firms in relation to their utilization of information sources for FDI. Of the 9 variables, only two of them are significant: The two groups significantly differ in the usage of “sector associations” ($p < .05$), and “international institutions” ($p < .01$). Stating differently, sector associations and international institutions were utilized more as information source by old firms than young firms. This result gives a very limited support for H1. This means that there is almost no significant difference between the mean values of young and old firms’ usage of different sources of FDI information.

Table 2 Mann-Whitney U Test for Information Usage and Ages of the FDI Firms

Information Sources	Young	N	Rank	Old	N	Rank	Z	Sig.
In-house Research by the firm	4.56	32	1	4.23	30	1	- 1.04	0.296
Research through Internet	3.96	31	2	3.90	30	2	- 0.64	0.522
Printed and Visual Media	3.03	32	3	3.10	28	4	- 0.27	0.783
Academic Publications	2.77	31	4	3.07	28	5	- 0.82	0.409
State Institutions	2.53	30	5	2.70	30	6	- 0.68	0.493
Sector Associations	2.35	31	6	3.27	29	3	- 2.50	0.012
Marketing Research Firms	2.03	31	7	2.33	30	9	- 0.70	0.479
Consulting Firms	2.00	31	8	2.36	30	8	- 0.85	0.392
International Institutions	1.51	31	9	2.37	27	7	- 2.82	0.005

Notes: N= Number of firms; Young= Firms below 15 years old; Old= Firms 15 years old and over; Mean values of the information utilization based on a five-point scale, ranging from 1 (never used) to 5 (used very often) are compared.

Table 3 presents Mann-Whitney U test results for comparisons between the two groups based on the degree of usefulness of the sources of information used. Except “in-house research by the firm” ($p < .05$) the two groups were not significantly different. Therefore H2 is not supported. The results show that the sampled firms, regardless of their age, have similar satisfaction level with the information sources that they employed for market intelligence.

Table 3 Mann-Whitney U Test for Information Usefulness and Ages of the FDI Firms

Information Sources	Young	N	Rank	Old	N	Rank	Z	Sig.
In-house Research by the firm	4.67	31	1	4.40	27	1	- 2.04	0.042
Research through Internet	4.14	28	2	3.85	27	2	- 1.28	0.198
Marketing Research Firms	3.76	13	3	3.66	15	3	- 0.02	0.981
Academic Publications	3.47	23	4	3.26	23	8	- 0.71	0.472
Printed and Visual Media	3.41	24	5	3.17	23	9	- 0.86	0.385
Sector Associations	3.38	18	6	3.64	25	4	- 0.97	0.329
International Institutions	3.37	8	7	3.33	18	7	- 0.02	0.977
State Institutions	3.35	17	8	3.36	22	6	- 0.05	0.953
Consulting Firms	2.93	15	9	3.50	18	5	- 1.29	0.196

Notes: N= Number of firms; Young= Firms below 15 years old; Old= Firms 15 years old and over; Mean values of information usefulness based on a five-point scale, ranging from 1 (not useful at all) to 5 (very much useful) are compared.

Table 4 indicates that five statistically significant differences were observed between the small and large firms in terms of the usage of “sector associations” ($p < .10$), “state institutions” ($p < .05$), “consulting firms” ($p < .05$), “marketing research firms” ($p < .01$), and “international institutions” ($p < .01$). More specifically, compared to small firms, large firms tend to utilize more information from “sector associations”, “state institutions”, “consulting firms”, “marketing research firms” and “international institutions”. That is perhaps not surprising that relatively larger firms have more financial resources and network connections to employ the sources of knowledge such as “consulting firms”, “marketing research firms”, state institutions and

international institutions. As a result, there is a moderate support for H3, which means that usage of different sources of FDI information moderately vary based on the size of the FDI firms.

The findings of the comparison between large and small firms in terms of their usefulness of the information sources are reported in Table 5. The results in table 5 reveal that there is no significant difference between the two groups of firms in evaluating usefulness of the collect information about foreign market. Thus H4 is not supported, which means that there is no significant difference between the mean values of small and large firms in terms of their perceptions towards the usefulness of sources of FDI information.

Table 4 Mann-Whitney U Test for Information Sources and Sizes of the FDI Firms

Information Sources	Small	N	Rank	Large	N	Rank	Z	Sig.
In-house Research by the firm	4.26	34	1	4.59	27	1	- 0.73	0.462
Research through Internet	3.78	33	2	4.18	27	2	- 0.96	0.336
Printed and Visual Media	2.90	33	3	3.30	26	3	- 1.01	0.271
Academic Publications	2.78	32	4	3.11	26	5	- 0.96	0.337
Sector Associations	2.55	34	5	3.20	25	4	- 1.66	0.096
State Institutions	2.24	33	6	3.03	26	6	- 2.22	0.026
Consulting Firms	1.78	33	7	2.59	27	8	- 2.23	0.025
Marketing Research Firms	1.69	33	8	2.81	27	7	- 2.62	0.009
International Institutions	1.56	32	9	2.36	25	9	- 2.64	0.008

Notes: N= Number of firms; Small= Firms with the number of employees below 250; Large= Firms with the number of employees 250 and over; Mean values of the information utilization based on a five-point scale, ranging from 1 (never used) to 5 (used very often) are compared.

Table 5 Mann-Whitney U Test for Information Usefulness and Sizes of the FDI Firms

Information Sources	Small	N	Rank	Large	N	Rank	Z	Sig.
In-house Research by the firm	4.51	31	1	4.61	26	1	- 0.15	0.875
Research through Internet	4.21	28	2	3.84	26	2	- 1.60	0.110
Marketing Research Firms	3.80	10	3	3.82	17	3	- 0.15	0.875
Sector Associations	3.55	20	4	3.50	22	4	- 0.01	0.989
Printed and visual media	3.54	22	5	3.16	24	9	- 1.30	0.192
Academical Publications	3.50	24	6	3.33	21	7	- 0.57	0.565
International Institutions	3.44	9	7	3.23	17	8	- 0.30	0.761
State Institutions	3.31	16	8	3.40	22	6	- 0.18	0.855
Consulting Firms	2.92	13	9	3.42	19	5	- 1.13	0.257

Notes: N= Number of firms; Small= Firms with the number of employees below 250; Large= Firms with the number of employees 250 and over; Mean values of information usefulness based on a five-point scale, ranging from 1 (not useful at all) to 5 (very much useful) are compared.

Table 6 reveals that except the two information sources, namely “marketing research firms” ($p < 0.10$) and “international institutions” ($p < 0.05$) there is no statistically significant differences between manufacturing and commerce firms in terms of information utilization. This lends very limited support for the H5. Therefore, the overall usage level of information channels by the manufacturing and commerce firms appears to be quite similar.

Table 6 Mann-Whitney U Test for Information Sources and Sector of the FDI Firms

Information Sources	Manufacturing	N	Rank	Commerce	N	Rank	Z	Sig.
In-house Research by the firm	4.29	27	1	4.47	34	1	- 0.83	0.407
Research through Internet	3.92	26	2	4.00	34	2	- 0.04	0.968
Printed and visual media	3.28	25	3	3.00	34	3	- 0.79	0.424
Sector Associations	3.20	25	4	2.64	34	5	- 1.62	0.104
Academic Publications	3.20	25	5	2.87	33	4	- 0.96	0.334
State Institutions	2.88	26	6	2.35	34	6	- 1.50	0.132
Marketing Research Firms	2.61	26	7	1.88	34	8	- 1.70	0.088
Consulting Firms	2.50	26	8	1.94	34	7	- 1.38	0.165
International Institutions	2.41	24	9	1.63	33	9	- 2.43	0.015

Notes: N= Number of firms; Manufacturing= Manufacturing firms; Commerce= Commerce Firms; Mean values of the information utilization based on a five-point scale, ranging from 1 (never used) to 5 (used very often) are compared

Table 7 reports that information sources from “consulting firms” ($p < 0.01$) and “international institutions” ($p < 0.10$) are the two statistically significant variables that that manufacturing and commerce firms find useful differently. Both sources of informaton are found to be more useful by manufacturing firms than commerce firms. This result gives limited support for the H6, which means that there is almost no significant difference between the mean values of manufacturing and trading firms in terms of their perceptions towards the usefulness of sources of FDI information.

Table 7 Mann-Whitney U Test for Information Usefulness and Sector of the FDI Firms

Information Sources	Manufac- turing	N	Rank	Commerce	N	Rank	Z	Sig.
In-house Research by the firm	4.48	25	1	4.59	32	1	- 1.15	0.249
Research through Internet	4.00	22	2	4.09	32	2	- 0.42	0.674
Marketing Research Firms	4.00	14	3	3.42	14	3	- 1.26	0.206
Consulting Firms	3.81	16	4	2.70	17	5	- 2.96	0.003
International Institutions	3.73	15	5	2.83	12	4	- 1.88	0.060
State Institutions	3.63	19	6	3.10	20	6	- 1.18	0.235
Sector Associations	3.61	21	7	3.45	22	8	- 0.59	0.554
Academic Publications	3.57	21	8	3.26	26	7	- 1.02	0.305
Printed and visual media	3.52	21	9	3.20	25	9	- 1.20	0.228

Notes: N= Number of firms; Manufacturing= Manufacturing firms; Commerce= Commerce Firms; Mean values of information usefulness based on a five-point scale, ranging from 1 (not useful at all) to 5 (very much useful) are compared.

CONCLUSION

As stated earlier, an important element for a critical business decision like FDI is information. Lack of information can provide an impediment in firms' attempt to be competitive in foreign markets. Gathering information about foreign environmental factors and increasing the knowledge is vitally important step for reducing the liability of foreignness. Therefore, the decision makers for FDI “... need to be aware of the information available to them, search for what is not readily available, and finally, make good and effective use of it in order to achieve a relative competitive advantage” (Crick, 2005:115). Earlier we have also argued that managers of potential FDI firms first analyze the internal environment of corporation and then they need to analyze the external environment from the economic, socio-cultural, political-legal and the other dimensions. Assuming that internal firm analysis done by the potential FDI firm, there are different information channels that the managers can utilize for the external envoronmental assessmnet. And, search for FDI opportunities can be done internally by the firm or it can be outsourced to the specialized companies such as marketing research firms and consulting firms.

In this study we found that Turkish manufacturing and commerce FDI firms have gathered information internally through in-house research and through utilizing the internet and other media prior to FDI involvement. The firms did not get much information from sector associations, state institutions, marketing research firms, consulting firms and international institutions. Those who used different information sources reported that all of the information sources included in this study are worthwhile, but in-house research by the firm and reserch through internet are the most useful two sources of information. For testing the effect of certain firmographics such as age, size, and the sector on information usage and usafulness we used a non-parametic test of Mann-Whitney U. Results show that there is almost no significant difference between the mean values of young and old firms interms of usage and usefulness of different information sources for FDI. While the usage of different information sources for FDI moderately varies based on the size of the FDI firms, there is no significant difference between the mean values of small and large firms in terms of the usefulness of sources of FDI information. Finally, usage and usefulness of the information sources do not vary much between manufacturing and commerce firms.

While there are studies on information sources of traditional FDI firms coming from the developed and industrialized countries, there is a research gap on information sources and usefulness of the different information sources of developing country-based firms. By providing empirical data concerning Turkish FDI firms' perceived usefulness and their utilization of sources of information, this study contributes to filling the mentioned research gap. As such, the paper contributes to academic and practitioner understanding about the relationship between the firm characteristics and information sources and usefulness. While findings are particular to manufacturing and commerce firms, they could also have relevance for the firms in other

sectors. Findings of this study may also have implications for other developing country-based or emerging market-based FDI firms for making comparisons.

This article maintains that market-specific knowledge may not be enough for successfully operating in foreign countries. Some information and knowledge can be accumulated through learning by doing and establishing networks. We should also note that some firms enter FDI involvement without systematically analyzing certain countries. For example, a firm may be approached by a foreign investor to set up a joint venture with extremely favorable conditions in a foreign country. We exclude in our study the characteristics of the decision-maker, availability of organizational resources and the context under the foreign investment decision is made. Due to time and budget constraints we could not do a qualitative study supporting this quantitative one. These limitations may be overcome by future studies for examining the issue more fully.

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THE DETERMINANTS OF TURKISH OUTWARD FOREIGN DIRECT INVESTMENT

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ABSTRACT

The general theory of Foreign Direct Investment (FDI) has been built on the experience of developed countries' investors. Therefore, we have an extensive literature about developed economies' firm behaviors. Some researchers have started investigating that why, how and when developing countries' firms engage outward FDI. All these studies have shown that, the FDI determinants of firms from newly industrialized economies (NIEs) are different from the FDI determinants of firms from developed economies.

This study investigates the entry mode and location choice determinants of Turkish outward direct investments, which are operating in Central Asia, Russia and Balkan Countries, over the period of 1989 to 2005. We find that these investments are associated with high levels economic and political risks in and cultural proximity and lack of ownership advantages. The main purpose of this study is to provide some new evidences for these NIE's outward FDI literature. Also we aim to discuss born international concept, instead of born global.

INTRODUCTION

Many individual Turkish entrepreneurs made investments during the period of 1989-2005 in the Turkic Republics, where new market economies emerged following the dissolution of the Soviet Union and which were regarded as potential opportunity areas. Through the direct foreign capital investments of Turkish firms later being joined to other Turkish companies, most of which emerged as international firms in this region, the total amount of these investments reached 4,644 billion YTL until 2007. Few international competitors entered these markets, due to perceptions of the high levels of risk involved. Turkish firms, however, have maintained their activities with considerably high performance. This phenomenon cannot be explained through international Direct Investment Theories or by studies on Global Emerging Firms. Therefore, in this study, data from 107 firms and 169 facilities that directly invest in the seven Turkic Republics were collected through surveys and in-depth interviews in order to discover the determinants of the investment and location decision making of these firms and the fundamental dynamics of the global emerging firms. This study will explain the research findings and relate them to existing theories.

In order to ensure an accurate comparison with developed countries determinants, the factors affecting the decision making processes of the survey group were obtained using the same determinants used to identify the factors within developed countries. The involvement of emerging firms in direct foreign investment is a wholly original phenomenon in terms of theories of Direct Investment. Most of the Turkish firms that went to the Turkic Republics for direct investment took the decision to find new markets and to use the competitive advantage of being the first to enter into the market. Those firms, which found cheap good and labour and quality resources, and some of them wanted to export those products, took the decision of investing in these markets only to find appropriate resources whilst totally ignoring the domestic market.

THEORETICAL FRAMEWORK

The majority of the information regarding International Business Administration is based upon analysis of the behaviour of firms in developed countries. All the existing theories of Direct Investment have been shaped and developed in order to explain the behaviors of the firms in developed countries. Buckley *et al.* (2007) noted that investment by developing countries in developed or developing markets has emerged as a recent focus of research, generally applying existing theories.

The direct capital investments of Turkish firms and of international entrepreneurs display characteristics, which differ from the behavior of companies from other developing countries. Hymer (1976) used the Industrial Organization approach to explain the direct foreign capital investments to developed and developing countries Buckley and Casson (1976), and Rugman (1980, 1981) attempted a similar analysis utilizing the Internalization Approach. Dunning (1977, 1981 and 1988) maintained that the internationalization of production is such a complex process that it cannot be explained by a single theory or approach, and developed the more comprehensive Eclectic Approach created from a synthesis of these two approaches. Other theories developed during the same period include the Competitive International Industry approach by Vernon (1966, 1974); studies by Kojima (1986) to explain Japan's direct investments, and; lastly foreign capital theories based on Firm Growth Theories by Penrose (1956) and Sereiber (1970). Dunning's Eclectic Approach, also referred to as the OLI approach (Ownership, Location and Internalization), maintains a strong position in recent studies (Dunning & Pitaeli, 2007). Direct capital investments have the advantages of ownership that size thus, benefiting from economies of scale, the skills of technology, patent advantage, brand development and management skill. The advantages of location are the natural resources of the country, the size of the domestic market, the low input costs such as energy and labour, and taxes and subventions. In the internalization approach, there exists the objective to make use of the existing deficient competition conditions in these countries. In this framework, two of the three basic motives in Dunning's approach were taken as the basis of the analysis of determinants of direct investments; thus, those investing in order to Seek Market or to Seek Cheap Resources (Efficiency Seeking) have been grouped separately and the differences between them have been explained (Dunning, 1977, 1993). None of the Turkish firms surveyed stated that they invested in order to seek Strategic Resources; also, the material conditions in the region are not optimal for investing with such an objective. Furthermore, it is observed that some of these companies established in Turkey aim to benefit from the ownership advantages of OLI when the analyses are conducted on the basis of different investing strategies.

Global Borning Firms are the new phenomena in international business literature. Having been established without passing through the Uppsala Model which resembles Penrose's company growth theories (Steen & Liesch, 2007) and through the phases conceptualized in Innovation models (Knight & Çavuşgil, 2004), these companies (Bilkey & Tesar, 1977) have been internationalized by reaching the level at which they can sell a minimum one quarter of their goods abroad within the first three years of their foundation. The studies that have been conducted to explain the behavior of the companies in this field (Knight & Çavuşgil, 2004; Rennie, 1993; Shane & Venkataraman, 2000; Etemad & Lee, 2003) aim to specify the dynamics of global born firms. International born Turkish firms, apart from those, which are global borning firms, are those whose first foundation took place abroad without any ownership advantage. Following the dissolution of the Soviet Union, these Turkish companies were established in those newly-independent countries as international firms in order to take advantage of the developed countries' avoidance of these "risky" emerging economies and to therefore operate in markets free of competition. They were established without concern for the level of technological development so as to benefit from the opportunities presented by the market. Based on the assumption that they would not face competition for a long period, firm's even accepted the risks of high costs of implementing the contracts. Some of the Turkish companies operating in developing markets such as Romania, Turkmenistan, Kazakhstan and Bulgaria play important roles in those domestic competitive markets, with billion dollar annual revenues, developed technology, the distribution channels and managerial skills they possess. The findings about the international borning Turkish firms are not familiar to scholars studying international investment theories. The emergence into the global economy of Turkish firms has not been the focus of attention amongst theorists and thus cannot be explained within the framework of generally accepted theories of direct foreign capital investment

RESEARCH FINDINGS

Analysis of Findings of Determinants of All Firms

The questionnaire format using 18 scales that was developed by Glaister and Tatoğlu (1998) was used in order to identify the realities regarding these firms, and the questionnaire was given to 107 firms and 169 facilities in 7 countries (Bulgaria, Romania, Uzbekistan, Kazakhstan, Turkmenistan, Kyrgyzstan and Russia). For this study one question; "to have the advantage of being the first to enter the market" was added to the questionnaire form. The values of the criteria which were measured by the questionnaire forms according to 5-point likert scale and averages of the points were as follows;

3.1. Market Size (3.463), 3.2. Growth Rate of the Country's Economy (3.715), 3.3. Political Stability in the Country (2.336), 3.4. Economic Stability in the Country (2.673), 3.5. Infrastructure Development Level in the Country (2.654), 3.6. Possibility of Obtaining Qualified Local Labor (2.415), 3.7. Foreign Investment Policy of the Government (3.00), 3.8. Possibility of Obtaining Subventions (2.075), 3.9. Cost of International Transportation and Communication (2.687), 3.10. Return of the Profit to the Country of Origin (3.313), 3.11. Possibility of Obtaining Qualified Inputs (2.396), 3.12. Possibility of Obtaining Low Cost Inputs (3.438), 3.13. Tax Advantages (3.986), 3.14. Geographical Proximity (2.692), 3.15. Level of Trade Unionism (1.358), 3.16. Purchasing Power of Customers (3.718), 3.17. Level of Competition in Industry (3.717), 3.18. Easy Access to Markets of Neighboring Countries (3.374), 3.19. Advantage of being the First to Enter the Market (4,743).

Average Values of the Determinants of All Firms

The rankings of the above-mentioned factors in choice of location choices as to countries have been identified, and the data obtained from the preference averages of our 107 firms investing in those countries are presented in appendix TABLE - I.

Rankings of the Determinants for Choice of Country

The most important factor in determining the choices of country is the "Advantage of being the first to enter the market" (4.743). Other important determinant factors are, "*Purchasing power of customers*" (3.718) in second position "*Level of competition in Industry*" third (3.717), "Growth rate of the country" (3.715) fourth, "*Size of the Market*" fifth (3.463.), "*Possibility of obtaining low cost inputs*" sixth (3.438), "*Easy access to markets of neighboring countries*" seventh (3.374), "*Return of the Profit to the country of origin*" (3.313), in eighth position.

According to the analyses conducted with the secondary data, it can be seen in Appendix Table II that there is no correlation between the level of investment provided by the Turkish firms and the population, national income level, population size of the Turkish minority, national income per capita of the country. Similar to the foreign investments by China, Turkish firms invest more in countries where there are Turkish or Turkic minorities in the framework of cultural similarity (Buckley *et al.* 2007).

Distribution of the Determinants of Choice of Country

For the firms that invest in Turkmenistan: the determining factors were placed in the following order: Advantage of being the first to enter to the market (5.00/5), Possibility of obtaining low cost inputs (4.20/5), Growth rate of the country (4.20/5) and Return of the Profit to the country of origin (4.20/5) are ranked as highly important, whereas; the Level of trade unionism (1.00/5), Size of the market (1.00/5), Purchasing power of the customer (1.50/5) and Possibility of obtaining qualified local labor (1.70/5) are the least important.

For the firms that invest in Bulgaria: the Advantage of being the first to enter to the market (4.60/5), Geographical proximity (4.00/5) and Growth rate of the country (4.30/5) are ranked as highly important, while the Political Stability in the country (1.30/5), Possibility of obtaining subventions (1.40/5) and the Level of trade unionism (1.70/5) are the least important factors.

For the firms that invest in Kyrgyzstan: the Advantage of being the first to enter the market (5.00/5) and easy access to markets of neighboring countries (4.20/5) are ranked as highly important factors, whereas; the Possibility of obtaining subventions (1.20/5), the Level of trade unionism (1.30/5), Possibility of obtaining qualified local labor (1.80/5), Economic stability in the country (2.00/5), Possibility of obtaining qualified inputs (1.70/5), Geographical proximity (1.00/5) and Political stability in the country (1.60/5) are the least important factors.

For the firms that invest in Kazakhstan: the Growth rate of the country's economy (4.70/5), the Advantage of being the first to enter the market (4.50/5), Political stability in the country (4.20/5), Economic stability in the country (4.30/5) and the Return of the profit to the country of origin (4.10/5) are ranked as highly important factors, whereas; the Level of trade unionism (1.30/5), Geographical proximity (1.00/5) and the Possibility of obtaining qualified local labor (1.50/5) are the least important factors.

For the firms that invest in Romania: the Advantage of being the first to enter the market (4.70/5) and the Level of Competition in Industry (4.20/5) are ranked as highly important factors, while Political stability in the country (1.30/5), Economic stability in the country (1.90/5) and the Level of trade unionism (1.30/5) are observed to be the least important factors in choosing to invest in Romania.

For the firms that invest in the Russian Federation: the Advantage of being the first to enter the market (4.80/5), The Size of the market (5.00/5), Level of competition in industry (4.40/5) and Economic growth rate of the country (4.20/5) are ranked as highly important factors, while; the Possibility of obtaining subventions (1.50/5), Geographical proximity (2.00/5) and Level of trade unionism (1.60/5) are the least important factors.

For the firms that invest in Uzbekistan: the Advantage of being the first to enter the market (4.90/5) and Level of competition in industry (4.50/5) are ranked as highly important factors, whereas Geographical proximity (1.00/5), Level of trade unionism (1.00/5) and the Cost of international transportation and communication (1.50/5) are the least important factors.

Results of the Factor Analysis Based on the Criteria Identified

When the explanatory factor analysis is applied to the nineteen criteria of investment determinants, the results are distributed under 5 factors as could be seen in appendix TABLE - II. The criteria "Possibility of Obtaining Qualified Local Labor" in question 3.6, "Foreign Investment Policy of the Government" in question 3.7, and "Possibility of Obtaining Subventions" in question 3.8 were removed from the differentiating list since they were associated with more than one factor. The analysis was then continued. The First Factor consists of criteria that constitute the Risk Factor: "Economic Stability in the Country" 3.4, "Political Stability in the Country" 3.3, "Return of the Profit to the Country of Origin" 3.10; the Second Factor consists of criteria that constitute the Resource Factor: "Easy Access to Markets of Neighboring Countries" 3.18, "Possibility of Obtaining Low Cost Inputs" 3.12, "Possibility of Obtaining Qualified Inputs" 3.11; the Third Factor consists of criteria that constitute the Market Factor: "Size of the Market" 3.1, "Purchasing Power of the Customer" 3.16, "Growth Rate of the Country's Economy" 3.2, "Level of Trade Unionism" 3.15; the Fourth Factor consists of criteria that constitute the Logistics Factor: "Geographical Proximity" 3.14, "Costs of International Transportation and Communication" 3.09, "Level of Development of Infrastructure in the Country" 3.05; the Fifth Factor consists of the criteria that constitute the Competition Factor: "Tax Advantages" 3.13, "Level of Competition in Industry" 3.17, and the "Advantage of Being the First to Enter the Market" 3.19.

Differences between the Groups in terms of the Market and Resource Factors

Among the investment motives of the Turkish firms, it is possible to find two of the three motives that Dunning used in his Eclectical approach: investing to seek Markets and; to seek Resources. The two groupings have been used since the companies in this region do not have the opportunity of engaging in international growth (Makino *et al.* 2002) so aim to seek strategic resources and innovate.

The firms investing in order to seek markets were distinguished according to factor analysis, from those investing to seek resources. Their distribution throughout the countries in the study is presented in appendix TABLE III, below. Although the size of the market is a determinant in all studies (Chakrabarti, 2001), for a considerable number of the Turkish firms (33%) it is a highly unimportant factor in their decisions. The size of the domestic market for international borning Turkish firms is seen as an important determinant with a 90% reliability level (Appendix TABLE IV).

Analysis of the Advantages of Ownership and Location

For all the countries in the study, the potential difficulties were measured by the fields of: benefiting from economies of scale, better resource and capacity use, qualified and privileged access to inputs, presence in new markets, opportunity for rapid entry into markets, investment profitability, harmony with Turkish government policy, cost of contracting and implementation, avoiding the risk of misusing production information, ensuring sufficient quality control, insufficient legislation on patent and license rights, inability to make technology transfers through licensing and patents, and in agencies and licensing. The gain presence in new markets, by a rate of 4.79/5, Opportunity for rapid entry into markets by 4.25/5, and Investment Profitability by a rate of 3.97/5; the others, however, are unimportant factors, scoring below the scalar average of 2.5.

5.1. International experience, 5.2. Brand and product image, 5.3. Practicing level of technology and managerial information, 5.4. Experience in markets of the chosen country, 5.5. Quality of staff improvement program, 5.6. Staff quality and 5.7. Product differentiation and development skills were measured as the starting advantages (Ownership) of the firms. It was observed that the founders of the firms, which were born in the country invested in, had international experience by a rate of 2.45/5, Practicing level of technology and managerial information by 2.75/5, and the quality of staff improvement program by 2.55/5; whereas they do not possess any of the other starting advantages. The starting advantages for the firms, which went from Turkey, are above the average of 4:5/5; thus, they fulfill the conditions of traditionally internationalized firms (Hymer, 1976; Dunning, 2000, 1977, 1993).

No statistically significant difference was found between the averages except for product differentiation and development skills, when the starting advantages of those investing for market and those for export have been compared in terms of Turkish investments. It could be seen that those investing for the market possess product differentiation and development skills, whereas those investing to export their existing products do not possess a high degree of these skills (Appendix TABLE V). When the same comparison is made for the direct investments by Turkish firms, it is observed that there is a significant difference was found between the averages that those firms that possess high degree of (Appendix TABLE VI) 5.3. Technology and managerial information practicing level (probability of first type error 0.018), 5.4. Experience in foreign country markets (probability of first type error 0.015), 5.6. Staff quality (probability of first type error 0.048) and 5.7. Product differentiation and development skills (probability of first type error 0.001) went to invest in those countries for the market. The propensity to make use of these advantages is observed in the investments of the Turkish firms which went to invest to look for markets.

Analysis of Findings on Risk Taking

The risk-taking behavior of traditionally internationalized firms is explained by a correlation with the amount of expected inputs (Buckley and Casson, 1981; Chakrabarti, 2001). Buckley *et al.*, (2007) verified that the phenomenon of highly risk-laden direct capital investments ventured by China is also true for the foreign investments by Turkish firms. All of the Turkish firms, except for one operating in Uzbekistan, work at high performance. It is seen that they have made their investments without considering the risk aspect (Demirbağ *et al.* 1998), which verifies the findings of previous studies. No correlation has been found between UNCTAD's data on the total investment countries receive and the data of the Undersecretariat of Treasury of the Turkish Republic, and between risk factor data and COFACE risk index data (Appendix TABLE VII).

Regarding the results, there is no difference in the importance between those that responded negatively and positively to the criterion of implementation cost of contracts. Those that said it was unimportant expressed that they accepted the risk in order to achieve the required outcome, whereas those that regarded it as highly important said that this factor ensures a non-competitive environment and so this aspect was very important in order to sustain the same environment.

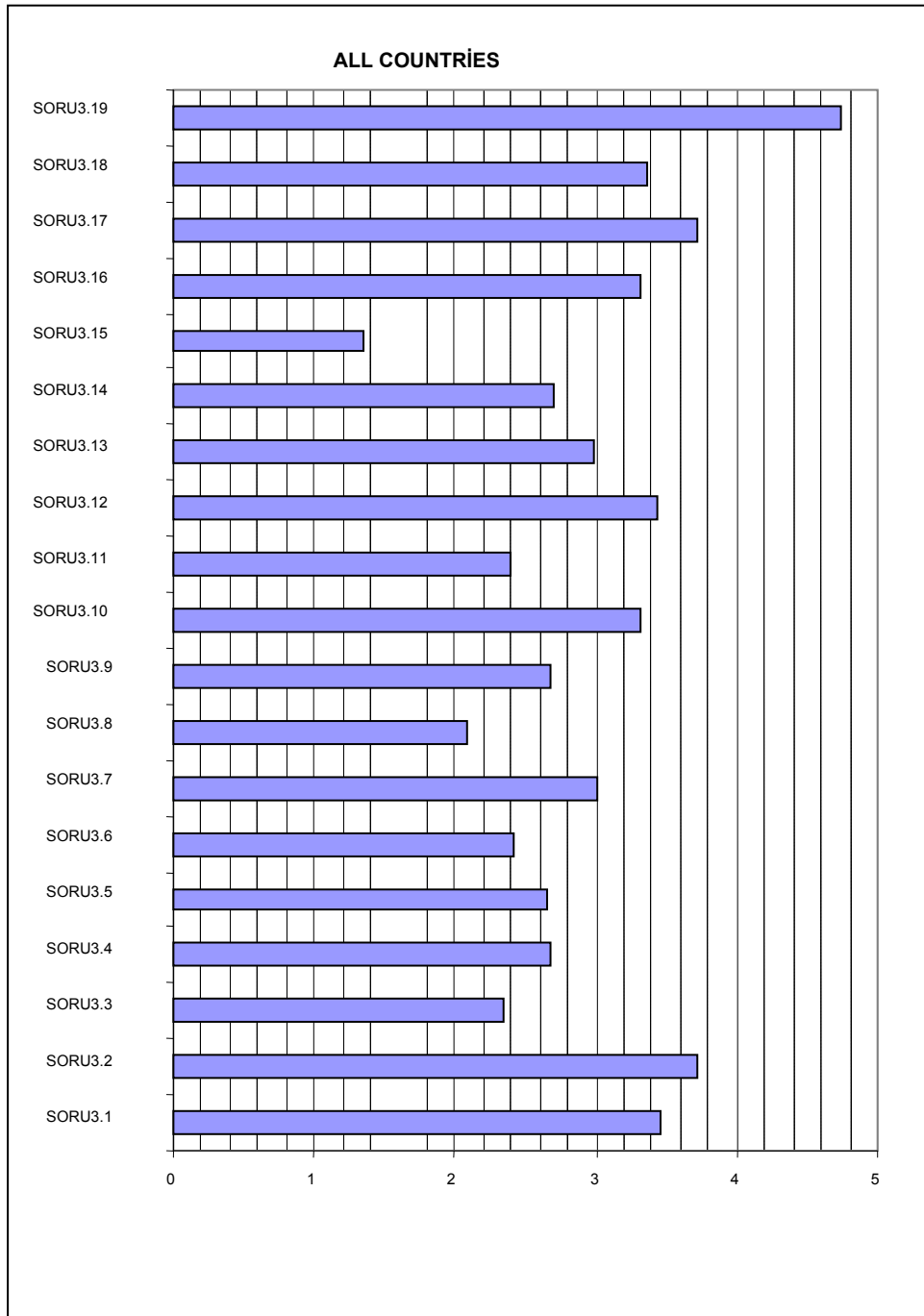
CONCLUSION

It was necessary to study the highly risk-laden direct investments of Turkish firms under two sub-groups. International borning firms are established and operate based on determinants which it is impossible to explain by existing theories of direct foreign capital investment, since the actions of these companies are only partially related to the theoretical models in terms of their location choice factors. The choice of markets which are not considered by firms from developed and developing countries due to the high costs of contracts is an exceptional situation peculiar to the seven countries which are the focus of this current research and to the firms established during the period of the research.

There is a dual structure evident in the direct investments of the Turkish firms in this study. All of the firms invest in order to be the first to enter the market and to operate in a non-competitive environment. Those firms that invested for the market and that possess considerable starting ownership advantages attach importance to cheap and qualified inputs as well as to the size of the market and the purchasing power of the customer. Those companies that invested in order to enter into production in the investment target countries and to export these goods to other countries possess less starting ownership advantages as compared to those investing for the market. Companies setting up production units prefer these countries because of cheap and quality inputs, low business taxes and subvention advantages. Attaching no importance to the domestic market, these firms create a positive externality in the countries in which they invest by supporting the development of industry and exports.

APPENDIX

ALL COUNTRIES LOCATION CHOICES FACTORS PREFERENCE AVERAGES
TABLE I



EXPLANATORY FACTOR ANALYSIS
TABLE II

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,605
Bartlett's Test of Sphericity	Approx. Chi-Square	472,612
	df	120
	Sig.	,000

a Based on correlations

Rotated Component Matrix

	Component				
	1	2	3	4	5
Economic Stability	,892	,046	,129	-,029	,155
Political Stability	,889	,059	,113	-,095	,149
Repatriability of Profit	,414	,156	-,055	,280	-,239
Access to other markets	,196	,839	-,010	,189	-,154
Availability of low cost inputs	-,092	,734	,043	-,040	,283
Availability of qualified inputs	,144	,578	-,012	,189	,468
Market size	,071	,045	,882	-,125	,005
Purchasing power of customers	-,084	-,167	,790	,021	-,072
Growth rate of economy	,388	,170	,590	,135	-,053
Degree of unionization	,180	,230	,320	,147	,126
Geographical proximity	-,361	-,011	,072	,814	-,128
International Transport and communication cost	,108	,114	-,061	,792	,018
Level of Infrastructure	,241	,344	,164	,457	,142
Tax advantages	,157	,309	-,087	,219	,729
Level of industry competition	-,200	-,299	,304	-,295	,494
<i>First enter to the market</i>	,036	,032	-,018	-,045	,261

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 8 iterations.

FIRMS DISTRIBUTION OF ACCORDING TO INVESTING REASONS
TABLE III

Count

	COUNTRIES							Total
	Türkmenistan	Bulgaria	Kirgyzstan	Kazakhstan	Romania	Uzbekistan	Russia	
Resource Seeking	6	7	6	2	11	10	1	43
Market Seeking	0	7	4	9	16	7	21	64
Total	6	14	10	11	27	17	22	107

THE RELATIONSHIP BETWEEN THE BIRTHPLACE OF THE FIRMS AND THE REASONS OF EXPATRIATION

TABLE IV

YENI4 * SORU2D Crosstabulation

			Soru 2d		Total
			Founded In Turkey	Faounded in Abroad	
Resource Seek	,00	Count	12	31	43
		Expected Count	16,5	26,5	43,0
Market Seek	1,00	Count	29	35	64
		Expected Count	24,5	39,5	64,0
Total		Count	41	66	107
		Expected Count	41,0	66,0	107,0

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact sig. (1-sided)
Pearson Chi-Square	3,297	1	,069		
Continuity Correction	2,601	1	,107		
Likelihood Ratio	3,360	1	,067		
Fisher's Exact Test				,104	,053
Linear-by-Linear Association	3,266	1	,071		
N of Valid Cases	107				

a Computed only for a 2x2 table

b 0 cells (,0%) have expected count less than 5. The minimum expected count is 16,48.

THE RELATIONSHIP BETWEEN THE REASONS OF EXPATRIATION AND THE
STARTING ADVANTAGES
(For all firms) TABLE V

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2- tailed)	Mean Difference	Std. Error Difference
International experience of company	Equal variances assumed	,033	,857	-1,096	95	,276	-,399	,3638
	Equal variances not assumed			-1,101	77,501	,274	-,399	,3621
Trade Mark and Brand Image	Equal variances assumed	,074	,786	-,100	95	,921	-,039	,3889
	Equal variances not assumed			-,100	76,255	,921	-,039	,3891
Technological & managerial know-how	Equal variances assumed	4,232	,042	-,402	94	,688	-,137	,3403
	Equal variances not assumed			-,419	86,400	,676	-,137	,3266
Experience of foreign market	Equal variances assumed	,004	,950	-1,404	95	,164	-,498	,3550
	Equal variances not assumed			-1,396	75,026	,167	-,498	,3570
Quality of training programs	Equal variances assumed	,286	,594	-,720	94	,473	-,234	,3253
	Equal variances not assumed			-,717	75,496	,476	-,234	,3268
Quality of personnel	Equal variances assumed	1,431	,235	-1,304	92	,195	-,473	,3625
	Equal variances not assumed			-1,285	70,798	,203	-,473	,3679
Ability to develop differentiated	Equal variances assumed	3,327	,071	-2,898	94	,005	-,967	,3335
	Equal variances not assumed			-2,991	84,231	,004	-,967	,3232

THE RELATIONSHIP BETWEEN THE REASONS OF EXPATRIATION AND THE
STARTING ADVANTAGES

(For the firms that located in Turkey) TABLE VI

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2- tailed)	Mean Difference	Std. Error Difference
International experience of company	Equal variances assumed	,203	,655	-1,557	39	,127	-,749	,4807
	Equal variances not assumed			-1,513	19,393	,146	-,749	,4947
Trade mark and Brand image	Equal variances assumed	,907	,347	-1,010	39	,319	-,428	,4239
	Equal variances not assumed			-,943	17,946	,358	-,428	,4538
Technological and managerial know- how	Equal variances assumed	,799	,377	-2,482	38	,018	-,631	,2542
	Equal variances not assumed			-2,189	16,276	,043	-,631	,2882
Experience of foreign market	Equal variances assumed	1,577	,217	-2,558	39	,015	-1,374	,5369
	Equal variances not assumed			-2,365	17,600	,030	-1,374	,5809
Quality of training programs	Equal variances assumed	,766	,387	-,763	38	,450	-,196	,2575
	Equal variances not assumed			-,731	19,066	,474	-,196	,2686
Quality of personnel	Equal variances assumed	3,336	,076	-2,045	37	,048	-,630	,3078
	Equal variances not assumed			-1,625	13,761	,127	-,630	,3875
Ability to develop differentiated products	Equal variances assumed	4,163	,048	-3,695	38	,001	-1,417	,3834
	Equal variances not assumed			-3,187	15,668	,006	-1,417	,4445

TURKISH FIRMS AND THEIR RELATIONSHIP WITH THE RISK DIMENSION OF
ALL INVESTMENTS

TABLE VII

	Total Investment	Turkish Investment	Political Stability	Confidance Index
Total Investment Pearson Correlation	1	0,104	-0,577	-0,241
Sig.(2-tailed)	7	0,825	0,175	0,603
N	7	7	7	7
Turkish Inv Pearson Correlation	0,104	1	0,584	0,143
Sig.(2-tailed)	0,825	7	0,169	0,760
N	7	7	7	7
Political Stability Pearson Correlation	-0,577	0,584	1	0,246
Sig.(2-tailed)	0,175	0,169		0,595
N				
Confidant. Index Pearson Correlation	-0,241	0,143	0,246	1
Sig.(2-tailed)	0,603	0,760	0,595	
N	7	7	7	7

Total Investment Amounts: UNCTAD, Turkish Investment Amounts: Treasure, Political Stability 3.3 Political Stability Standard and Trust Index: COFACE.

H₀ : “question 2d and question 48 are independent from each other”

It is rejected with the proportion of %95.

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THE INCREASING NEED FOR GLOBAL MANAGERS, YET NOT SUFFICIENT!!! HOW TO IDENTIFY AND DEVELOP THEM?

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ABSTRACT

Many researchers argue that a new global economy shaped and driven by money flows as well as by goods and services has emerged. It is characterised by volatile foreign exchange, government policies, resistance to standardised products, need for creative and innovative product and services, increasing demand from customers, and changing economies of scale of flexible manufacturing technologies. Doing business across the borders in this kind of environment requires a global perspective and the management of the associated challenges accordingly. As national economies, political systems, cultures, technologies, resources, and industries are increasingly interlinked, global business and management skills are likely to become more important to all organisations. These changes occurring around the business environment show the need for global managers. Managers need to be able to understand and adapt to the new realm of the global business. Thus, companies engaging in global business endeavours need to have globally minded executives to manage complex, dynamic global environment and associated challenges.

Although global leaders are considered to be important for the global success, the research suggests that there is a lack of global leaders with required knowledge, skills and abilities. Many studies conducted in the literature indicate that most companies clearly lack the quantity or quality of global leaders they need — today or in the future. Many global companies are increasingly recognizing the importance of developing leadership talent—those individuals who demonstrate the ability to become the company's future senior executives. Even many successful organisations often feel their strategies for executive development are inadequate. These facts reflect that companies need to pay attention to identification and development of global leaders.

The main objective of this article is to draw the attention of both academician and practitioner to the increasing need for global leaders, point out that there are not many around them, and show that there is an urgent need to identify and develop them. To achieve this objective, the article, first, tries to show that there is an increasing need for the globally minded leaders. It makes it clear that the numbers of global leaders are insufficient. The article also outlines the important characteristics of global managers along with how to identify and develop the globally competent leaders to survive in today's global business environment. The article additionally explains the responsibilities of the companies, managers and universities with respect to developing the globally skilled leaders.

Key Words: Global Leaders, Global Leader Characteristics, Global Leader Identification, Global Leader Development.

INTRODUCTION

Caligiuri (2006) noted that today's global economy has created a more complex and dynamic environment in which most firms must learn to compete effectively to achieve sustainable growth. With the inception of internet-based business, cross-border trade agreements, the ease of international travel, and the like, domestic firms with solely domestic operations serving exclusively domestic client bases are becoming increasingly more difficult to find. Firms, both large and small, have increased their number of their foreign suppliers, partners, employees, shareholders and customers. Lane et al., (1997) argued that countries and their economies have become interdependent- a global marketplace so to speak. Functioning in this global market requires a global perspective for the managers.

These forces of change help explain why leadership models of the past will not work in a global future. Provincial Japanese models of leadership have worked in Japan because Japanese leaders largely interacted with other Japanese. The same has been true American, German or French leadership models. In the future, a new breed of leader will be needed. Markets, suppliers, competitors, technology, and customers are constantly shifting. Consequently, global business now requires all leaders to face with the opportunity

and uncertainty of untapped markets. Gill and Booth (2003) argued that strong leadership is recognized as an important factor in business success. However, the criteria of what makes a strong leader have been brought into question with the move towards a global economy. Caligiuri (2006) also noted that this global environment has not only changed the competitive landscape of business, it has also changed the way in which leaders must conduct business and the competencies leaders need to be successful. Global leaders will have to possess a complex amalgamation of technical, functional, cultural, social, and political competencies to navigate successfully the intricacies of changing cross-border responsibilities (Harvey and Novicevic, 2004).

Parker (1998:76) argued that organizations exist because people create and sustain them. Human resources from worker to managers are the factors that make or break organizations. Especially managers who are responsible for the success of the organisations are very important. Globally competent managers are critical for the future success of all multinational organizations (Caligiuri and Di Santo, 2006; Maznevski and DiStefano, 2000). Although global leaders are considered to be important for the global success, the research suggests that there is a lack of global leaders with required knowledge, skills and abilities (Gregersen et al., 1998; Black and Gregersen, 2000).

What are the companies doing with respect to insufficient number of globally competent leaders? Handy and Barham (1990) noted that the success of companies involving international business depends on the way that they go about developing international managers. Czinkota et al., (1996) argued that the corporations need systematic management development systems, with the objective of creating and carefully allocating management personnel. One of the major sources of competitive advantage of global corporations is their ability to attract talent around the world. To achieve aggressive growth goals, many global companies are increasingly recognizing the importance of developing leadership talent—those individuals who demonstrate the ability to become the company's future senior executives (Conner, 2000). Conner (2000) argued that many global companies are increasingly recognizing the importance of developing leadership talent—those individuals who demonstrate the ability to become the company's future senior executives. Hollenbeck and McCall (2002) noted that even the organisations with long histories and considerable success in staffing their global business often feel their strategies for executive development are inadequate. Developing the global leaders present an important challenge for the companies conducting business across the countries. While some companies take proactive approach to developing global leaders, the others may not take it serious or even do not know what and how to do it. Similarly, Dainty (2005) argued that while there is a pressing need for people who can operate successfully on the corporate 'world stage', the formal development processes provided by many companies have been lacking. Vloeberghs and Macfarlane (2007) argued that global leadership development is a key human resource issue but existing knowledge is limited. Not only is there remarkably little primary research in the area, but the research that does exist has been criticised for its lack of methodological diversity and intellectual rigour. Academics have identified a wide research agenda including the need to understand what is required of global leaders and the personal competencies necessary for effective global leadership.

This study aims to identify the fundamental characteristics of successful managers through literature review. It investigates how to identify and develop global managers. The article lastly discusses the role of companies, leaders and universities with respect to developing the global leaders.

INCREASING NEED FOR GLOBAL MANAGERS

Lane et al., (1997) argued that countries and their economies have become interdependent- a global marketplace. Functioning in this global marketplace requires a global perspective. Thus, companies doing business across the countries need globally minded managers. A new global economy is emerging that is shaped and driven by money flows as well as by goods and services. It is characterised by volatile foreign exchange, government policies, resistance to standardised products, and changing economies of scale of flexible manufacturing technologies. These changes around the business environment show the need for global manager who can understand and adapt to these these changes. Managing in this changing condition is very hard task. Manager need to be able to make the companies to adapt to the global business environment. Similarly, Dainty (2005) argued that there is a pressing need for people who can operate successfully on the corporate 'world stage'. Conner (2000:148) argued that there are a number of factors driving the need for new global leaders. The skills and knowledge needed for the global business are changing. Accelerating globalization, emerging technology and intense competition requires global leaders with skills and knowledge that were not required or developed in even the recent past. Thus, manager with the required skills, knowledge and abilities are needed for the global organisations. However, many of the potential people for global new assignments did not have the required skills and experience.

Globally competent managers are critical for the future success of all multinational organizations (Caligiuri and Di Santo, 2006; Maznevski and DiStefano, 2000). Although global leaders are considered to be important for the global success, the research suggests that there is a lack of global leaders with required knowledge, skills and abilities. One study conducted by Gregersen and Black (1998) found most companies clearly lack the quantity or quality of global leaders they need — today or in the future. In another study, Gregersen et al., (1998) surveyed the U.S. *Fortune 500* firms and found that 85 percent do not think they have an adequate number of global leaders. . 67 percent of the firms think that their existing leaders need additional skills and knowledge before they meet or exceed needed capabilities. Gregersen et al., (1998) noted that most companies lack an adequate number of globally competent executives. Based on the results of a three-year study, they found that almost all companies claim that they need more global leaders, and most want future global leaders of higher caliber and quality. Black and Gregersen (2000) noted that whenever executives are asked if they have enough global leaders for the future, the answer is always the same—a resounding no. This answer remains consistent both in formal surveys and in casual conversations. These results clearly indicate that there is a lack of people with the needed global leadership capabilities. These results also suggest that the companies need to concentrate on the identification and development of global leaders.

Before getting into details regarding the identification and development of global leaders, a number of theoretical considerations relevant to the topic under study will be explained. The next sections answer the following questions: what global managers mean?, global leader: born or made?, and developing global leaders inside or outside?

What Does Global Manager Mean?

Lane et al., (1997) argued that in broader terms, it means reorganizing the way one thinks as a manager and as a student of management. It requires new global mind-set. Thinking globally means extending concepts and models from one-to-one relationship (we to them) to holding multiple realities and relationship in mind simultaneously and then acting skilfully on this more complex reality. Barlett and Ghoshal (1989: 125) describe a global manager in reference to the work that must be done. According to them, there is no such thing as a universal global manager. Rather, there are three groups of specialists: business managers, country managers, functional managers. Managing these groups is a smaller group of corporate managers who manage the complex interactions in these three. Citing Ayman et al., (1994:64), Ritter (2002), distinguished global managers from international managers. International refers to an exchange across nations, whereas global represent a sense of unity across multiple borders. A global orientation is represented by a more collective awareness and inclusive perspective than is international but international may be a precursor to global.

After reviewing the literature, Ritter (2002) argued that common theme across the discussions regarding who are the global manager is that global managerial work is complex. Thus, Ritter defines global managers as someone who works across the interacting dimensions of distance, country borders, and cultural expectations. The greater the number of time zone and countries in which a person manages, the greater the global complexities of the job. If the manager is an expatriate; this adds another degree of complexity to the work. If the countries are located on more than one continent, this adds yet an additional degree of complexity. Caligiuri (2004) identified some important tasks that are all common and unique to global leadership positions.

- Work with colleagues from other countries.
- Interact with external and internal clients from other countries.
- Speak in a language other than their mother tongue at work.
- Supervise employees who are of different nationalities.
- Develop a strategic business plan on a worldwide basis for their unit.
- Manage a budget on a worldwide basis for their unit.
- Negotiate in other countries or with people from other countries.
- Manage foreign suppliers or vendors and risk on a worldwide basis for their unit.

Global Leaders: Born or Made?

One of the fundamental question related to his subject is that whether the global leaders are born or made? There is no agreed upon answer on this subject. Some researchers argued that global leaders can be made, while some others believe that global leaders are first born and then made.

Black and Gregersen (2000) argued that global leaders can be “made”, but it takes a training approach that is as serious and sophisticated as the global world these individuals are being asked to lead in. Fundamentally, global leaders require training programs that will help them radically redraw their provincial mental maps into global ones. Hollenbeck and McCall (2002) argued those global executives are made, not born. Caligiuri and Di Santo (2006) also indirectly supported the notion that global leaders are made. They argued that there are two inherent assumptions in all global leadership programs. First, that "global competence" can be defined in terms of developmental dimensions. Second, that, once defined, these dimensions can be developed through global experience.

On the other hand, Gregersen et al., (1998) argued that global leaders are born and then made based on the finding from their research. Conner (2000:150), in his research with a 200 fortune company, formulated a global leadership development strategy. The strategy focused on two main areas. The first area of focus was to identify potential global leaders earlier in their careers and to give them significant responsibilities. Tubbs and Schulz (www.emich.edu, 10.03.2008) stated in their article that there remains a controversy about whether or not leadership can, in fact, be learned. They argued that while some aspect of leadership is fixed early in life, and some are more able to be developed. In other words, some aspects of leadership are more likely to be learnable and others are less so. Tubbs and Schulz (www.emich.edu, 10.03.2008) explained the leadership competencies in terms of KSA knowledge, skills and abilities. The leadership competencies can be represented by three concentric circles. These three circles describe three distinct aspects of leadership. The innermost circle includes an individual's core personality. The second circle includes an individual's values. The outermost circle represents an individual's leadership behaviours and skills, (i.e., competencies). The personality research suggests that an individual's core personality, the innermost circle, is formed early in the life of an individual and once acquired is rather immutable. Values can be taught and learned even at the college level and beyond. However, while they are more learnable than changing a person's personality, they are less changeable than peoples' actual behaviors. However, while they are more learnable than changing a person's personality, they are less changeable than peoples' actual behaviour. Tubbs and Schulz (www.emich.edu, 10.03.2008) noted that leadership scholars as well as business practitioners need to focus on those competencies that can be learned and the most effective methods for learning them. Caligiuri and Santo (2001) argued that personality characteristics are enduring traits that predispose people to behave in certain ways and play a part in several competency typologies. It is generally agreed that basic personality traits are relatively stable or immutable over time and thus not normally open to improvement. Knowledge and ability are usually seen as amenable to development to differing degrees.

In this study, we take the position that global leaders are first born and then made. Therefore, companies need to find the best talent and develop them.

Developing Global Leaders Inside the Organisation or Outside?

While the global leader can be developed from within the organisation, It can also be recruited from outside. Both strategies seem to have advantages and disadvantages. Thus, companies need to consider pros and cons and select the best suitable one.

Gregersen et al., (1998) argued that organizations seeking to globalise need to look no further than their own leaders to determine if their efforts will succeed or fail. Does the organization have enough global leaders? If not, it must ask if its leaders are born or made. Based on their interviews, the consensus was that global leaders are born and *then* made. Gill and Booth (2003) argued that the argument that “leaders are born, not made” rages on, not least supported recently by Jim Collins' research into visionary companies. Collins' research (2001) points out those truly great organizations don't select their leaders from outside. Instead, they build systems to maintain a continuous cycle of opportunities to learn. They do this by challenging and supporting them through exposure to live leadership experiences. Great companies have systems in place that constantly assess, develop, motivate and monitor leadership. They provide a strong continuity of excellence from within. Many firms are now realising that development of international competencies must start early in people's careers and are looking for ways to give people more international experience. Young entrants are increasingly sought after. Czinkota et al., (1998) argued that when international operations are expanded, a management development dilemma may result. Through internal recruitment, young managers will be offered interesting new opportunities. However, some senior manager may object to the constant drain of young talent from their units, selective recruitment may be the only available approach.

On the other hand, Handy and Barham (1990) argued that the market for talent is increasingly an international one and it will be essential to ensure that remuneration and career development packages should be internationally competitive. Olivetti has introduced a worldwide recruiting campaign called ‘No frontiers’ with the aim of recruiting 1,000 specialists from which it hopes to develop a pool of talented young managers

with the potential to become top managers. Even in Japan the taboo against hiring executives from other countries is breaking down.

From these arguments, it can be said that companies need to first look inside to find and develop global leaders, yet watch out the talent outside when necessary. The task is to identify and develop the best global leaders with required knowledge, skills and abilities. Companies should do whatever it takes to get the best talent and look for them wherever they are.

The Characteristics of Successful Global Managers

Parker (1998:76) argued that organizations exist because people create and sustain them. Human resources from worker to managers are the factors that make or break organizations. Especially managers who are responsible for the success of the organisations are very important. Globally competent managers are critical for the future success of all multinational organizations (Caligiuri and Di Santo, 2006; Maznevski and DiStefano, 2000). Although global leaders are considered to be important for the global success, the research suggests that there is a lack of global leaders with required knowledge, skills and abilities (Gregersen et al., 1998; Black and Gregersen, 2000). So what are those characteristics that can make globally managers successful? Recent research on the subject has identified a broad spectrum of characteristics important for global leaders (Conner, 2000; Ritter, 2002; Lane et al., 1997). Literatures on the global leaders reflect upon numerous characteristics of successful global leaders. Each study takes a different perspective in determining the most important characteristics for successful global leaders. The dimensions tend to be similar to those in domestic research, but they are made much more complex by the nature of global organizations (Maznevski and DiStefano, 2000). In this study we will try to give summary of these studies and then explain the most cited characteristics in the literature.

Lane et al., (1997) formed a framework for the characteristics of effective global executives. These are: Develop and use global strategic skills, manage change and transition, manage cultural diversity, design and function in flexible organization structures, communicate, and learn to transfer knowledge in an organization. One study conducted by Gregersen et al., (1998) summarised the general global leadership characteristics: character, embracing duality, and demonstrating savvy. They also found inquisitiveness as the force underlying these characteristics. In another study, Conner (2000:149) identified a number of skills and capabilities of global leader. Global leaders: Have Business Savvy, know how to use their personal influence, bring a global perspective, have strong character, know how to motivate people, and act like entrepreneurs

Caligiuri (2006) identified some of the underlying knowledge, skills, abilities, and personality characteristics (KSAOs) necessary for successful performance of global leaders. Successful global leaders are likely to possess some common knowledge, skills, abilities and other personality characteristics (KSAOs). Knowledge includes culture-general knowledge, and international business knowledge. Intercultural interaction skills, foreign language skills, and cognitive ability constitute skills and abilities. Personality characteristics: The Big Five personality factors are: (1) extroversion, (2) agreeableness, (3) conscientiousness, (4) emotional stability, and (5) openness or intellect. Each of the Big Five personality characteristics has some relationship to success of people who live and work internationally and are likely to underlie, to some extent, the ability to successfully complete some of the global leadership tasks. Vloeberghs and Macfarlane (2007) found the following items as global leadership competence:

- Responsiveness, awareness and adaptability
- Knows the business both technically and managerially
- Drives for and obtains business results
- Practical and realistic
- Open, transparent, no games or politics
- Takes major initiatives
- Works through management teams and individuals
- Builds the strength of their teams through diversity
- Understands customer needs
- Inspires and is an ear for all
- Contextual awareness, sensitive and flexible
- Demonstrates sensitivity through appropriate soft management skills
- Aware of diversity, adapts communication style to demonstrate respect
- Deploys vision with international clients
- Able to deal with cross-cultural exposure, adapt and react in an appropriate way
- Has an understanding of local employee needs
- Intellectual receptiveness for differences in culture
- Has leadership competencies that can be used in different country settings

Ritter (2002) argued that studies reflecting upon the characteristics of global managers tend to use case study combined with interview conducted with exemplary business leaders at the most senior levels of major

multinational organisations. Each study concludes with a description, list, or model that attempts to capture the dynamic and adaptive capabilities of effective global managers. Ritter further argued that the HR professional and the practicing managers will find it hard to use these models and lists. These concepts are often abstract and therefore difficult to apply to a program of management development. He argued that descriptive list without a theoretical framework and/or an empirical test of the underlying propositions prevent the further investigation of the study findings. Because of this, Ritter (2002) tried to study characteristics of global managers by building upon the existing management effectiveness literature. Five theoretical approaches with previously demonstrated relevance to managerial work have been included: the five factor model of personality, managerial roles, international experience, learning capability and business knowledge.

The studies reviewed above clearly indicate that there is an overlap among the studies regarding characteristics of successful global leaders. Global leaders need to concentrate on developing the knowledge and skills and abilities that they lack. They need to focus on the competencies that can be developed and that are critical to their success.

IDENTIFYING AND DEVELOPING GLOBAL LEADERS

Global leaders with required knowledge, skills and abilities are very important for the success of all multinational organizations (Maznevski and DiStefano, 2000). Companies need to spend a quiet deal of effort in identifying and developing global leaders.

Handy and Barham (1990) noted that the success of companies involving international business depends on the way they go about developing international managers. Czinkota et al., (1996) argued that the corporations need systematic management development systems, with the objective of creating and carefully allocating management personnel. One of the major sources of competitive advantage of global corporations is their ability to attract talent around the world. To achieve aggressive growth goals, many global companies are increasingly recognizing the importance of developing leadership talent—those individuals who demonstrate the ability to become the company's future senior executives (Conner, 2000). Hollenbeck and McCall (2001) noted that even the organisations with long histories and considerable success in staffing their global business often feel their strategies for executive development are inadequate. Developing the global leaders present an important challenge for the companies conducting business across the countries. While some companies take proactive approach to developing global leaders, the others may not take it serious or even do not know what and how to do it. Similarly, Dainty (2005) argued that while there is a pressing need for people who can operate successfully on the corporate 'world stage', the formal development processes provided by many companies have been lacking. Vloeberghs and Macfarlane (2007) argued that global leadership development is a key human resource issue but existing knowledge is limited. Not only is there remarkably little primary research in the area, but the research that does exist has been criticised for its lack of methodological diversity and intellectual rigour.

In the following parts, we will first explore how to identify the talented global leader and then focus on how to develop them.

Identifying Global Leaders

The main concern for the companies is that their success rest upon the finding the best people and develop them. Thus, companies first put their effort into finding the best talented people from inside or outside.

Gregersen et al., (1998) argued that global leaders like great musicians or athletes. They need superior talent, abundant opportunity, and excellent education and training to succeed. Gregersen et al., (1998) noted that Colgate-Palmolive, a company with decades of international business experience, often hires entrylevel marketing candidates who have already demonstrated such characteristics and capabilities. It intentionally hires newly minted undergraduates or MBAs who have lived or worked abroad, speak more than one language, or can demonstrate their preexisting aptitude for global business. Still, even individuals with potential need outstanding developmental opportunities. Conner (2000:150), in his research with a 200 fortune company, formulated a global leadership development strategy. The strategy focused on two main areas. The first area of focus was to identify potential global leaders earlier in their careers and to give them significant responsibilities. Gregersen et al., (1998) noted that not everyone has the ability to become one, so companies should not give opportunity and education to just anyone. Companies need to assess whether they are hiring enough young managers with the required baseline level of leadership talent to ensure that, even with normal turnover, they will have future global leaders. However, most firms do not have comprehensive systems for developing global leaders.

As explained above, finding great talented global leaders can be inside the organisation or outside. While some companies search for great talents throughout the world, others prefer to look for best talent within the organisations.

Global Leader Development Process

After identification of global leader, the next step is to concentrate on developing global leaders. There are several ways to accomplish this task. Companies need to select the best suitable strategy for themselves.

Gregersen et al., (1998: 28) argued that 'the basic mental process for development is to understand the whole world, not just one country. For most of us that requires both some rearranging and stretching of our mind-sets. However, it usually takes a pretty hard blow to the head and some real tugging before we rearrange and stretch our minds enough to encompass the whole earth'. Hollenbeck and McCall (2002) found that development process are the same for global as for domestic executives, but that the experience they need and the lessons they must learn are very different. Handy and Barham (1990) argued that developing international managers calls for a multi-faceted approach that builds on both on-the-job development and off-the-job education. Beardwell and Holden (1994) noted that a successful management development needs to include the following aspects; Frameworks for setting, linking, and balancing individual and organisational objectives, systems for identifying and selecting managers, structures to support, motivate, and reward, plans to enable career progression, mechanism to measure and evaluate performance.

To develop global leaders, companies may use different strategies suggested in the literature. These strategies will be explained below.

Strategies for Developing Global Leaders

Hollenbeck and McCall (2002) argued that too often organisation's executive development strategies are also subject to fads of the day, whim of senior managers, and the vagaries of the budget process. The methods used can date back to when there were simpler organisations in a simpler world. Superior executive talent does not grow from such soil, especially in a global world. Companies need to understand the global executive development in terms of both process and experience. They need a way of thinking about executive development and of tying development to strategy and key experiences that grow executives and they need guidelines and principles that work.

Gregersen et al., (1998) conducted research across Europe, North America, and Asia and found four strategies that, when properly used, are effective at developing global leaders. Travel, teams, training, and transfers are the strategies suggested by Gregersen et al., (1998). Nardon and Steers (2007) noted that at least three strategies can be identified to help such inexperienced managers: cultural fluency, developing a global mindset, and learning cultures on the fly. Some of the strategies commonly mentioned and suggested by the prominent researchers on this subject will be explained next.

Global Leaders Development Strategies: Travel

Foreign travel must put potential global leaders in the middle of the country, its culture, economy, political system, market, and so on. This will enable them to be un-insulated by the common corporate cocoon of a western luxury hotel, car and driver, dutiful staffers, and choreographed itinerary (Gregersen et al., 1998). Nardon and Steers (2007) argued that with this new multicultural reality, managers are being increasingly advised to develop what has been called a global mindset. That is, managers are told to expand their knowledge and understanding of multiple cultures in ways that will help them successfully interact with people from highly diverse backgrounds. Reaching a critical mass of understanding here enables the informed traveler to venture forth and conduct business in multiple locations with competence. Oddou et al., (2000) argued that short-term business travel is an underutilized method for developing some of the skills that are necessary to be a global leader. International business travel can place executives in situations where they can develop global mindsets; however, most executives cocoon themselves during international trips and wind up wasting opportunities to enhance their global skills. When properly designed, international business travel can be leveraged as a strategic management development tool.

Global Leaders Development Strategies: Teams

Another strategy is to establish teams in which individuals with diverse backgrounds and perspectives work together closely (Gregersen et al., 1998). Contrasting views and values can force members to think globally.

Managed well, a culturally diverse team can also produce better business decisions. Maznevski and DiStefano (2000) argued that global teams today make an increasing number of decisions in multinational organizations, addressing challenges broad in scope and critical to performance. An additional role of global teams is to provide ideal training for future global leaders. The effective global team presents as a rich context for developing global leadership knowledge and skills.

Gregersen et al., (1998) argued that multicultural teams can be quite problematic, however, if not managed well. To help make teams more effective in developing global leaders, a number of things should be done. People should become team members before becoming team leaders. In general, people should be members or leaders of single-function, multicultural teams before becoming members or leaders of multiple-function, multicultural teams. Companies should give team members adequate training in topics such as cross-cultural communication, conflict resolution, and multicultural team dynamics. Similarly, Dainty (2005) argued that another potentially fruitful arena for the development of global competencies is to manage and work within multinational work groups. Indeed, as a consequence of globalisation, multinational work groups are becoming the rule rather than the exception in many enterprises.

Global Leaders Development Strategies: Training

Training can supply all the contrast and confrontation of teams with a structured learning environment (Gregersen et al., 1998). Black and Gregersen (2000) argued that global leaders can be “made”, but it takes a training approach that is as serious and sophisticated as the global world these individuals are being asked to lead in. Fundamentally, global leaders require training programs that will help them radically redraw their provincial mental maps into global ones. Black and Gregersen (2000) suggested a high-impact global leadership training which has several key components. First, it makes participants aware of cultural contrasts. Second, it confronts participants with those contrasts in a way that heavily engages most of their senses for a significant period of time. Third, it provides conceptual frameworks that enable participants to radically redraw their mental maps. Caligiuri (2006) argued that managers differentially benefit from a given intercultural training or developmental experience depending on their individual aptitudes (i.e., knowledge, skills, abilities, and other personality characteristics). Caligiuri suggested that offering the right people (those with the requisite individual aptitudes) with the right developmental opportunities will produce leaders who can effectively perform global leadership tasks and activities.

Gregersen et al., (1998) outlined some guidelines to enhance global leadership development. Effective training programs should have these characteristics:

- Participants should come from the company's world-wide operations.
- Programs should include topics on international strategy and vision world-wide organizational structure and design, change management, cross-cultural communication, international business ethics, multicultural team leadership, new market entry, dynamics of developing countries and markets, and managing in uncertainty.
- To ensure that the training encourages people to rearrange and stretch their minds, programs should include action learning components such as a field-based business project.

Global Leaders Development Strategies: Transfers

One of the most powerful strategies in developing global leaders is to provide overseas assignments. Gregersen et al., (1998) asked leaders: "What has been the most powerful experience in your life for developing global leadership capabilities?" Eighty percent identified living and working in a foreign country as the single most influential experience in their lives. Given the respondents' diverse nationalities, functional experiences, company affiliations, and so on, this finding is significant. More than any of the other three strategies, working in a foreign locale every day makes it possible to have mind-altering, head-cracking experiences. Nardon and Steers (2007) argued that traditionally, managers have been advised to prepare themselves for an international assignment through cultural fluency—that is, by mastering the culture and language of the country to which they were being assigned. Management training programs, both in the home country and host country, have long been used to achieve such goals. Through such programs, managers develop capabilities to interact more effectively with people from another country through learning the local language and culture in depth and behaving in ways that are appropriate to that culture. Oddou et al., (2000) argued that executives can experience such a transformation only by welding the conceptual knowledge learned in training programs to real cross-cultural situations that require the enactment of global leadership competencies. Caligiuri and Santo (2001) also investigated important competences that could be developed from undertaking a global assignment. Their study involved 165 participants from three US based multinational companies. The results showed that those undertaking overseas assignments increased their

knowledge of the company's worldwide business structure and their worldwide network of professional contacts. They also improved their ability to transact business in another country and to change leadership style based on the situation. Hand Barham (1990) argued that international experience is not by itself sufficient and that it must be a part of a planned programme of development.

Global Leaders Development Strategies: Action Learning

Black and Gregersen (2000) explained that most effective global leadership training programs have some aspect of action learning. Although people define action learning differently, its essence is "doing", not just sitting and listening. Quite often action learning has a real or "nearly real" project upon which participants work in the context of the program. The action becomes very real, almost surreal, when people are dropped into a foreign country with no clues and little direction about how to get things done—from getting a meal to closing a deal. Handy and Barham (1990) noted that some firms are using action learning to develop international perspectives and broaden the outlook. Philips' Octagon programme, for example, brings together high-potential middle manager of eight ('octagons') that are given *carte blanche* to investigate important company issues. They are given resources to travel anywhere they want, to interview people inside and outside the company, and produce recommendations that they have to defend, in competition with other project teams, in front of a committee that includes a board member. Managers spend two days a week for six months on the project.

Global Leaders Development Strategies: Computer Simulations

Black and Gregersen (2000) noted that computer simulations have also increased in popularity and impact. With the ever-increasing power and economy of personal computing power, sophisticated computer games can effectively engage executives and change their mental maps.

Global Leaders Development Strategies: Customized Programs

Black and Gregersen (2000) stated that increasingly, companies are implementing customized programs and are working with proven external providers who deliver the desired content and collaborate effectively with clients. Consortium programs are an interesting outcome of this tendency to customize programs developed jointly with partners. Typically, these consortia have six- to eight-member firms. Member firms share the following characteristics:

- currently have international operations
- seek to expand their global presence
- highly value the development of future global leaders
- do not compete with each other directly
- Each firm has a representative on the consortium's advisory board. The provider works with the advisory board to design a program that meets the common global leader development needs of all participating firms.

Typical participant characteristics include the following:

- are nominated and selected internally by each member firm
- have high potential for significant leadership responsibilities
- occupy now or will occupy in the near future positions with international responsibilities
- demonstrate a strong commitment to learning and further personal development
- come from throughout the firm's divisional, functional, and geographic units
- are usually 30 to 50 years old

The typical consortium has the following structural characteristics:

- member firms send approximately five participants to each program, each program is usually two weeks long
- member firms make an initial two-year commitment to the consortium
- programs are run between two and four times each year, so a given firm sends a total of 20 to 40 participants over two years
- each firm selects one representative to serve on the advisory board
- the advisory board meets two times a year to review program content and structure and to provide input into upcoming programs

Global Leaders Development Strategies: Management Development Programme

Some companies integrate management courses and programmes into their career development. An international executive development program run by Elektrolux, for example, brings together senior managers from around the world. It consists of three modules, held at two-or-three monthly intervals, each in a different country. The first module lasts two weeks and considers the Elektrolux context for management, cultural integration, environmental analysis and strategic management. The second module, also of two weeks, looks at functional strategies, business alliances, international organisation and management, and includes a business game. The last module, of one week, examines media management and leadership. Throughout the programme, which involves both top management and leading business academics, participants work on a project of strategic alliance for their own business. The purpose is not only to train, assess and evaluate key people for the future but, more importantly in the eyes of Elektrolux, to develop a common culture, to encourage an international perspective, and to grow international networks. The programme is a very keen example of the way in which, in the transnational company, international management and organisation development work together.

Some leading international companies design global leadership programs that intentionally draw in participants from all corners of the earth (Black and Gregersen, 2000:180). While some international firms still offer “regional programs” that draw participants primarily from within a region, the clear trend is toward offering global programs with global participants (Black and Gregersen, 2000:180). For example, Exxon conducts its “Global Leadership Workshop” twice a year and draws only half of the 30 participants in each program from the United States. The rest come from its affiliates throughout the world. For high-potential managers, IBM not only includes company participants from throughout its worldwide operations, but often conducts the eight-day program in training sites outside the United States. In a typical IBM program of 26 to 30 participants, 13 to 16 different nationalities are represented. Finally, in all these programs they work to engage participants’ senses by more than just seeing and hearing. For example, when conducting global leadership sessions at Marriott International training programs, they intentionally include international food as part of the learning experience.

Black and Gregersen (2000:181) further noted that most global leadership programs include the following topics: global vision and strategy, designing and structuring global organizations, global process reengineering, management of global change, and global team leadership and effectiveness.

Global Leaders Development Strategies: Multiple Approaches

Conner (2000:150), in his research with a 200 fortune company, formulated a global leadership development strategy. The strategy focused on two main areas. The first area of focus was to identify potential global leaders earlier in their careers and to give them significant responsibilities. The second area of focus was to use multiple approaches for developing global leadership skills and capabilities. These approaches included such activities as executive coaching, 360 feedback, and internal and external education. It also meant exposure to the business and senior executives by participating in senior level meetings. To achieve results in these two areas, an integrated action plan that supported the broader global leadership development strategy was created.

Global Leaders Development Strategies: Other Strategies

Vloeberghs and Macfarlane (2007) investigated the activities that companies use for global leadership development and found the following strategies, some of which are explained above in details; International Assignments/ 3-5 year postings, Leading Projects, sometimes international, Leadership Talent Pool, Mentoring, Coaching, Psychometric Assessment, External Hire (ready talent) vs internal talent development, Job Rotation, Succession Planning, Leadership Development, Action Learning, Continuous Feedback, Cultural Sensitivity Training, and Cultural Skills Assessment

DEVELOPING GLOBAL LEADERS: RESPONSIBILITIES OF UNIVERSITIES, COMPANIES, AND MANAGERS

From the discussion pointed out above, it is obvious that developing global leaders will be the central point of discussions for both academicians and practitioners over the next years. Although it seems that companies are responsible for the development of the global leaders, leaders and educational institutions, particularly, universities also need to take part in developing the global leaders.

Universities play an important role in educating people and preparing them for different positions in the organizations. Particularly, universities need to create new programs or customise the existing program to respond the changing global business conditions and demand from the managers. The program or degrees offered by universities should include the knowledge, abilities and skill that are required by global managers to achieve the objectives of global companies. Companies need to understand the need for global leaders, recognise the necessity to identify and develop global leaders, and consider the methods and strategies explained above. They should take this issue seriously, find new creative and innovative ways to identify and develop future global leaders. They also need to collaborate with universities, other institutions or consultancy firms for the development of global leaders. In addition to companies and universities, managers also need to be ready for the global endeavours, facilitate the development process, and improve themselves for global challenges. They need to equip themselves with required knowledge, abilities and skills. Adapting to the changing global business conditions along with creating a new global mind-set is also necessary for the global leaders. Such global business environment request change, self-development and adaptation.

CONCLUSION

As national boundaries are crossed, companies confront with greater complexities, uncertainties and risk. Operating in such a complex global environment requires highly skilled global leaders. Therefore, companies need to shift the attention toward the human resources, particularly global leaders that requires new knowledge, abilities, and skills.

The article stressed the changing business environment along with importance of global leaders, raised the issues concerning the need for highly competent global leaders, explained how to identify and develop them. The article first pointed out that there has been an increasing need for the global leaders. The change in the new global external environment calls for the new global leaders that are quite different from the previously known ones with respect to knowledge, skills and abilities. Although global success demands highly competent global leaders, the research suggests there is a lack of global leaders with required knowledge, skills and abilities. Global leaders need to have technical, functional, cultural, social, and political competencies.

The article discussed the fundamental characteristics of global managers. Being sensitive, strong, responsive, practical and realistic, open and transparent are some of the important characteristics that global leaders need to possess for achieving global objectives. They should know the business both technically and managerially, take major initiatives, understand customer needs, inspire people, work through management teams and individuals, drives for and obtain business results.

The article also explained how to identify and develop global leaders. Companies need to be good at identifying the best talent and try to develop them from within and outside when required. Several strategies for developing global leaders, used by the companies, explained in the literature were outlined. Companies need to assess the alternative strategies and use the best alternatives that are suitable for them. Companies should not just use one or two strategies, rather a blend of various strategies should be utilised. The development program should incorporate both on-the-job development and off-the-job education.

The task of developing global leaders rests upon not only the companies and manager but also universities. Universities need to initiate new programs or customise the existing program to respond the changing global business conditions and demands from the managers. The program or degrees offered by universities should include the knowledge, abilities and skill that are required by global manager to achieve the objectives of global companies. Companies should take this issue seriously and find new creative and innovative ways to identify and develop future global leaders. Managers need to adapt to the changing global business conditions and create a new global mind-set.

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THE INFLUENCE OF GLOBALIZATION PROCESS ON THE COMPETITIVE BUSINESS STRATEGY

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ABSTRACT

The main object of this paper is present the influence of globalization process on the competitive business strategy. The process of internalization has been viewed as one of the most significant processes typical of modern world economy. The term itself means the spreading and exceeding of economic matters over the nation-state territorial boundaries. Providing that internalization is a global process characterized and accompanied by the rise of new economic forms and the vanishing of national products, technologies and national economy, it is being called globalization. Globalization is a process leading to the mutual integration of society on global level. The process of has been viewed as one of the most significant processes typical of modern world economy. International Monetary fund defines globalization as the growing economic interdependence of countries on global scale brought about by the increasing volume and variety of cross-border transaction in goods and services and of international factor flows, and also through the more rapid and widespread diffusion of technology. Changing conditions and market structures demand that many companies devise new strategies, as they search for a competitive place in their home markets and take advantage of emergent market opportunities. So a firm may succeed, its strategy must be consistent with the new environment in which it will operate. The company concept emphasizes that companies must consider both their customers and their competitors when developing a strategy. Successful companies satisfy the needs of customers in their target market better than the competition does. Any business activity that a company engages in can be a basis for a sustainable competitive advantage. A sustainable competitive advantage is an advantage over competition that can be maintained over a long time. To build a sustainable advantage, company typically don't rely on a single approach such as low cost or excellent service. They need multiple approaches to build their position. For formulating and implementing strategy the best global companies use a systematic approach that begins with market segmentation. Market segmentation is the process by which a market is divided into smaller subsets of consumers or organizations (segments). Market segmentation, with continuation of target marketing and positioning support the creation of offer for target segment in international markets. The objective of market segmentation is to divide consumers to groups so that it is possible to identify and select adequate target market. Intercultural marketing conception adopts and respects socio-cultural nuances of various national cultures. The conception is based on the premise that culture influences customers' purchase behaviour and makes use of standardised methods, which are adapted to the local conditions. In order to evaluate the differences in cultural consumption behaviour it is possible to use a model designed by Geert Hofstede and Fons Trompenaars, who are interested in tracing basic cross-cultural behaviour models. These models - trends are called cultural dimensions.

INTRODUCTION

The increase of the competition in world is a great opportunity for entrepreneurial subjects to improve both their efficiency and effectiveness resulting in better competitiveness. The competitiveness of the entrepreneurial subjects is determined by outer and inner factors. The total economic level of the given country, the activity of the governments and the quality of the infrastructure belong mostly to the outer factors. The inner factors are closely related to own activities of the firms, their visions, company culture and especially to management's and employee's ability.

Majority of firms' field of activity operates on local, regional, or domestic level, these firms are a part of the global economic environment. It means that they will necessarily be influenced by all the consequent changes not only in national but also in global environment. Changing conditions and market structures demand that many companies devise new strategies, as they search for a competitive place in their home markets and take advantage of emergent market opportunities. So a firm may succeed, its strategy must be consistent with the new environment in which it will operate. The company concept emphasizes that companies must consider both their customers and their competitors when developing a strategy. Successful companies satisfy the needs of customers in their target market better than the competition does. Any business activity that a company engages in can be a basis for a sustainable competitive advantage. A sustainable competitive

advantage is an advantage over competition that can be maintained over a long time. To build a sustainable advantage, company typically don't rely on a single approach such as low cost or excellent service. They need multiple approaches to build their position.

GLOBALIZATION PROCESS

The 20th century's significant technological, social, and cultural processes have dramatically set off many important changes both in economic and non-economic spheres, which has been leading to the state of mutual connectivity of the world economy and political and social system resulting in perception of the world as one globally unified entity. The process of internalization has been viewed as one of the most significant processes typical of modern world economy. Providing that internalization is a global process characterized and accompanied by the rise of new economic forms and the vanishing of national products, technologies and national economy, it is being called globalization. Globalization is a process leading to the mutual integration of society on global level. International Monetary fund defines globalization as the growing economic interdependence of countries on global scale brought about by the increasing volume and variety of cross-border transaction in goods and services and of international factor flows, and also through the more rapid and widespread diffusion of technology.

The integration process presents an inseparable part of internacionalization. Integration means finding common ground and searching for chain connectivity of individual subjects. As such this process could be understood as a complex one covering various spheres of life. Apart from adding a new dimension to the market, integration is accompanied by significant changes within the entrepreneurial subjects and individual's behaviour, which reflects many changes that our civilization is undergoing recently.

Since the 1950s the notion economic integration has been paid increasing attention. The economic integration is defined as a process creating close and intensive links among individual spheres of the world economy, the aim of which is to mutually interconnect economics so far separated in order to form a transnational economic unity. Generally, the economic integration is a process of unifying individual national economics. The final outcome of economic integration is the creation of the Single market environment. The economic integration is the top-level form of the international division of labour whose principles are based on creating economical and effective allocation within the field of the world economy.

The integration process opens up with foreign trade liberalization within the province of a particular territory including at least two nation-states. Being a decisive factor supporting integration processes foreign trade liberalization presents a gradual weakening, reduction, or total elimination of all anti-world-market barriers. The second half of the 20th century witnessed a rapid growth of liberalization trends, which went hand in hand with globalization and regionalization. Liberalization represents the lowest stage of integration relations among states.

MARKET SEGMENTATION

For formulating and implementing strategy the best global companies use a systematic approach that begins with market segmentation. Market segmentation is the process by which a market is divided into smaller subsets of consumers or organizations (segments). Market segments consist of groups of consumers with similar overt actions of consumer in segment (segment homogeneity). At the same time the markets are divided on the basis of differences in the overt actions of consumer from other segments (segment heterogeneity).

Market segmentation, with continuation of target marketing and positioning support the creation of offer for target segment in international markets.

The objective of market segmentation is to divide consumers to groups so that it is possible to identify and select adequate target market.

The market segmentation process is divided into the following four steps:

1. determination of market space by the medium of market research
2. determination and selection of meaningful segmentation criteria by factor analysis and other methods
3. identification of particular segments
4. definition of segments using a combination of behavioural and physical descriptors

The segmentation of international market is different from segmentation in local markets. In international markets there are two levels – macrosegmentation (across-country) and microsegmentation (within-country).

Macrosegmentation consists of grouping countries into macrosegments (regional grouping of countries) on the basis of macroeconomic characteristics deemed to be important for marketing strategy. These macroeconomic characteristics typically include sociodemographic data (population size, disposable income levels, educational background and primary languages), indicators of the level of development (infrastructure, rate of growth in GNP) and political affiliation.

Cluster analysis is one of the methods that are used for identifying macrosegments. On the basis of given factors shows cluster analysis which countries are similar and which are far apart. Cluster analysis leads to the identification of countries with similar characteristics – clusters. Variables that have been used for macrosegmentation and for identification of clusters depend on the purpose of the segmentation. The criteria can be based on broad economic, social and political indicators. These indicators are too general to be really predictive of buyer behaviour and market response. For these reasons less general criteria are useful, such as the new product diffusion pattern.

Microsegmentation aims at finding and determining similar segments – microsegments within the set of countries (clusters) selected in the macrosegmentation process. Choice target segments have to possess certain criteria: adequate size, measurability, accessibility and different response.

To define and identify the microsegments different segmentation criteria are used. The segmentation criteria help give clue to what influences the segment's buying behaviour (consumption level and choice brands) and help identify the adequate media for communication with the segment.

The use of several segmentation criteria differ according to the market:

- the criteria for consumer market (consumer characteristics and behavioural characteristics)
- the criteria for organizational markets (geographic criteria, operational characteristics, behavioural characteristics of organization, buying strategy)

EXHIBIT 1

At the macrosegmentation level the European Union market is divided in the following way [9]:

⇒ The EU countries were *according to the economic, cultural and geographic criteria* (the first 15 members) divided into following groups:

- United Kingdom, France, Ireland, Germany
- Spain, Portugal, Italy, Greece
- The Netherlands, Denmark

⇒ The division of a particular the EU countries into four basic zones *according to the cultural alliance*.

The zones are formed on the basis of particular cultural section:

- 1st zone: Scandinavia area (Sweden, Norway, Denmark, Finland)
- 2nd zone: Mediterranean area (Italy, Spain, Greece, Portugal, France)
- 3rd zone: Central European Countries (Germany, Luxembourg, Belgium, Austria, Switzerland, France)
- 4th zone: United Kingdom, Ireland, The Netherlands, Germany

At the microsegmentation level the EU market is divided into six lifestyle segments, by the research agency RISC, [6]:

- Tradicionalists – 18% population
- Homebodies – 14% population
- Rationalists – 23% population
- Pleasurists – 17% population
- Strivers – 15% population
- Trendsetters – 13% population

INTERCULTURAL MARKETING CONCEPTION

Intercultural marketing conception adopts and respects socio-cultural nuances of various national cultures. The conception is based on the premise that culture influences customers' purchase behaviour and makes use of standardised methods, which are adapted to the local conditions. Intercultural marketing focuses on apparently non-expensive adaptation in the field of product, price, distribution, and communication policy. Intercultural marketing takes advantage of socio-cultural zones, or related social layers. The socio-cultural conception stresses the delimiting and defining of particular geographical zones with similar background that enables the use of Single marketing access for more countries. The countries group into zones in accordance with criteria such as cognate languages, family traditions, religion, or purchase customs. Thus, entrepreneurial subjects are open to choose for conducting business in a particular country according to

particular socio-cultural zones, and prove the correctness of the choice. The related social layers conception is based on shared cultural values. It takes for granted that the members of a particular social group share the same opinions, attitudes, taste, reasoning, and consumer behaviour.

In order to evaluate the differences in cultural consumption behaviour it is possible to use a model designed by Geert Hofstede and Fons Trompenaars, who are interested in tracing basic cross-cultural behaviour models. These models - trends are called cultural dimensions.

The division of countries according to the cultural dimensions (G. Hofstede or F. Trompenaars), and geographical and language proximity into 3 basic groups:

- Austria, Germany, Italy, United Kingdom, Ireland
- Belgium, France, Greece, Portugal, Spain
- Denmark, Sweden, Finland, The Netherlands

According to G. Hofstede, *cultural dimension reveals culture specifics measurable with those of other cultures. He specifies five dimensions of national culture, which are significantly reflected in people's work, company management, and communication:*

- ⇒ Power distance index (PDI) expresses the extent to which less powerful members of a society accept and agree that power is not distributed equally. In cultures with high power distance there is a tendency to accept and respect inequality among people. A low power distance means that all members require the same rights.
- ⇒ Uncertainty avoidance index (UAI) mirrors a society's attitude to and the treatment of the uncertainties and ambiguities of everyday life. Strong uncertainty avoidance cultures tend to introduce high numbers of minute regulations in order to be risk-averse. On the contrary, cultures with a weak dimension behave quite differently as their regulations are rather general and universal.
- ⇒ Individualism index (IDV) expresses people's attitude to cultural nuances such as individuality and collectivism. In high individualism societies there are very loose ties between individuals, which results in a large degree of freedom and responsibility for own self-interest. Low individualism societies stress loyalty to the group and try to reach conformity.
- ⇒ Masculinity index (MAS) determines the degree to which a society appreciates and displays the stereotypical male and female values and roles. Countries showing inclination for masculine values stress decisiveness and power holding, they are task and success orientated. Conversely, in feminine cultures caring, softness, relationship and emphasis on people rather than money count a lot.
- ⇒ Long and short-term orientation measures the value systems from the point of time. A short-term orientated society pays attention to present and past activities. A long-term orientated society values activities in long term perspective.

Fons Trompenaars specifies cultural dimensions that influence people's behaviour in accordance with their relation to other people, environment and time. He formulated these dimensions:

- ⇒ Relation to time

Subsequent versus parallel

Subsequent relation means time perception as a string of successive events and activities, which cannot overlap. The precise time planning and keeping is emphasized. Parallel relation means mutual overlapping of individual activities, or their simultaneity.

- ⇒ Relation to environment

Inner versus outer orientation

Inner orientation values strong individuals who are willing to influence, subject and utilize all available resources and make capital out of the environment. Outer orientated cultures stress harmony, connectivity, integration and adaptability to surrounding environment in order to not to violate and avoid mutual balance.

- ⇒ Relation to other people

Universalism versus particularism

Universalism prefers rule-orientated behaviour that has to be respected, it rather neglects individuals and specific circumstances. On the contrary, particularism stresses attitudes and approaches based on specific individually orientated social relations taking into account circumstances.

Collectivism versus individualism

Individualism cultures show more confidence in status purchases, individual motivation, and success. Collectivism cultures, on the other hand, value mutual cooperation, stimulation and group-orientated motivation, whose complex progress takes priority over an individual.

Neutral versus emotional

Neutrally orientated cultures prefer matter-of-fact approach and cool-headed deliberation. In contrast, emotionally orientated cultures acknowledge emotions and make use of their manifestation.

Diffusional versus specific

Diffusional cultures mix together working and private worlds, whereas in specific cultures these two areas are clearly and distinctly separated.

Success versus ascription

This dimension specifies the way of achieving social status. Some cultures ascribe an individual's status according to his/her social activity and success that is achieved apart from its origin, source, social, or personal associations. Ascribed status perceives an individual only in connection to his/her age, social status, education, job, or social group.

CONCLUSION

The entrance and activities of entrepreneurial subjects on the international market can be complicated owing to a number of factors that are given by the environment on one hand and the position and situation of the entrepreneurial subject itself on the other hand. The entrance of a company on the market itself allows for a significant opportunity, so long as said company possesses the proper readiness which grants it the chance to develop entrepreneurial activities (business) in the international markets. To take advantage of the opportunities requires sufficient preparation and information about the specifics and particularities of the market.

Knowledge and respect of the cultural differences, most importantly the purchasing behaviour, of the various countries and regions has become a significant means for successfully enterprising on those markets. Taking advantage of the knowledge of cultural dimensions of individual markets has become a competitive advantage which cannot be overestimated. So if we desire that the activity of the entrepreneurial subject be effective and operative, the influence of cultural aspects cannot be ignored. Understanding the influence and importance of cultural dimensions are fundamental to introducing suitable strategies that bring entrepreneurial success and intensify the competitive ability of the subject.

The best world companies use a systematic and structured approach to market that begins with market segmentation. The market segmentation is a process which has become significant for competitiveness of every firms acting on local and international markets. We can say that there is no existing business and entrepreneur for whom the segmentation is not important. In today's global environment, segmentation of markets at the macro level (across-country) as well as the micro level (within-country) becomes increasingly important. Macrosegmentation consists of grouping countries on the basis of common variables (characteristics) which depend on their importance for marketing purposes. The choice of variables must take into account the possible comparability of data across many countries and will generally vary across products. To identify regional macrosegments of countries, it is possible to use techniques such as cluster analysis. In microsegmentation the marketer is faced with the task of selecting similar target segments within the set of countries selected in the macrosegmentation stage. The most common segmentation criteria for microsegmentation are economic, demographic, culture, benefits and lifestyle.

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OPPORTUNITIES AND RISKS IN FREE ZONES IN TURKEY AT GLOBALIZATION PROCESS

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ABSTRACT

In 20th century, rapid development of science and technology put means of communication and access into service of trade. Rampant trade of former years, today, reached to a global level. Global trade concept came into world agenda intensively beginning from 1990s. These years, popular economic bases of commercial activities that reach global level from international level were free zones.

Particularly, successful free zone applications in developing countries in 1950s caused number of free zones to increase rapidly in 1970s and 1980s. 2000s that global trade made its mark, this number quickly increased and touched 1500. Contributing country economy by attracting foreign capital investments heads aims of establishment of free zones.

INTRODUCTION

In Turkey, free zones came into agenda as a result of open growth model and it made a quick structuring. In our country there are almost 30 free zones which are active or near activating. Turkey should benefit from free zones more with the context of open and European Union oriented economy politics. Furthermore, besides increasing the number of free zones, their quality should be developed as well so as to contribute to economy of the country. While establishing free zones, especially choosing location should be painstaking, missing capacity usage should be prevented by giving priority to busy ports and areas with large hinterland. Specialization at free zones should be minded, by decreasing bureaucratic processes and increasing foreign presentation activities, foreign capital should be attracted.

In the study, by discussing on free zones in Turkey, opportunities and risks that they create will be introduced. For this purpose, free zones in Turkey will be evaluated with SWOT analysis.

I.FREE ZONES AT GLOBALIZATION

EPZs, the most established form of free economic zones, which proceed from the free ports of the late 1500s, are well-demarcated, promotional industrial enclaves of up to several hundred hectares in which special incentives such as tax holidays and duty-free imports accrue to foreign or domestic firms, provided that their processed goods are exported. From traditional manufacturing-oriented zones, they have evolved into the more comprehensive special economic zones (SEZs) for instance, in China, Brazil and the Philippines, which cover larger areas and are more diversified and balanced among economic sectors. Although, earlier, it was thought that EPZs have a welfare-reducing effect (Hamada 1974, Hamilton and Svensson, 1982, Miyagiwa, 1986, Miyagiwa and Young 1987, Young, 1987, 1991) or, at best limited and temporal positive impact to the host economy, later studies demur. Through induced FDI, EPZs initially create employment, generate needed foreign exchange, and promote transfer of technology and management expertise. Subsequently, they can establish linkages with the domestic sector and stimulate broader regional development (Landingin, Wadley, 2005).

Terms such as Export Processing Zones (EPZ), Free Trade Zones (FTZ), Special Economic Zones (SEZ) and Export Processing Factories (EPF) refer to similar concepts with variations determined by policy prescriptions and objectives. (Jayanthakumaran, 2003). Such zones act as interfaces between local and global spaces: they are spaces of global articulation (Wang, Oliver, 2006). Export processing zones (EPZs) are areas within developing countries that offer incentives and a barrier-free environment to promote economic growth by attracting foreign investment for export-oriented production. The number of zones internationally, countries hosting EPZs, and firms operating in them, and the business volume they handle, are all growing rapidly, suggesting their importance. Yet, business research on EPZs is virtually nonexistent, leading to poor understanding of their role in international marketing (Papadopoulos, Malhotra, 2007).

Export processing zones (EPZs) are increasingly being established to promote economic growth in developing countries (Shah, Rivera, 2007). In general, after 1950s as a result of countries giving up import substitution for industrialization policy and heading towards export oriented industrialization policies, free zone applications got density as an instrument of this policies.

There has been a significant increase in the number of export processing zones (EPZs) set up in developing countries in recent years. The International Labour Organization (ILO) reports that 116 countries had such systems in 2002 compared with just 25 in 1975. Total employment in EPZs worldwide rose from less than one million to 13 million employees over the same period, excluding China. This increase can be explained by the fact that nearly all the developing countries have now adopted export-led growth policies, which have encouraged them to actively promote foreign investment. These EPZs are generally specialized in the production of labor-intensive consumer goods, mainly clothing, based on a specialization strategy applied by most of the countries in the initial stages of their industrial development. In particular, there is a strong correlation between growth in the EPZs and the Multi-Fibre Arrangement (MFA), given that investment in these zones has served to circumvent textile quotas for over 30 years (Cling, Razafindrakoto, Roubaud, 2005).

In 1967, acceptance of free zones as an important instrument for increasing the export rates of developing countries by ECOSOC (United Nations Economic and Social Council) cause an increase in free zone applications.²⁵ Successful attempts for establishing the free zones in Shannon district of Ireland in 1959, in Porto Rico, Panama, Taiwan and South Korea in 1962 encouraged a great number of free zones to be established in various parts of the world. (Kibritçioğlu, 1997). The Massan Free Export Zone (MAFEZ) was established by South Korean officials in 1970, and was originally characterised as a 'receptacle' for Japan's 'sunset' industries. The Dominican Republic's first EPZ was set up by Gulf and Western of the Americas in 1969 (Schrack, 2001). For example, while within the developing countries only India (Kandla) and Porto Rico (Mayagunz) had free zones in 1966, 23 free zones were established in 11 different developing countries between 1971 and 1975. And most of those are in Asian countries. After 1979, most important three free production zones were established in Canton city (Shenzhen, Zhuhai ve Shanteu) of China. In 1982 Mexico is the best with its 25 free production zones (Güner, 1995).

In India, the concept of SEZs was first adopted in the year 2000 as part of the Foreign Trade Policy. Since then the Union Government of India after prolonged deliberations notified the SEZ Rules in February 2006 operationalising the SEZ Act 2005. At present, there are 15 SEZs up and running in India. These include eight old export processing zones (EPZs) that have been given the status of SEZs and seven new SEZs that have recently become operational (India: Santa Cruz Electronic Export Processing Zone Covers the Objectives, 2008). Export Processing Zones (EPZs) have been a successful development tool in many countries since their modern inception in Puerto Rico in the 1950s (Muti, College, 2003). WEPZA research shows that zone policies are most effective in Lower Middle Income countries, like Morocco. Over a period of three years such countries with zones saw trade grow at 68% while such countries without zones had trade growth of only 1% (Haywood, 2003).

Like many countries, Sri Lanka has used Export Processing Zones as a means of promoting manufactured exports. The zones are dominated by textile and clothing firms, however, and returns in other sectors are considerably lower (Jayanthakumaran, Weiss, 1997).

Africa's EPZs have played a negligible role in both the static and dynamic contribution to growth and development: all observers agree that to the exception of a handful of countries (Mauritius, Tunisia, Egypt), EPZs have had marginal employment impact, low FDI, absent linkages with the domestic economy, and limited foreign exchange contribution. Balanced against the direct, indirect and opportunity costs of

developing the EPZ, maintaining its infrastructure, administering the incentive regime, and so on, the total balance for the region as a whole may well have been negative (Baissac, 2003).

Madagascar, in which the EPZ (or Zone Franche) grew very rapidly during the 1990s. EPZ provides relatively high wage opportunities for those with relatively low levels of schooling, export processing development may also eventually have significant impacts on poverty. Jobs in the EPZ are comparable to or even superior to other parts of the formal sector. However, the sector is also marked by very long working hours and high turnover (Glick, Roubaud, 2006).

Full membership in the World Trade Organization (WTO) in December 2001, China has rapidly become the world's preferred EPZ location. From 1997 to 2002 employment in Chinese EPZ firms increased from 18 million to 30 million. EPZ firms generate over half of all Chinese exports as well as roughly 70% of the country's exports to the United States (Sargent, Matthews, 2008).

The success of China in using zones to move from one of the most repressive and inward looking economies to one of the most dynamic and outward focused economies demonstrates clearly the power of zones in turning trade capacity into trade reality under even the most extreme conditions. All of the Asian tigers and Newly Industrialized Countries have used zones to their advantage. So have Mexico, Central America, and a number of Caribbean states. In this part of the world Egypt, the UAE and Jordan have thriving zone programs, and Turkey has been one of the most innovative and successful zone countries. Trade growth in Kenya, Mauritius, and Madagascar has also been driven by zones. In fact today more than 128 countries and territories in the world operate more than 1300 zones (Haywood, 2003).

TABLE 1: INCOME RATES OF THE COUNTRIES THAT HAVE FREE ZONE

Income Rate of Country	No. of Countries	No. of Zones
High Income	28	285 (% 33)
Above Mid	16	158 (% 19)
Below Mid	37	212 (% 25)
Low Income	22	192 (% 23)
Total	102	847

Source: Haywood R. C., (2000), Free Zones in the Modern World, CFATF Meeting, Aruba, No.5, Ver.1.

Most of the free zones are the ones with general aims. For example 213 free zones with general aims in USA operate. These kind of free zones are encountered all over the world. (Tuncer, 1998) Free zones in the world witness different applications in terms of their functions. In successful free zone applications seen in the countries such as Taiwan, Korea and USA, they got through specialization and applications turned towards high technology digressing out of free zone understanding. That the techno parks where the high quality products which produce high added value are produced with developed technology can be given as an example to this (Köksal, 1998).

TABLE 2: TYPES OF FREE ZONES AND EXAMPLES FROM COUNTRIES

Small Zone	Large Zone	Zones Specific to Industry	Specific Zones
Commercial	Special Economic Zones	Banking	Mexico Maquillage Program

Industrial	Residing	Insurance	Technology Based
Mixed	Various Industry	Games of Chance	Design Center
Export Production Zone*	Retail	Tourism	Export Factories
Service		Textile	Employment Based
Enterprise/Urban		Precious Stones	Investment Based
Dominic Republic, USA, Egypt, Kenya, Europe, etc.	China, East Europe, Middle Asia, Russia, Sudan, North Korea	New York, Bangladesh, India, Bermuda, etc.	Mexico, Sri Lanka, Tunis, etc.

* Zones can be limited to specific field of activity by a small scale or to the work being done. Typically, export processing zone is almost a small sized export industry zone

Source: : Haywood R. C., (2000), Free Zones in the Modern World, CFATF Meeting, Aruba, No.5, Ver.1.

Near the beginning of 2000s there were more than 850 free zones in 105 countries including USA, Mexico, Brazil, Argentina, Germany, England, Spain, Bulgaria, Hungary, Romania, India, China, South Korea, Indonesia, Egypt, Iran and Jordan (Akça, 1997). Free zones are usually established in developed countries for import and in developing countries for export (Vural, 1990). Especially production, installation and commercial activities are made in these zones.

Free zone practices that some countries use as a customs regime and some as economy and foreign trade policy aren't the type of practice that is just inclined towards developing countries. However the free zones in developing countries are more shaped export products processing zones. On the other hand free zones are usually as "free trade zones" and they are rather trade centered.

Free zones in Turkey are in a mixed type directed both to production and trade. Free zones are established rapidly in the countries that had closed economy in the past such as China and Korea besides the ones with liberal economy such as USA and Germany. The number of free zones is increasing in the countries that emerged with the collapse of Soviet Union to attract foreign investments (Akça, 1983).

Increase of protective measurements in the world trade played an important role in free zones' gaining importance. Developing countries that had to put foreign trade measurements into practice because of their inner economic problems began to give weight to free zone practices to open businesses, attract foreign investments and to get portion from world trade.

Developing countries' having large export markets, manpower's being cheap and etc. caused free zones to increase in these countries. USA and European countries usually benefit from the free zones in Latin America, Far East and Africa for international trade (Vural, 1990).

One of the important elements that attract investors in free zones established to attract foreign investment and technology and to increase exportation is encouragements.

Exemption from income and corporation taxes, entry import without customs, financial aid, research and development aids, interest subventions which are practices in free zones are the leading ones in these encouragements. Most of the free zones in the world are established with these and these kind of encouragements to attract foreign investment and to ease foreign trade (Yiğit, 1999).

II. FREE ZONE PRACTICES IN TURKEY

In the term of establishment of republic, 'Free Zones Law' enacted in 1927 became the starting point of today's free zone practices in Turkey. The most important developments about the establishment of free zones carried out after 1980. Establishment of free zones became operational when Free Zones Law with no 3218 became effective. Free zones were regarded as they were out of customs line by the law and it was decided that regulations for the exchange procedures wouldn't be applied.

With the legal frame provided by the law with no 3218 free zones are adopted as an instrument of foreign trade policy. Free zones that have a trade volume of 152 million dollars in 1988 reached to a trade volume of 24,5 million dollars and an employment number of 50677 in 2007 (Turkish Free Zones, Turkish Republic, Undersecretariat of Foreign Trade, December 2007).

TABLE 3: Employment in Free Zones (2008)

<i>Zones</i>	<i>Labourer</i>	<i>Office Staff</i>	<i>Other</i>	<i>Total</i>
Ege	12.100	538	62	12.700
Bursa	5.568	965	555	7.088
Mersin	5.228	441	1.097	6.766
Kocaeli	3.349	138	143	3.630
Antalya	2.956	325	133	3.414
İst.Deri	1.567	230	401	2.198
Europe	1.933	150	110	2.193
Menemen	1.565	118	243	1.926
İst. AHL	137	1405	107	1.649
Kayseri	1.408	43	74	1.525
TÜBİTAK-MAM	856	282	48	1.186
İst. Trakya	657	351	85	1.093
Adana-Yum.	207	50	26	283
Gaziantep	160	44	13	217
Samsun	90	10	23	123
Denizli	25	13	11	49
Trabzon	10	4	9	23
Rize	7	3	3	13
Mardin	2	0	0	2
D.Anadolu	0	0	0	0
Total	37.825	5.110	3.143	46.078

Source: DTM, Serbest Bölgeler Genel Müdürlüğü, www.dtm.gov.tr

In Turkey, Free Zones Law with no 3218 and Free Zones Practice Instruction enacted in 1993 don't have a long history yet they achieved free zone arrangements. Position and limits of free zones are determined by the council of ministers. All kinds of industrial, commercial and service activities approved by Economic Affairs Coordination Committee can be operated by public cooperation, local or foreign physical and legal people. Local or foreign physical and legal people have to get authorization from the Undersecretariat of State Planning Organization to be able to begin to operate (Çardak, 2002).

TABLE 4 : DISTRIBUTION OF TRADE VOLUME IN SECTORS (1000 ABD \$)

January – February, 2008

Sectors	Entrance to Zones	%	Exit from Zones	%	Total
I. AGRICULTURE	126.198	6,2	72.118	3,3	198.315
<i>A-HERBAL PRODUCTS</i>	<i>111.425</i>	<i>5,5</i>	<i>67.817</i>	<i>3,1</i>	<i>179.243</i>
<i>B-PRODUCTS OF ANIMALS</i>	<i>13.327</i>	<i>0,7</i>	<i>3.630</i>	<i>0,2</i>	<i>16.957</i>
<i>C-FISHERY PRODUCTS</i>	<i>685</i>	<i>0,0</i>	<i>192</i>	<i>0,0</i>	<i>877</i>

<i>D-FORESTRY PRODUCTS</i>	761	0,0	478	0,0	1.239
II. MINING/QUARRY	2.787	0,1	2.901	0,1	5.688
III. INDUSTRY	1.905.058	93,7	2.106.973	96,6	4.012.031
<i>A-PROCESSED AGRICULTURAL PRODUCTS</i>	81.079	4,0	90.253	4,1	171.332
<i>B- PROCESSED PETROLEUM PRODUCTS</i>	47.208	2,3	44.093	2,0	91.301
<i>C-INDUSTRIAL PRODUCTS</i>	1.776.771	87,4	1.972.627	90,4	3.749.398
TOTAL	2.034.043	100	2.181.991	100	4.216.035

Source: DTM, Serbest Bölge İstatistikleri, www.dtm.gov.tr

Experiences of free zones in Turkey set an example to the other countries. For example the firms that are founder and performer of free zones in Turkey lead the establishment of free zones in Uzbekistan. Nevertheless consulting services given to the countries such as Turkish Republics of Middle Asia, Commonwealth of Independent States, Nigeria, and Algeria in establishment of free zones can be counted. World Free Zones Association established by United Nations Industrial Development Organization, of which Turkey is a member since 1991, accepts free zones in Turkey between the successful free zones in Turkey (Köksal, 1998).

TABLE 5 :DISTRIBUTION OF TRADE VOLUME IN COUNTRIES

(1000 ABD \$)

January – February, 2008

Countries	Entrance to Zones	%	Exit from Zones	%	Total	%
I. OECD and EU COUNTRIES	934.616	45,9	595.958	27,3	1.530.574	36,3
<i>A. EU (25) COUNTRIES</i>	694.606	34,1	548.250	25,1	1.242.856	29,5
<i>B. OTHER OECD COUNTRIES</i>	240.010	11,8	47.707	2,2	287.717	6,8
II. OTHER EUROPEAN COUNTRIES	1.519	0,2	3.173	0,1	4.691	0,1
III. COMMONWEALTH OF INDEPENDENT STATES	65.195	3,2	101.953	4,7	167.149	4,0
IV. NORTH AFRICA AND MIDDLE EAST	104.543	5,1	119.614	5,5	224.158	5,3
V. OTHER COUNTRIES	361.954	17,8	85.622	3,9	447.576	10,6
VI. TURKEY	566.216	27,8	1.275.671	58,5	1.841.888	43,7
TOTAL	2.034.043	100	2.181.991	100	4.216.035	100

Source: DTM, Serbest Bölge İstatistikleri, www.dtm.gov.tr

Free zones in Turkey are in a mixed structure in terms of field of activity and their functions. Policies towards specialization of free zones are adopted.

Commercial activities are held in Antalya and Mersin Free Zones and production activities depend on high technology are held in Izmir-Aegean Free Zone. Istanbul- Thracian Free Zone is planned for trade of textile and confection centered goods. Istanbul Ataturk Airport Free Zone has operations in trade and storage of textile, confection, electronic and optic goods. Istanbul Leather Free Zone is a private sector free zone established trade and storage of leather or leather goods. Adana Yumurtalık Free Zone was established inclined towards heavy industrial investments. Trabzon Free Zone, which is as a harbour in terms of its functions, is used for transit goods transportation activities. Erzurum and Mardin Free Zones are regarded as a model that will direct regional development (Çardak, 2002).

The trade volume of free zones in 2007 reached US \$ 24,5 billion with an increase rate of 3,1 percent compared to the previous year. Particularly the dynamism in the free zones that became operative in the recent years indicates that the trade volume of the Turkish free zones will follow a steady increase rate. Istanbul Leather and Industry, Aegean and Istanbul Ataturk Airport free zones are at the first three ranks in the free zones trade volume of 2007. By the end of 2007, the number of users that operate in the Turkish free zones are 3.754. When the trade volume of free zones in 2007 is examined with respect to the country groups, it is observed that the share of EU countries is 30,4 percent, other OECD countries is 6,8 percent and Turkey is 44,6 percent. By the end 2007, the breakdown by sectors of the trade volume indicates that trade volume of industrial products constitutes 96,3 percent of the total trade volume. In the trade volume of industrial products, the machinery industry with a share of 25 percent takes the first place. The textiles and clothing industry with 16,4 percent and electric machinery industry with 10,7 percent follow the machinery industry (T.C. Başbakanlık Dış Ticaret Müsteşarlığı, 2007).

III. OPPORTUNITIES AND RISKS TOWARDS FREE ZONES IN TURKEY (SWOT ANALYSIS)

Strong Aspects

- Local and foreign firms benefit equally from the encouragements and advantages provided in the free zone.
- Goods can stay in free zones without any time restriction
- Free zones investments and production for the purpose of exportation.
- They accelerate foreign investment and technology input.
- They ensure obtaining foreign input need regularly.
- They provide encouragements for industrial and commercial encouragements.
- Production and exportation with low costs by the help of encouragements and advantages.
- Foreign currency income is supplied by easing foreign trade.
- New employment opportunities are created for the country they are established in.
- They develop work field of service sector such as banking, insurance and agency business.
- Restrictive measurements in foreign trade policy are decreased.
- They adjust balance of payments by increasing foreign currency income of country.
- They develop transit trade and highway transportation.
- Production will be more rapid and easy because the goods imported without customs taxes in the warehouses in the free zones will be imported when they are needed.
- They ensure the raw materials and intermediate products that industrialist needed to be obtained with ease as many as they need and without losing any time.
- They gain profit from storing, rediscount and switch activities.
- They encourage foreign investment and tourism.
- They help country to carry out industrial development programme in a region of the country.
- They ensure industries directed towards exportation to arise to be able to increase export volume.
- They increase industry level in country by performing production using modern industrial techniques.
- They lead to new industrial investments inside and outside country.
- Foreign currency income is supplied from the taxes, dues and fees taken from the foundations perform in the zone.
- Strike and lockout cannot be practiced for 10 years after the free zone get into action.

Weak Aspects

- Authorities given to public companies on price, quality and standards cannot be practiced in free zones.
- It is important to present free zones well. Even Turkish businessmen who live abroad don't have much information about some of the free zones in Turkey (Tuncer 2001).
- Free zones established in Turkey are many in count. Yet it is important to develop their quality besides their quantity. While establishing new free zones place should be chosen with care, field of

activity should be determined well and necessary precautions should be taken to prevent them from being idle.

- Lack of specialization in free zones. Some of the free zones in Turkey specialized. But not in all of them. Successful free zone examples in the world come out of the ones that specialized. Going further they should be transformed to techno parks.
- Free zones in Turkey perform almost half of their production with Turkey. (However, according to the first entry of Free Zones Law, free zones are intended to attract foreign investment and establish facilities for export directed production with cheap labour force and high technology.)
- In most of the free zones in Turkey, mostly commerce based activities are performed and production centred or export oriented production is performed in few of those.
- Free zones in Turkey are used as warehouses for easier and comfortable import.

Opportunities

- Taxes, dues, fees, customs and exchange regulations aren't practiced in free zones. Businesses in free zones are exempt from all kinds of taxes including income, cooperation taxes and VAT.
- Because income taxes aren't paid for labour prices labour costs are low.
- Incomes and gains obtained from free zone activities can be transferred to Turkey or abroad without any permission and exchange regime.
- Free zone users can buy goods and service from Turkey without VAT.
- Substructure of free zones in Turkey is at the same standard comparing with the similar ones in developed countries.
- Both open and closed area rents in free zones in Turkey are low considering the rents in other countries.
- Free zones are more advantageous for the firms which sell their products using import input to foreign markets, which perform re-exporting, that perform in labour intensive sectors, which want to use foreign change in their processes, which deal with production and trade.
- Because wages will be paid in foreign exchange to the workers in free zones, the wages paid to Turkish labour will be a source of foreign exchange.
- Rents that will be obtained from all kind of territory and buildings in free zones and rents and fees that will be obtained from warehouses and harbours in the zones, maintenance and reparation of ships and the other vehicles and supplying them, rations and all kind of service given to persons and organizations in the zone supply foreign exchange.
- Also all kinds of raw material, intermediate product, material and various service purchases of the organizations in the zone from all kinds of commercial and industrial organizations in Turkey increase foreign exchange income of the country.
- Transit commercial activities that will be carried on through the meditation of free zones will be an important source of foreign exchange.
- Activity licence duration is 10 years for the users that will hire a workplace.
- Users that will build their own workplace in free zone can get activity licence for 20 years. However this duration is 15 years for the renter users in production field and 30 years for investor users.
- Free zones in Turkey are advantageous for the banks, consultancy and insurance firms that operate with convertible foreign exchange.

Threats

- Unnecessarily established free zones, the ones with low capacity or the idle ones can harm the economy instead of being useful.
- In condition that the borders aren't determined well enough and necessary security precautions in entrance, exit and around the zones aren't taken smuggling can be seen in the zones.
- The goods produced in free zones can enter into rivalry with the local goods and this can affect local industries badly.
- Bureaucratic processes for the establishment of free zones should be decreased as much as possible.

CONCLUSION

In global process, free zones in modern meaning, contributed to development of international trade with successful practices in 1950s. Starting from this date establishment of free zones in many countries of the world accelerated. Unemployment, lack of stock, recession in investment and production that hold place in primary problems of developing countries are tried to be removed with the production, commerce and finance fields created by free zones. Free zones which are regarded as they are out of country borders not only attract foreign investments but also local investments. Local investors use these zones that are held out of exchange and customs processes. However when discussed in terms of developing countries, attracting foreign investors aim has the priority. Free zones established regarding attracting foreign investments are expected to supply the country with employment and contribute to increase of productions and exports.

One of the applications emphasized to attract foreign investment in Turkey is free zones. The first examples of the free zones history of which goes back to Ottoman Empire came into question after 1980s. In the course more than a quarter century, contributions of free zone practices to Turkish economy are keeping on mainly with employment, production and exportation.

In accordance with the SWOT analysis prepared directed towards free zones in Turkey, an evaluation of this practice in terms of economy of the country was carried out. As a result of the analysis, it is important to bring the properties of free zones that attract foreign investment to foreground as it is done in developed countries. For this purpose bureaucratic obstacles should be decreased to the least and technology and stock providing property of foreign investments should be used as much as possible. Activities of free zones directed towards production and trade should be accelerated to increase exportation. So that, they will help countries to cover the deficits in their balance by increasing foreign exchange saver processes. Foreign investments that come to free zones to be composed of exportation oriented investments increase foreign exchange saver processes. Foreign investments that carry on production in free zones directed towards local markets to be excessive may cause local industries in some sectors to be affected badly. Free zones in Turkey perform almost half of their production with Turkey. Especially exportation centred activities should be increased numerically in free zones. In most of the free zones in Turkey, mostly commerce based activities are performed. Production centred or export oriented production is performed in few of free zones and this ratio should be increased.

Contribution of free zones to employment of countries is important for Turkey. Besides, because wages will be paid in foreign exchange to the workers in free zones, foreign exchange input is increased to a degree. Because they develop transit trade and Turkey is on transit trade path, they contribute foreign exchange entrance to the county by the way. The other of the ways that save foreign exchange are the rents that will be obtained from all kind of territory and buildings in zones and rents and fees that will be obtained from warehouses and harbours in the zones.

It is an important that free zones in Turkey aren't introduced well. Presentation activities should be accelerated especially to attract foreign investors. More than their quantity increasing quality of free zones is an important matter. Just as it is in the world, specialization should be cared out. Moreover they should be transformed into techno parks.

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THE COMPARISON OF QUANTITATIVE SWOT ANALYSIS AND DIRECTIONAL POLICY MATRIX IN THE PROCESS OF FORMULATING CORPORATE STRATEGIES: A SURVEY IN IZMIR'S HYPERMARKET SECTOR

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ABSTRACT

Purpose

SWOT analysis is a widely used technique to make an organization's internal and external assessment. The top-level managers seeking to formulate some strategies in order to gain competitive advantage, to grow or survive in the market usually try to formulate their strategies according to these assessments. Quantitative SWOT analysis is one step further to this application and it provides more statistical and objective outcomes. In addition to Quantitative SWOT analysis, DIRECTIONAL POLICY MATRIX is another technique which is adapted in order to formulate corporate strategies. This research aims to find out the comparative results of these two important strategically tools and evaluate the findings as well as the necessary strategies formulated according to two different prospects. The research takes place in hypermarket sector of Izmir since it is evident that this sector is one of the most challenging and competitive markets nowadays and it may provide beneficial data for the organizations that are in need of finding efficient and beneficial strategies.

Design/Methodology/Approach

The research is going to be applied in Hypermarket Sector in Izmir. Izmir is chosen as a destination since it is the 3rd biggest city in Turkey and it is very competitive in terms of retailing. The quantitative SWOT analysis consists of some steps. In the first step, an organization is going to be selected among the leading companies in Izmir. The top level managers are ought to be the consultants in this area and that is why the top level managers of the organization are going to be chosen randomly according to their seniority and experience levels. The managers are going to be asked to determine the factors of SWOT analysis and Directional Policy Matrix which are the indicators of the hypermarket's internal and external assessment as well as the determinants of retail market leadership. The data provided from the consultants are going to be grouped and in the next step these findings are going to be presented to the consultants once again. The consultants are going to evaluate the factors one by one and enumerate each. According to their enumeration, the top level corporate strategies are going to be determined. The same application will be done for directional policy matrix. The consultants' evaluation is going to be the factors of directional policy matrix. The overall values of the factors will be calculated. The results of quantitative SWOT analysis and directional policy matrix are the directing forces to formulate the necessary strategies for the organization in question. Then the strategies formulated in light of two different prospects will be compared.

Practical Implications

Firstly, this research is going to provide beneficial data for the retail market in Izmir. The operating organizations may find the findings useful for the near future. In addition, this kind of research may be a foundation for similar researches in various sectors.

Originality / Value

The previous researches generally focus on SWOT analysis only. In this research what is original is; the quantitative side of this strategically tool. Apart from this, directional policy matrix is usually applied in researches but no research has made a comparison of the strategies developed according to these two different prospects. The other originality is originated from the sector and the destination combination such as the retail market in Izmir. There is no previous research that has been made in this sector by using these quantitative techniques together in one study.

INTRODUCTION

Tools for Strategic Management: SWOT Analysis and Quantitative SWOT Analysis & Directional Policy Matrix

SWOT analysis is one of the most familiar of all strategic planning/management tools. SWOT analysis is designed to facilitate the environmental scanning component of strategic planning by asking those participating in a given organization and is designed to assess the competition. Strengths and weaknesses are internal or inherent to the organization, whereas opportunities and threats are external. Any of a number of techniques (for example, brainstorming, nominal group, Delphi, multiple voting, various types of data collection and analysis) can be employed in conducting a SWOT analysis, but it is all about understanding the competitive environment in which an organization exists, and it has internal and external faces (Trainer, 2004:132-134).

Despite its wide applications, the SWOT method has a number of problems but most important ones are as follows (Ghazinoory et al, 2007:100):

- Usually only qualitative examination of environmental factors is considered
- It considers no priority for various factors and strategies
- It does not consider the vagueness of the factors.

As stated above SWOT analysis is based on qualitative analysis and has no means of determining the importance of intensity of SWOT factors analytically. As strategy planning procedures are complicated by various criteria and interdependencies, the utilization of conventional SWOT analysis has become sufficient. The Analytical Hierarchy Process developed by Saaty is one of the mathematical methods for analyzing complex decision problems with multiple criteria and can deal with qualitative attributes as well as quantitative. By using AHP in SWOT analysis, individual SWOT factors can be weighed and rated quantitatively (Shinno et al, 2006:254).

Another Strategic management tool is the directional policy matrix (DPM). DPM shows markets/market segments classified on an attractiveness scale to the company, with its relative strengths in each of these markets measured against its best competitor. The resulting relative importance of each market is then clearly identified on the matrix enabling the company to choose its marketing objectives with good guidelines from the analysis to likely subsequent successful strategies (Cranfield School of Management, 2007).

The Retail Market in Turkey: How to Develop Strategies

Turkey's retail sector has been developing rapidly since the 1980s, concurrent with changes in its economic and social structures. The food retail industry has been greatly affected by globalization and similar factors such as liberalization of the economy. The numbers of traditional bakkals and open-air bazaars are declining due to competition from hyper- and supermarket chains and discount stores. The large stores sell multiple products--household items and durable goods--in addition to foods. Although only 5-7 million of Turkey's

residents can afford the higher prices in modern stores, their numbers, and market share, are growing. Since 2001, hyper- and supermarkets have led retail sales growth. Bakkals are losing out to modern supermarkets and discount stores. More than fifty retail chains operate in Turkey, and international firms have been buying up some of them. This retail transformation has occurred mainly in large cities, though recent investors in the sector are targeting medium-sized cities. Large Western-style outlets have flourished in Istanbul, Ankara, Izmir and other cities such as Adana, Gaziantep, Bursa, Kocaeli, Konya and Mersin. Major chains are providing consumers with new goods and services--private label foods (Sirtioğlu, 2004).

In this competitive environment, it is usually hard for the companies to keep their competitive advantage, to keep pace with the other developing companies and to be distinguished with new products and service. Thus it is important for the companies to develop and formulate efficient strategies. There are so many qualitative techniques which are mainly used by top managers in order to find and choose the best possible way to compete and these formulated new strategies are of great importance for them.

This research focuses on the formulation of strategies in retail sector in Izmir by the help of the quantitative SWOT analysis and another additional corporate strategic planning tool, DPM. The research's problematic consists of;

- What are the strengths, weaknesses, threats and opportunities of X company? How can these determined factors may be calculated quantitatively in terms of SWOT?
- What is the market position of X company in regard of DPM?
- What might be the strategies that may be formulated and implemented regarding the findings of Quantitative SWOT analyze?
- What might be the strategies that may be formulated and implemented regarding the findings of DPM?
- What are the distinctive results and remarks when the findings of two tools are compared to each other?

RESEARCH

General Overview of Tesco-Kipa

The research is conducted in one of the main retail representatives in Izmir, Tesco-Kipa. As very well known, Tesco-Kipa company is a result of strategic alliance in form of acquisition. Mainly the acquirer Tesco, got its name from its founder TES Cohen. It has started with one single shop in United Kingdom and has been one of the most important 10 leading chain companies in the world (The Secrets of Tesco, 2005). The Group has four-part strategy which was laid down in 1997 and still accepted as the foundation of Tesco's success in recent years. This so called strategy consists of (Tesco, 2005);

- ✓ Growing the core UK business,
- ✓ Being as strong in non-food as in food,
- ✓ Developing retailing services and
- ✓ Becoming a successful international retailer.

On the company's Annual Review and Summary Financial Statement, 2007, the brief success story is summarized as the following (Tesco, 2007):

Tesco was first listed on the London Stock Exchange, as Tesco Stores (Holdings) Ltd, with a share price of 25 pence approximately 60 years ago. In the first 50 years, Tesco worked to establish a brand and build up a strong UK business. The way of doing this was ensuring that everything done was driven by a continuous ambition to improve the customers' shopping trips. A new strategy for growth was developed 10 years ago. This was a strategy of finding new customers, new markets, new products and new opportunities. Tesco has opened its one thousandth stores outside the UK in 2007 (including five hundredth store in Central Europe and one hundredth stores in Hungary, one of their first international markets). Over the last ten years the company has built up a thriving international business which led it access markets with over two billion people, and enabled it to reach out to an increasing number of customers all around the world. More recently, in 2004, it has announced its entry into China. The next plans and strategies were built up for a new entry into the United States, and to India.

Tesco got interested in Turkish market in 2001 and has spread to Turkey in 2003 by acquiring one of the most important supermarket chain Kipa located in Izmir. It has been operating with over 2,300 stores in the UK, Ireland, Hungary, Poland, Czech Republic, Slovakia, Turkey and Asia. Tesco's operations include convenience ("Tesco Express"), small urban stores ("Tesco Metro"), hypermarkets ("Tesco Extra"), financial services. Tesco is also a leader in online grocery sales through its online store (Retalix, 2005).

When Kipa is analyzed, it is seen that leading part of the case Kipa was established in August 1992 in Izmir. Its first store was opened in 1994 in Bornova and further stores were opened in Çiğli (1999), Gaziemir (2000), Denizli (2001), Balçova (2001), all in Aegean region. Then Tesco acquired Kipa in November 2003 and after acquisition Kipa name changed to Tesco Kipa. First Tesco Kipa store was opened in June 2005 in Bodrum. The format changed when Antalya and Çanakkale opened in January 2006, both of which were outside Aegean Region this time. First express format store 'Kipa Ekspres' was opened in March and the second one in May 2006. Latest store was opened on 23 May in Aydın. First 'Kipa' private label product was launched in November 2000 and First 'Kipa Pazar' discounted private label product was launched in February 2005. There have been over 400 Kipa Pazar products, over 300 are Minimaxi textile products and there have been 651 Kipa Standard non-food products. Other markets opened are in Lüleburgaz, Çorlu and Konya.

Research Steps

• Interview Conduction – SWOT & DPM Formulation

In order to conduct the analysis the first research step is consisting of the interviews made. When the interview format and the process are analyzed, the details are as follows;

Interviews are made with 8 top management members in the leading center of the company in Izmir, in other terms, with line managers.

First of all, the authors asked the interviewees about the ongoing strategies in the company. The strategies that were summarized by the participants were used for the evaluation of them by the help of two major tools; SWOT and DPM.

In the first part of the interview, each of the interviewees was asked to fill out the structured questionnaires which contained data concerning the SWOT matrix. The data was listed in 4 parts; strengths, weaknesses, threats and opportunities. Each part contained some factors gathered by the authors from similar researches in retail market consisting of SWOT analysis. The results of similar researches in terms of strength, weakness, threat and opportunity were listed and the participants were requested to choose the factors that represent the SWOT of Tesco-Kipa. They were also asked to include any other factors which don't take place in the list if they are sure that they should be included. After each of the interviewees filled out the forms, the common factors that were chosen by them were listed separately.

In the next step, the parts of SWOT containing subtitles, which were constituted by using the common factors that were listed by the interviewees, were evaluated by comparing each part with the rest and each subtitle with the rest, one by one. This application is done in the logic of Analytic Hierarchy Process (AHP). Therefore, the SWOT's and the subtitles of each part's weighted values were calculated.

In addition, as a result of the interviews made, four basic strategies were developed. All of the factors were evaluated in the frame of AHP for each basic strategy. Following this step, at last, each basic strategy's weighted values were calculated in the light of each factor.

In the second part of the interview, the other strategic tool, DPM, was applied. In general when DPM is applied, there has to be two important dimensions classified as the attractiveness of the market and the relative strengths of the company when measured against its best competitor, in other words the competitive state. However, in this research, the subtitles or the questions were designed relative to these two indicated dimensions. The questions were also adapted to the retail market circumstances.

Afterwards, to obtain the scores of these dimensions the top level managers were questioned to value each statement in regard with the company and the retail market conditions. In conclusion, the values gained were used to position the company on the DPM graph.

- **AHP & Quantitative SWOT Technique**

AHP is developed by Thomas L. Saaty in 1977. This process is a multicriterion decision making technique. In other words, it may be defined as a mathematical method that takes the priorities of individuals and/or groups into consideration (Saaty, 2003).

In AHP, first of all the aim is defined and in the light of this aim, the factors affecting the selection are found out. However in quantitative SWOT, the aims are already defined: strengths, weaknesses, opportunities and threats. Under each part, the factors' hierarchical structure are developed (Shinno, Yoshioka, Marpaung and Hachiga, 2006). Afterwards, pair-wise comparison matrices are developed in order to evaluate all alternatives on the basis of each factor and to determine the prioritization scale of each. While developing these matrices the priority scale of 1-9 developed by Saaty is used (Table 1).

TABLE 1

SAATY'S PRIORITIZATION SCALE

INTENSITY of IMPORTANCE	DEFINITION	EXPLANATION
1	Equal importance	Two activities contribute equally to the objective
3	Weak importance of one over another	Experience and judgment strongly favor one activity over another
5	Essential or strong importance	Experience and judgment strongly favor one activity over another
7	Very strong or demonstrated importance	An activity is favored very strongly over another; its dominance demonstrated in practice
9	Absolute importance	The evidence favoring one activity over another is of the highest possible order of affirmation
2,4,6,8	Intermediate values between adjacent scale values	When compromise is needed

Source: Saaty, T.L. (1994). How to Make a Decision: The Analytic Hierarchy Process. **Interfaces**. Vol: 24: 6. pp. 19-43.

The phases of AHP are as follows (Özer and Kocakoç, 2007);

Phase 1. Employing pair-wise comparisons and forming the comparison matrix A.

$$A = \begin{bmatrix} a_{11} & a_{12} & \cdots & a_{1n} \\ a_{21} & a_{22} & \cdots & a_{2n} \\ \vdots & \vdots & \ddots & \vdots \\ a_{n1} & a_{n2} & \cdots & a_{nn} \end{bmatrix} \quad (1)$$

Phase 2. Calculating the weights vector (w) by multiplying the n elements in each row and taking the nth root and normalizing the resulting numbers in order to give the weights. The weights should be listed between 0 and 1, and the total weights should sum up to 1.

$$v_i = \sqrt[n]{\prod_{j=1}^n a_{ij}} \quad (2)$$

$$w_i = \frac{v_i}{\sum_{i=1}^n v_i} \quad (3)$$

Phase 3. Multiplying the comparison matrix (A) on the right by the estimated weights vector (w), & dividing the elements of k by the corresponding elements of w, & summing over the resulting vector (ℓ_i), & taking the average in order to obtain the maximum (principle) eigenvalue (λ_{\max}) of the comparison matrix.

$$k = A \cdot w \quad (4)$$

$$\ell_i = \frac{k_i}{w_i} \quad (5)$$

$$\lambda_{\max} = \frac{\sum_{i=1}^n \ell_i}{n} \quad (6)$$

Phase 4. Calculating the consistency index (CI) and consistency ratio (CR).

$$CI = \frac{\lambda_{\max} - n}{n - 1} \quad (7)$$

$$CR = \frac{CI}{RI} \quad (8)$$

Phase 5. Revising judgments if necessary by using the formula.

$$\max \left(\frac{a_{ij}}{w_i / w_j} \right) \quad (9)$$

First Strategic Tool Application: Quantitative SWOT

As it was indicated before, the strengths, weaknesses and the opportunities and the threats are all formulated according to the results of the interviews. For example; effective management and expert strategic planning department were all assumed to be two of the most important strengths of the company while, inability to support the changes financially and lack of specific strategic advantage were defined to be some of the weaknesses of the company. In the frame of the interviews, all of the factors which are formulated are seen in details on table 2.

Only the SWOT factors were not enough that is why it was decided to find out what kind of strategies are formulated and executed according to the factors that form SWOT. In this sense the strategies were grouped under SO, WO, ST, WT. Below are the strategies listed as seen on table 2.

SO (Strengths and Opportunities are evaluated): Organic Growth

WO (Weaknesses and Opportunities are evaluated): Concentrating on Research/Development Activities

ST (Strengths and Threats are evaluated): Competitive Advantage

WT (Weaknesses and Threats are evaluated): Developing Marketing Activities

As soon as the Strategic Components and the SWOT factors were determined, the next step was to make a pair-wise comparison and find out local weights related to SWOT factors. The pair-wise comparison was made in the basis of AHP and each factor was determined by taking the mode of the interviewees' evaluations. Then finally, the local weights of the factors were calculated. According to the results, all the interviewees believed that the most important component was the STRENGTHS by 0,571 and followed by Opportunities (0,272), Threats (0,112) and the least important component accepted was the THREATS (0,045). (See Table 3).

TABLE 2
STRATEGIC COMPONENTS OF SWOT MATRIX

INTERNAL ENVIRONMENT FACTORS	STRENGTH	WEAKNESSES
	S1. Effective management S2. Expert strategic planning department. S3. The existence of the company's basic strength areas S4. The strength of financial resources. S5. Being defended from strong rivalry	W1. Lack of specific strategic advantage. W2. Inability to support the changes in strategies financially. W3. Lack of actual or up-to-date compensation systems of top level managers. W4. Weakness of marketing and advertisement activities. W5. Weakness in internal control. W6. Inadequacy of the budgets in relation with the operation volume/capacity
EXTERNAL ENVIRONMENT FACTORS		
OPPORTUNITIES	SO Strategy	WO Strategy
O1. New investment incentive precautions. O2. Increase in population of the market segment. O3. Opportunity to grow fast because of the demand increase in the market O4. Decrease of added value duty ratio O5. The long-term low interest land credits of the local government O6. Obstacles for the import products.	“Organic Growth”	“Concentrating on Research/Development Activities”
THREATS	ST Strategy	WT Strategy
T1. Decrease of the demand in the market T2. Increase of rivalry in internal market T3. The changes in the consumers' needs and interests T4. The negative impacts of the changes in foreign currency T5. The high rate increases in credit interests T6. The strengthening of some of the rivals	“Competitive Advantage”	“Developing Marketing Activities”

TABLE 3
PAIR-WISE COMPARISON MATRIX AND LOCAL WEIGHTS RELATED TO SWOT GROUP FACTORS

SWOT Group Factors	O	S	T	W	Local Weights
Opportunities (O)	1	1/3	3	7	0,272
Strengths(S)		1	5	9	0,571
Threats(T)			1	3	0,112
Weaknesses (W)				1	0,045

Inconsistency Ratio:0.032

After having found out the local weights of SWOT components, the next step involves calculating the global weights. Here the formula is to multiply the local weight of the main factors and the local weights of each sub-factor.

According to Table 4 which shows the global weights, some sub-factors play more importance in the overall. For example; when opportunities sub-factors are regarded, “new investment incentive precautions” has the

highest weight. When the same evaluation is made to the other sub-factors, “The strength of financial resources” has the highest weight in strengths; “Decrease of the demand in the market” has the highest weight in threats and “Inability to support the changes in strategies financially” has the highest weight in weaknesses.

TABLE 4
FACTORS AND PRIORITIES

Main Factors	Local Weights	Sub Factors	Local Weights	Global Weights
Opportunities	0,272	O1. New investment incentive precautions.	0,177	0,048
		O 2. Increase in population of the market segment.	0,143	0,039
		O 3. Opportunity to grow fast because of the demand increase in the market	0,435	0,119
		O 4. Decrease of added value duty ratio	0,057	0,016
		O 5. The long-term low interest land credits of the local government	0,050	0,014
		O 6. Obstacles for the import products.	0,137	0,037
Strengths	0,571	S1. Effective management	0,244	0,139
		S2. Expert strategic planning department.	0,102	0,058
		S3. The existence of the company’s basic strength areas	0,108	0,061
		S4. The strength of financial resources.	0,476	0,271
		S5. Being defended from strong rivalry	0,071	0,041
Threats	0,112	T1. Decrease of the demand in the market	0,380	0,042
		T2. Increase of rivalry in internal market	0,104	0,012
		T3. The changes in the consumers’ needs and interests	0,104	0,012
		T4. The negative impacts of the changes in foreign currency	0,056	0,006
		T5. The high rate increases in credit interests	0,044	0,005
		T6. The strengthening of some of the rivals	0,312	0,035
Weaknesses	0,045	W1. Lack of specific strategic advantage.	0,099	0,004
		W 2. Inability to support the changes in strategies financially.	0,296	0,013
		W 3. Lack of actual or up-to-date compensation systems of top level managers.	0,032	0,001
		W 4. Weakness of marketing and advertisement activities.	0,462	0,021
		W 5. Weakness in internal control.	0,046	0,002
		W 6. Inadequacy of the budgets in relation with the operation volume/capacity	0,065	0,003
				Total	1,000

When all the local and global weights are calculated separately then the next step was to reflect the necessary results on a graphic. On graph 1, SWOT components and the sub-factors’ local weights and the distances between them are seen.

On the graph, each factor of the SWOT is shown in the same group on a plane. Thus, according to the distances between the factors and their local weights, the graph enables to see their importance degree. Although they take place on different edges, it should be noted that each has positive weights.

As seen on graph 1; most important factors that have the highest weights are respectively, “the strength of financial resources (s4)” and “effective management (S1)”. When opportunities are analyzed, “opportunity to grow fast because of the demand increase in the market (O3)” is the most important one as it is compared to the others. Threats and Weaknesses also show the same tendency and there are two factors within each group which are different than the others in terms of weight. For threats these are; “decrease of the demand in the market (T1)” and “the strengthening of some of the rivals (T6)”; for weaknesses these are respectively

“weakness of marketing and advertisement activities (W4)” and “inadequacy of the budgets in relation with the operation volume/capacity (W6)”.

In summary, when compared to each other the distinctive factors may be listed as below;

- “The strength of financial resources”(s4)
- “Effective management” (S1)
- “Opportunity to grow fast because of the demand increase in the market” (O3)
- “Decrease of the demand in the market” (T1)
- “The strengthening of some of the rivals” (T6),
- “Weakness of marketing and advertisement activities” (W4)
- “Inadequacy of the budgets in relation with the operation volume/capacity” (W6)

GRAPH 1

SWOT AND THE SUB-FACTORS IN THE FRAME OF LOCAL WEIGHTS

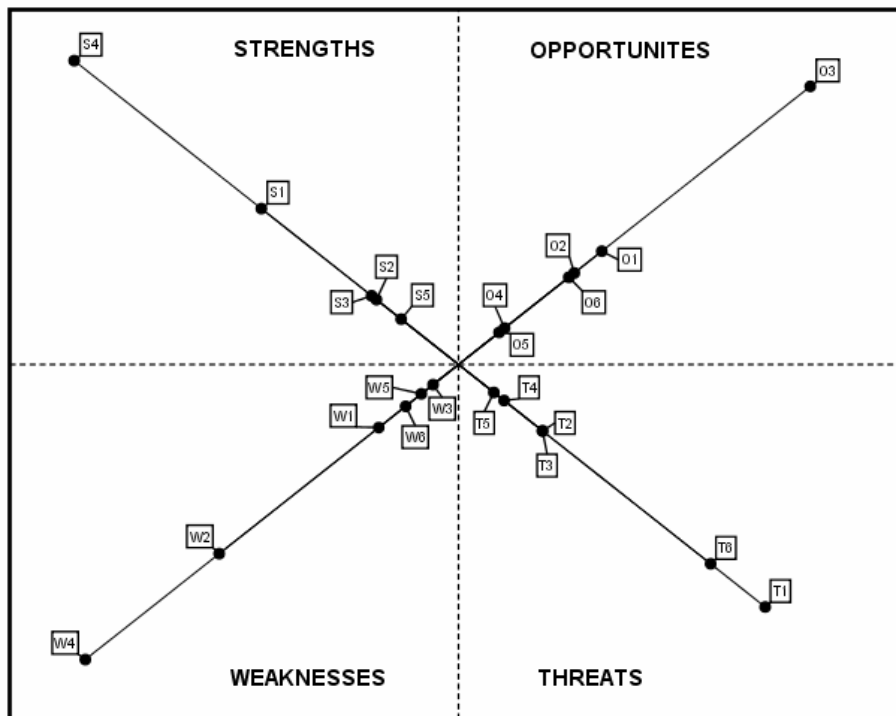


TABLE 5

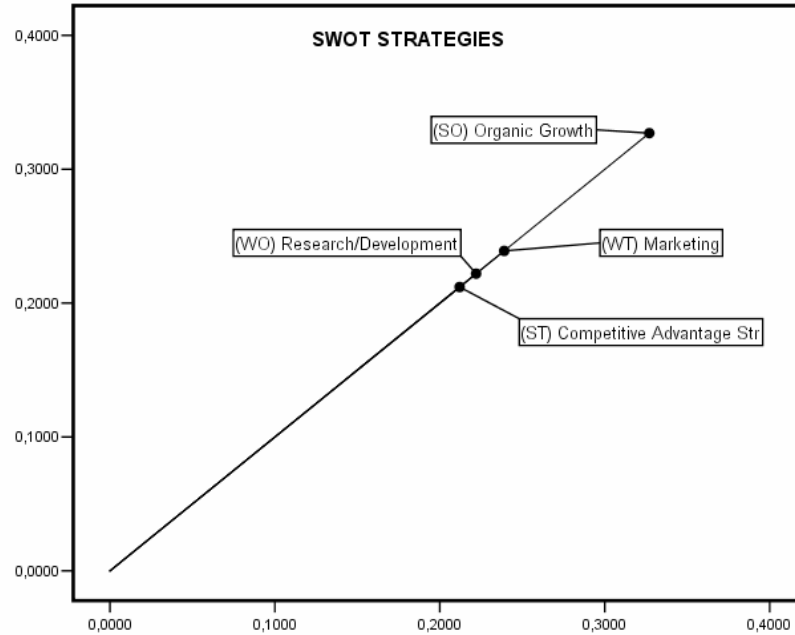
STRATEGIES AND PRIORITIES IN BASIS OF FACTORS

(SO) Organic Growth	0,327
(ST) Competitive Advantage Strategy	0,212
(WO) Research/Development	0,222
(WT) Marketing	0,239
TOTAL	1,00

The other necessary calculations are making the pair-wise comparisons of SWOT strategies and priorities in the basis of factors. As a result of this comparison what are found out are the local weights. The calculations' results are shown on table 5 and also shown as a graph (Graph 2 & Table 5). In this case, the most important strategy is SO strategy that is defined as "Organic Growth". Also, the other strategies which are "ST", "WO" and "WT" may be considered as close strategies.

GRAPH 2

SWOT STRATEGIES ACCORDING TO THEIR WEIGHTS



Second Strategic Tool Application: DPM

The purpose of the research was to make a comparison between the evaluations of two strategic tools; SWOT and DPM. The first strategic tool and the related quantitative calculations were made in the previous part of the research and afterwards, the next step is based on making the calculations according to DPM.

The findings based on the interviews were also used for the formulation of DPM. In DPM, there are two determinative factors; the attractiveness of the market and the competitive circumstances. These two determinative factors were questioned by some sub-factors and these sub-factors' local weights were all calculated by taking the mean of the interviewees' assessments. Here are the sub-factors and the local weights reflected on table 6 and table 7.

TABLE 6**THE DPM APPLICATION****THE ASSESSMENT OF THE ATTRACTIVENESS OF THE MARKET**

Factors	Weight	Value	Local Weights
• Growth	7	9	63
• Profitability	7	7	49
• Stability of profitability	7	9	63
• The variety of products	9	9	81
• Difficulty degree of the entrance into the market	8	8	64
• Threat of substitute products	7	9	63
• Threat of suppliers	7	9	63
• Added value perceived by the consumers	7	8	56
• The economic power of the consumers	7	7	49
Total	66		551
		value	8,35

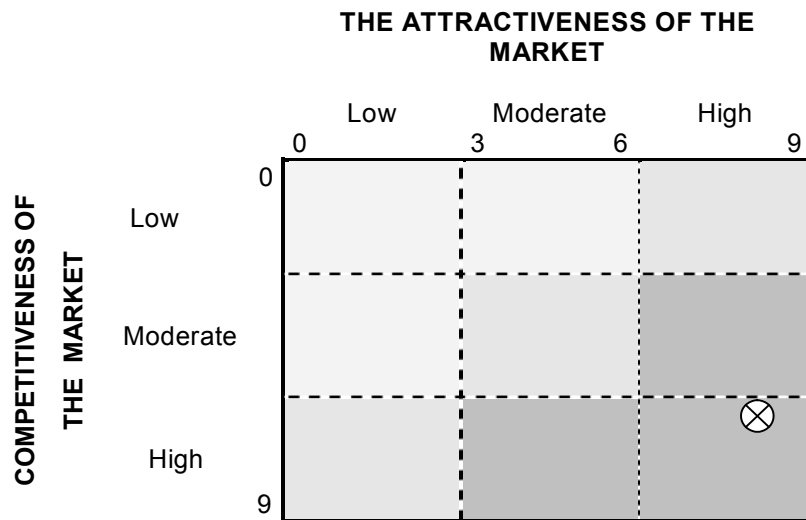
TABLE 7**THE DPM APPLICATION****THE ASSESSMENT OF THE COMPETITIVENESS OF THE MARKET**

Factors	Weight	Value	Local Weights
• Financial position	9	7	63
• The quality of production facilities	8	8	64
• The degree of the usage of capacity	7	7	49
• Distribution channels	7	6	42
• Technical services	7	5	35
• Services after sales	7	4	28
• Production capability and the possibility	7	6	42
• Stocking capability and the possibility	7	6	42
• Customer support services	6	7	42
Total	65		407
		value	6,26

In the assessment when the factors and their local weights are calculated then the company could be placed on the positioning map (See graph 3).

GRAPH 3

THE POSITIONING MAP



CONCLUSION

When the findings of the analysis are taken into account, the results might be summarized as follows;

According to Quantitative SWOT results, “Strengths are the major factors that determine the strategies of the company”. In this sense, when SWOT strategies are evaluated, “research and development”, “competitive advantage” and “marketing activities” are regarded as similar and close strategies while “organic growth” is assessed as the most important strategy of the company. In other words, Tesco-Kipa has been applying organic growth since the acquisition occurred in 2003. Therefore, the results of the quantitative SWOT analysis and the real life case of Tesco-Kipa are overlapping.

As the findings are being evaluated another important fact that should be taken into account is that; “opportunities”, “threats” are respectively important while “weaknesses” are not regarded that much important during the formulation of the strategies. This conclusion also supports the organic growth strategy.

In addition to quantitative SWOT, DPM is the other strategic tool to be used and in relation with the analysis, the findings are summarized as follows;

DPM also leads to the same strategies as Quantitative SWOT does. It is proved that the attractiveness of the market is high as well as the competitiveness of the company in the market. In other words, the company is a powerful company that can compete in a very attractive market.

When the results of the two strategic tools are compared, it is seen once more that the strategies are similar. Especially in the light of strength factors, as long as the market is attractive, “organic growth” has the overall importance among the strategies of Tesco-Kipa.

In addition to the findings underlined above, it should be noted that if it is needed to make comparison between two or more companies in a market related to their strategic objectives, DPM is more appropriate because for DPM, there are common factors used in concerning companies and markets. Besides, while quantitative SWOT is conducted, there might be several different sub-factors concerning each company. Additionally, while each of the analysis methods are executed, there is a necessity to identify every factor according to the market and the company. Especially, in order to assess quantitative SWOT analysis, it is extremely important to use the relevant interview method done by the specialists.

If the two tools are compared it should be noted again that quantitative SWOT is more appropriate to be applied to a specific company; while DPM is a tool which is more appropriate to compare two or more companies.

As a conclusion, after having evaluated the usage of these two important tools, the strategies of the company defined by Quantitative SWOT and DPM can be summarized as; Organic Growth in relation with SO; Concentrating on Research/Development Activities, in relation with WO; Competitive Advantage in relation with ST and Developing Marketing Activities in relation with WT.

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***CONSUMER BEHAVIOR
AND MARKETING IN
STRATEGIC
MANAGEMENT***

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

- ATTITUDES OF MANAGERS AND CUSTOMERS IN BOSNIA AND HERZEGOVINA -

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ABSTRACT

Corporate social responsibility is becoming more current topic in transitional countries, together with their transformation and process of globalization. Problems that companies, which implement responsible behavior at development markets, face with complicate more the low level of economical development, as well as the disordered legislative system in this area. Besides that, competitive pressure, limited purchasing power and undeveloped responsible attitude of customers regarding environment have created „corporate responsible business trap“.

Namely, very often one faces with the customers, expressing preferences for companies' responsible behavior, but at the same time trying to escape owns' role or obligations. That means customers don't want to pay higher prices for the products selling by “responsible companies”.

The other, also important moment is customers' perception of quality companies' responsibility. It means customers often skeptic regarding companies actions, specifically cause-related marketing. Those actions are very close to transfer obligation for responsible behavior from company to the customers, which means companies get credits for responsible behavior customers pay.

This influence on the fact company has to work in order to create responsible behavior, but at the same time to create adequate channel for “talking” of their responsibility or informing crucial interest groups of the activities company create to build image of responsibility (or being truly responsible). In the process company should focus to the most important interest groups of the company, customers, employees, shareholders and public, even potential investors. Namely, results of previous research show that companies responsible behavior and responsible business becoming more and more important factor in the investment decision making process or choosing potential partners for investments, and finally in the process of choosing attractive countries.

This is the reason why management has the most important role in the process of accepting and implementing responsible behavior. Responsible companies could be the ones leading by responsible management. On the other hand responsible management means taking care and thinking of the main stakeholder interest. Instead of using instrumental approach, responsible managers use strategic management of stakeholders, which means creating companies strategies and goals based on stakeholders interests, not only shareholders one.

We made research of managers and customers perception of responsible behavior meaning and responsible practice. We wanted to find out main categories between identified groups, in order to compare them with results of previous research. Except that we compared perception between those stakeholders groups in order to detect possible gaps companies have to close using information models.

In the paper we have presented results of attitudes and perception of CSR meanings research and possible ways to resolve conflicts between different groups. The research was conducted among Bosnian managers and students, who are at the same time customers. We had great opportunity to contact ate and graduate students, studying at the biggest and most famous faculty in Bosnia and Herzegovina. We aware of the fact those students are not representative sample of total customer population in Bosnia and Herzegovina, but at the same time, they

are the most objective and critical part of the total population. It means if participants of those groups accept some companies' information as relevant, the other groups would be for sure.

Based on analysis, of available resources from corporate responsibility and corporate social responsibility fields, as well as conducted research, we can conclude that even among those that we find as opinion leaders, of responsible behavior, does not exist enough developed understanding of importance and complexity of the problem that we are facing with, yet less understanding of its personal role and importance that they have in guiding their companies and employees. We found there were significant differences between managers and customers attitudes, specifically of the responsible behavior meaning and quality of responsibility. We concluded it was very important, since credibility of companies or their actions are the crucial part of successful results of trying to include customers as active partners.

Companies are left to lobby for legislative order, aid in strengthening objective and effective nongovernmental sector as well as using strategies of informing and interaction with its employees, opinion leaders and customers. Only parallel working on all those areas could give results and create critical point which will help Bosnian and Herzegovinian companies and customers to find way to build responsible practice and responsible behavior at supply and demand side. Taking into consideration that it will be one of prerequisites for Bosnia and Herzegovina to get opportunity to become member of EU, there is no doubt it is very important issues. Based on results of our research, we create recommendations for managers, educational institutions and non-government organization and possible network between all of them, as well as suggestion for future research.

Key words: corporate social responsibility, managers' attitude, customers' attitude, stakeholders' perspective

INTRODUCTION

Social corporate responsibility presents one of the fastest growing contemporary phenomena, influencing companies' business activities, policies and market strategies. One of the main problems companies, wanting to be responsible, face is the unclear and imprecise definition of the meaning of the CSR, identification of the main interest groups of the company, as well as the "costs of responsible business".

This is especially present in transitional countries, growing toward free market economy, but at the same time facing transitional corporations' competition, at the domestic, as well as international market. For this situation typical are some of the key stakeholders to accept and insist on the responsible business, but at the same time, much lower to accept their participation in implementation of responsibility. Customers are the ones specifically explicit at this, but employees too. Both of them very often trade off preferences for responsible behavior for cheaper products and higher salaries.

Because of that implementation and quality of companies' responsible behavior in transitional countries are mainly result of the companies' management, since law regulation of this area almost non exist, and nongovernment sector is at the beginning of the development.

Today corporate social responsibility (CSR) is closely interrelated with marketing, in the companies struggling for competitive advantage or successful way of differentiation. Benefits of CSR integration in business operation and strategies based on the increased sales and market share of responsible companies, strengthened brand positioning, enhanced corporate image, increased ability to attract, motivate and retain employees, decreased operating costs and increased appeal to investors and financial analysts. That means that in highly competitive markets CSR might yet prove to be valuable basis for differentiation (Smith, 2005).

Until recently, board members often regarded CR as a piece of rhetoric intended to placate environmentalists and human rights campaigns. But now, companies beginning to regard CR as a normal facet of business and are thinking about ways to develop internal structures and processes that will emphasize it more heavily. To view the modern corporation in a strict economic sense is to ignore reality, and to suggest that its responsibilities include only economic obligation is myopic (Wartick et al, 1985).

The growing emphasis on corporate social responsibility is affecting the relationship between companies and their various stakeholders, such as investors, customers, vendors, suppliers, employees, communities and governments. The purpose of this paper is to point out some of more important results we found during research among management of the most successful Bosnian companies and MBA students, their attitudes about CSR, problems and implications associated with the CSR concept, and differences between management perception and contrary MBA students perceptions regarding the most important CSR dimensions.

Meaning of CSR

Corporate social responsibility isn't a new term, but it is recently well-explored and differently described by different groups of authors, or practitioners. One of the first approaches to encompass the spectrum of economic and non-economic concerns in defining social responsibility was the "three concentric circles" approach espoused by the Committee for Economic Development (CED) in 1971. The *inner circle* "includes the clear-cut basic responsibilities for the efficient execution of the economic function – products, jobs, and economic growth." The *intermediate circle* "encompasses a responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities: for example, with respect to environmental conservation, hiring, and relations with employees... The *outer circle* "outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment". (Committee for Economic Development, 1971, p. 15)

The outer circle would refer to business helping with major social problems in society such as poverty and urban blight. This "widening circle" approach has also been adopted by Davis and Blomstrom (1975). The idea of social responsibilities supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations (p.144).

Concept of corporate social responsibility is closely interrelated with the corporate governance, more precisely concept of strategic marketing management. Only synergy between the corporate governance, marketing concept and responsible business can create base for successful business and company differentiation (Sparkes, 2003).

Very often, the term of corporate responsibility is used as the synonym for corporate social responsibility. According to Philip Kotler and Nancy Lee, Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contribution of corporate resources (Kotler, Nancy, 2005).

"Corporate responsibility is really about ensuring that the company can grow on a sustainable basis, while ensuring fairness to all stakeholders (Marthy, 2005). This definition emphasizes the company's external relationships. But EIU survey shows that executives are much more focused on the internal aspects of CR, in particular: ethical behavior, corporate governance and transparency. The most important stakeholders for executives, after customers, were employees and shareholders.

Hypothesis 1: There is no unique definition of CSR concept among managers and MBA students in B&H. They have mainly tried to define CSR based on negative determination.

Different kinds of responsibility

For a definition of social responsibility to fully address the entire range of obligations business has to society, it must embody the economic, legal, ethical, and discretionary categories of business performance. These four basic expectations reflect a view of social responsibility that is related to some of the definitions offered earlier but that categorizes the social responsibilities of businesses in a more exhaustive manner. These four categories are not mutually exclusive, nor are they intended to portray a continuum with economic concerns on one end and social concerns on the other. It could be stated:

The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time. (Carroll, 1979)

Taking into consideration the most important dimension of responsible business is connected with the primary and secondary stakeholders, as well as with those who influence the company (Donaldson, Preston, 1995), CSR encompasses various kinds of responsibilities (Post et al, 1996). The most important and the most frequent are the ones toward: (I) Employees and other stakeholders within the company (labor relations, additional health care, education at the workplace, transparency in corporate governance, etc.); (II) The economic system: honor contracts, transparency, preserving competition etc.; (III) Environment: preservation; (IV) The social system: respect for state recommendation (e.g. inner city redevelopment, education); (V) Social welfare (Help to disabled, support people in need etc.) and (VI) Cultural needs and institutions, (e.g. banks as art collectors).

Basic premise that corporate managers have an ethical obligation to consider and address the needs of society, not just to act solely in the interests of the shareholder or their own self-interest is not developed still (Wilson,

2003). Competitive pressure of globalize companies and low level of purchasing power create very hard “responsible environment” for the companies.

Hypothesis 2: Company and managers create different level responsibility regarding their stakeholders, and there are differences between the perceptions of top managers of the best Bosnian companies and customers for the most important stakeholders groups and factors that would influence on implementation of business ethics practices.

Corporate responsibility as the result of individuals’ attitudes regarding CSR

Trying to determine responsible or irresponsible behavior, we have to start with the next attitude: for organizations to act irresponsibly, individuals must act irresponsibly. The very significant influencing factor is responsible behavior of companies’ customers. When individual irresponsible actions become systemic and significant, the problem then becomes an organizational one.

In fact the belief that customers will pay a premium for CSR is a myth. The question is how responsive is the companies’ customer base to CSR? There is likely to be considerable variation in how much the market responds to CSR initiatives. Would customer be willing to pay more for the new product? Contrary to popular opinion, customers are often unwilling to pay a premium for CSR. If the company’s customer base is CSR-responsive, but unwilling to pay more, will the improvement provide a sustainable advantage relative to competitors?

While it is possible to understand why some individuals act badly, it is more difficult to explain why other individuals, especially customers ask for responsible corporate behavior, but at the time escape their role in responsiveness. Consequently it is interesting to assess whether knowledge on CSR amongst B&H customers build their purchasing habit based on companies’ CSR activities.

Hypothesis 3: Companies will act responsible if their customers insist them to do that, but customers do not make their choices when buying a product/service based on companies CSR strategy.

That was the standpoint for creating research between managers and MBA students, trying to investigate their attitudes about CSR, dimensions they think are the most important, and main obstacles they are faced with.

For analyses and summarizing, as well as for creating hypothesis, we have used a stakeholder model (Bhasa, 2004) of the corporation instead of conventional input-output model (Donaldson, Preston, 1995). We have started with the preposition that the stakeholder theory is good way to describe, and sometimes to explain, corporate behaviors toward different interest groups (Freeman, 1984).

RESEARCH METHODOLOGY

The purpose of this study was to examine the nature of corporate social responsibility and the degree of social responsibility, as well as the importance of responsibility towards different stakeholders in Bosnian companies (their managers) and MBA students.

In development of the research methodology in this study, aspects of previous surveys in corporate social responsibility and business ethics were taken into consideration. Developed questionnaire reflects previous research instruments and allows respondents to retain their anonymity and still provide more detailed information.

The questionnaire contained three parts: (I) Determining the views on and aspects of social responsibility of companies; (II) Determining the aspects of responsibility in a company toward the most important stakeholders and (III) Determining the most important obstacles to development responsible behavior.

FINDINGS

Findings will be discussed in terms of sample composition, overall views on corporate social responsibility, company's attitudes towards elements of social responsibility, companies and MBA students' differences, and main factors for implementation of responsible behavior.

The sample was composed of the managers of the best Bosnian companies, announced each year, based on their business results (return, profit, export...; public and private) and MBA students, studying at School of Economics and Business, Sarajevo and Sarajevo Graduate School of Business (first American MBA program in the region). Sample included 31 companies and 20 MBA students.

Attitude towards ethical issues

First part of the research addressed the meaning of social responsibility between managers and students. Since the concept of social responsibility does not have a universally accepted definition, the respondents in both areas were asked to define the concept between three possible categories.

From these answers it is possible to conclude that the majority of companies (58%) (managers in companies) and students (50%) think that the corporate responsibility is the same as decision-making, which do not have negative influence on company's stakeholders. About 40% of them are lean toward a positive view that presumes strategic stakeholder management, as a concept in which company while creating strategy and setting the goals starts from the interests of its main stakeholders (Berman and Wicks, 1999). We can conclude that hypothesis one is proved.

Besides that, it is necessary to emphasize the main differences (in comparison with other answers and attitudes) between the answers that managers and students gave, regarding corporate philanthropy. Still, 10% of the students think that responsible behavior is a charity or company's philanthropic behavior, even when that has negative effects on profit.

Differences between companies and students

Based on acquired answers we have compared grades of importance of some responsibility dimensions towards some the most important companies' stakeholders. While doing that, we have used four, the most important interest groups, derived from previous corporate responsibility and ethical behavior researches: customers, employees, public and stakeholders (The Economist Intelligence Unite 2005 and Fulop et al, 2000)

Significance of dimensions of responsible behavior towards chosen interest groups, on a scale from 1= not important at all, till 5= very important, is shown below:

EXIIHIBIT 1 RANKS OF RESPONSIBILITY TOWARD STAKEHOLDERS

DIMENSION	Companies	MBA
Responsibility towards stakeholders	4,4	4,3
Responsibility towards customers	4,374	4,2
Responsibility towards employees	4,31	4,22
Responsibility towards public	4,258	4,17

Towards Independent Samples Test, main statistical difference between attitudes of companies and MBA students does not exist, when we look at the elements of dimensions of responsibility towards specific interest groups. If we look at specific elements of responsibility it is possible to see that among first five elements (in

single ranking) we can find four of them belong to the customers, quality products dimension and customers' relationship dimension.

Besides these results, it is interesting that among the least important elements of responsibility towards some stakeholders are fair advertising and offer diversity out of the group of customers, and that the fair prices are in the lower part of the rank. These results are in contrary with thinking and emphasis on building the relationship with the customers as a dominant element, which we find at the top of the list. That could refer to the standard problem called perception of quality by consumers and by managers, known in gap analysis (Parasuraman et al, 1990). Statistically significant difference between company and students' attitudes in ranking some of the elements of responsibility, we can see between attitudes regarding Supply diversity as the element of Responsibility toward customers ($p < 0.05$). Between other elements there is no statistically significant difference between answers.

EXIHIBIT 2 STATISTICALLY SIGNIFICANT DIFFERENCE FOR SUPPLY DIVERSITY

Element	Levene's Test for Equality of Variance		t-test for Equality of Means						
	F	Sig.	T	Df	Sig. (2-tailed)-p value	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Supply diversity...	3,095	,091	2,373	24	,026	,825	,348	,107	1,543

It is also important to emphasize the grade of significance of particular factors that would influence the implementation of responsible behavior. In ranking of these factors managers are pointing out at customers' or supplier objections as the most important with 2.73. After that is company's negative image created by media. On the opposite side of that, students emphasize court decisions to company's disadvantage as a dominant factor with 2.63 and company's negative image, as well. At the bottom of the rank, there are corruption in B&H report factors with 1.68 answers, given by students and 1.93 answers given by companies' managers, as well as signs of insufficient ethical behavior in the company with 1.89 from students, 2.06 from managers and pressure by the environment protection groups 1.95 and 2.11 respectively. Out of this it is possible to conclude that the real responsibility, i.e. true moral behavior, is still insufficient moving factor for startup and implementation of ethical practice and responsible behavior. If these estimates are compared with the priorities respondents put at the top of the list of responsibility dimension there is justification to ask a question: *are the certain priorities under significant influence of adopted mission and vision statements, as well as company business objectives, i.e. curriculum, more than the result of individual understanding and belief.*

In ranking of the factors, that would influence the implementation of the responsible behavior, it is possible to find the great differences between the students and managers. While companies rank customer objections factor and management change factor on the top of the list, MBA students stress court decision to company's disadvantage factor and company's negative image created by media. But at the same time, pressure by the environment protection groups and signs of insufficient ethical behavior in the company are at the end of list for both groups.

However, according to Independent Samples Test, the difference among the attitudes between the companies and MBA students about factors that contribute to start the ethical questions we can notice only with grade of customer or supplier objective factor ($p < 0,05$ which means there is statistically significant difference between statistically means analyzed gaps). According to the other attitudes there is no statistically significant difference among observed groups.

EXIHIBIT 3 STATISTICALLY SIGNIFICANT DIFFERENCE FOR CUSTOMER OBJECTIONS

Element	Levene's Test for Equality of Variance		t-test for Equality of Means						
	F	Sig.	T	Df	Sig. (2-tailed)-p value	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Customer objections.....	1,904	,174	2,660	47	,011	,365	,137	,089	,641

On a basis of results we've got from research, we can conclude that hypothesis two is only partially proved. That is in the part regarding on ranking of significance of certain dimensions.

Customers' attitudes regarding CSR

Based on research results 24.20% customers state responsible companies are the ones using some of the law activities connected to the tax and social benefits obligations for its employees, next 10.75% are the ones provides sponsorship for sports and cultural events and 10.17% companies using some forms of cause-related marketing (creating relationship between selling products and supporting some causes). But important is that one third of respondents (29.7%) claim there are not socially responsible companies in B&H at all. (Mešanović 2005).

But for companies' CSR strategies important issue is 22.35% of respondents claimed companies' motive for responsible behavior is the goal to be more popular and to attract higher number of buyers, 19.22% had pointed companies want to satisfy it employees and create positive interaction among them. Just 10.30% of respondent had thought companies want to help community development for philanthropic reasons without profiting from it. Comparing to the students responses we can conclude there is significant gap between the attitudes those two groups of research participants. Companies have to think of these differences when launching CSR strategies and actions.

But the most important problem companies will face with is the respondents' attitudes regarding the responsible business as the factor analyzing during the process of decision making. 41.54% of customers had stated that responsibility of companies were not important when they were shopping. They only had care about the price and the quality of the product. 26.02% of respondent had stated it was important that companies invest in community development, but that didn't their buying behavior.

It is important for the companies to be aware their actions won't be enough attractive to create preferences between customer and influence their buying decisions. That means the only result of companies CSR activities would be creating higher awareness and brand image among the public. The conclusion would be: the most responsible behavior would be the one which is concentrated on the companies' primary stakeholders.

MANAGERIAL IMPLICATIONS

On a basis of conducted research we can conclude that the majority of respondents are prone to define corporate responsible behavior as a behavior that does not jeopardize company's interest groups and that among the respondents the most significant are shareholders. These results refer to the fact that corporate responsibility, as well as the employees towards public and customers still have not reached the necessary level for the competition and economically developed environment. Despite the fact that there is a "double" game of the customers, that would gladly have business with responsible corporation, but not paid the burden of the responsibility. In these circumstances differentiation based on responsible behavior is still a sufficient reason for companies to accept this practice.

Two conditions are necessary to prevent corporate social irresponsibility: a set of strong and consistent organizational values that espouse corporate social responsibility, and employee empowerment that permits and encourages individuals to express their concerns to senior management. Companies have to present their responsible behavior, on the way which won't create negative customers' reactions. Namely, customers and public authorities are very sensitive on the CSR promotion. They could perceive those companies want to create stronger image or positive marketing implications and consequently they become very critical toward their motives and intentions.

Finally, corporate social responsibility is not an invitation for companies to take over charitable functions better left to foundations and publicly elected bodies. In economic terms it is a constraint on business activity, which must be integrated into management decision-making in order to maximize long-term profits. To repeat, CSR simply means that companies should carry out their core function of making profits by the provision of goods and services – but, and this is crucial, by doing so in a socially responsible way.

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CORPORATE SOCIAL RESPONSIBILITY OF SMALL AND MEDIUM ENTERPRISES IN BOSNIA AND HERZEGOVINA

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ABSTRACT

In 21st century, corporate social responsibility is on its crossroads. Many controversies emerged amongst theoreticians and practitioners. The main reason for controversies are bad business practices of companies and poor understanding of definitional context of CSR. The term «corporate social responsibility» became a term that is being relativized, misused and criticised by many.

The literature on CSR is predominantly of anglo-american origin, focused on large corporations and issues those corporations face in dynamic globalized world. However, there is no specific literature on CSR in SMEs. Since SMEs represent the relevant business actors and make up over 90 per cent of businesses worldwide and account for between 50 and 60 per cent of employment, we see them as relevant driver of economic growth especially in transition countries such as Bosnia and Herzegovina (B&H).

The main objective of this paper is to identify the problems and shortcomings of business environment of SMEs in Bosnia and Herzegovina in terms of corporate social responsibility and to propose theoretical solution for elimination of identified problems. The analysis in this paper is based on secondary data and information from publications by UNIDO, UNDP, USAID, EU and World Bank. The field research included interviews with managers in SMEs, UNDP staff working on Global Compact Initiative and representatives of UNIDO. The case of SMEs in B&H regarding CSR is very complex due to many obstacles of political and transitional nature. During the analysis of factors that determine CSR activities in SMEs, we identified crucial issues that SMEs in B&H face: a) CSR exists in companies but it is based on ad hoc activities and therefore is not incorporated in long-term strategies and b) consumers do not make their purchase decisions based on CSR activities of companies because they are not familiar with CSR concept.

1. INTRODUCTION

Globalization, the process that has been conquering the world, practically erased national boundaries in terms of business. Rapid development of science and technology influenced the consumers and all stakeholders. The world picture has changed in the last few decades. Complex issues have emerged such as global warming, deepening the gap between developed and underdeveloped countries, ecology issues, endangerment of environment, etc. During the history, companies influenced the society in which they operate in order to maximize profits. Many of them developed strong R&D centres and gave opportunities to societies and communities to improve the life of citizens. However, the by-products of businesses were not always positive. In many cases, companies were preoccupied with profits and profits only.

In the 21st century, corporate social responsibility is on its crossroads. Many controversies emerged amongst theoreticians and practitioners. The main reason controversies occurred are bad business practices and poor understanding of definitional context of CSR. The term «corporate social responsibility» became a term that is being misused and criticised by many. In this paper, we are exploring the importance of CSR in transitional countries with special emphasis on the case of SMEs in Bosnia and Herzegovina (B&H). The main objective of this paper is to identify the problems and shortcomings of business environment in SME sector in Bosnia and Herzegovina regarding the corporate social responsibility. The goal of this research paper is to propose theoretical solution for elimination of identified problems in SME sector. The analysis in this paper is based on secondary data and information from publications by UNIDO, UNDP, USAID, EU and World Bank. The field research included interviews with managers in SMEs, UNDP staff working on Global Compact initiative and representatives of UNIDO.

2. THE CONCEPT OF CSR

2. 1. Development of the CSR Concept

Industrial revolution triggered new business opportunities and new political era. Deregulation in american legislation in 19th century gave additional strength to new corporations. Stockholders were being seen as the most important stakeholder of all, while other stakeholders were being somewhat ignored or forgotten. Year after year, companies were developing strategies focused on short-term goals and maximization of profits. The culmination will take place in 1980s, when global economy was overwhelmed with mergers and acquisitions. The main motive for acquisition or a merger is market domination and maximization of profit. The new breed of corporation was born in 1980s. It was an era when even Milton Friedman acknowledged that corporate social responsibility is to maximize profits (Friedman, 1970: 122-126). In their race for profit, corporations lost their connection with society and communities. Forgotten stakeholders started to create pressure on corporations. The activism was born. The consumerism and environmentalism started to pose serious obstacles to newly formed corporations. The origin of CSR is external to corporations and it could be argued that CSR has its foundation in social movements against the capitalist system.

2. 2. The Controversies on CSR

2. 2. 1. Definitional Construct

Over the years, many different definitions of CSR emerged, backed with different opinions and views on CSR phenomenon. Theoreticians have argued that CSR lacks a universal definition because everyone seems to have their own concept or definition. Today, almost every international organization and every author devoted to CSR have their own point of view on the issue. At the core of the CSR debate is the idea that corporations should transition from a state of mere compliance to a mode of engagement, from harm minimization to value creation. Nevertheless, the concept has been exposed to criticism and has not been uniformly embraced among theoreticians and practitioners. Whether debating on CSR or defining the CSR, some of the major concerns occur:

- a) Is CSR voluntary or obliged by the law?
- b) Who should be included as the stakeholders?
- c) What does responsible acutally mean?
- d) How many dimensions CSR should include?
- e) Is «ethically» the same as «responsible»? , etc.

Carroll (1979) proposed to academic public his four-part definition of CSR. In his research, he differentiates four types of corporate social responsibilities: economic, legal, ethical, and discretionary (later refered as philanthropic). Exhibit 1 elaborates the four-part definition of CSR according to Carroll.

EXHIBIT 1: ECONOMIC, LEGAL, ETHICAL AND PHILANTHROPIC COMPONENTS OF CSR

Economic Components	Legal Components	Ethical Components	Philanthropic Components
It is important to perform in a manner consistent with maximizing earnings per share.	It is important to perform in a manner consistent with expectations of government and law.	It is important to perform in a manner consistent with expectations of societal mores and ethical norms.	It is important to perform in a manner consistent with the philanthropic and charitable expectations of society.
It is important to be committed to being as profitable as possible.	It is important to comply with various federal, state, and local regulations.	It is important to recognize and respect new or evolving ethical moral norms adopted by society.	It is important to assist the fine and performing arts.
It is important to maintain a strong competitive position.	It is important to be a law-abiding corporate citizen.	It is important to prevent ethical norms from being compromised in order to achieve corporate goals.	It is important that managers and employees participate in voluntary and charitable activities within their local communities.
It is important to maintain a high level of operating efficiency.	It is important that a successful firm be defined as one that fulfills its legal obligations.	It is important that good corporate citizenship be defined as doing what is expected morally or ethically.	It is important to provide assistance to private and public educational institutions.
It is important that a successful firm be defined as one that is consistently profitable.	It is important to provide goods and services that at least meet minimal legal requirements.	It is important to recognize that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations.	It is important to assist voluntarily those projects that enhance a community's «quality of life».

Source: Carroll, Archie B.: «The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders», *Business Horizons*, July-August 1991

Werther and Chandler (2006) define the CSR as «*the broad concept that businesses are more than just for-profit seeking entities and, therefore, also have an obligation to benefit society*».

EU also defined CSR: «*CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*» (EU White paper, 2002).

Hopkins (2006: 26) opposes the EU definition and thinks the word «voluntary» should be eliminated since you cannot then consider «any» regulation however minor. Author offers his definition which is often criticised for being robust: «*CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. Ethically or responsible means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic and environmental responsibility. Stakeholders exist both within a firm and outside. The wider the aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation.*» Vogel (2006: 4) defines the CSR as «*activities associated with corporate virtue that typically represent firms' efforts to do more to address a wide variety of social problems than they would have done in the course of their normal pursuit of profits*». It is obvious, many definitions of CSR reflect many different perspectives on the issue. The impact of globalization and mass communication also means that while definition will reflect local situations, they will also be strongly influenced by global trends and changes in international law (Nowak, 2006).

2. 2. 2. CSR Literature on SMEs

The literature on CSR is predominantly of anglo-american origin, focused on large corporations and issues those corporations face in dynamic globalized world. The cultural, socioeconomic, and legal context influences the way ideas are raised, the kinds of questions considered relevant, and the sorts of solutions conceived as desirable and possible (Antal & Sobczak, 2007: 9). However, there is no specific literature on CSR in SMEs, since SMEs represent the relevant business actors and make up over 90 per cent of businesses worldwide and account for between 50 and 60 per cent of employment. Their importance in the development process goes beyond their strength in number (UNIDO, 2002: 13). Fuller (2003: 297-304) notes that SMEs have multiple

roles; they may be seen as innovators (or laggards) in the life-cycle of particular technologies, as a mechanism for privatisation of state-owned enterprises, as a response to global competition, or as a device for economic regeneration. In anglo-american literature, CSR in SMEs is sporadically addressed. Hopkins (2006) notes that issue of SMEs and how they can be cultivated, grown and made more efficient is a major platform in any development effort. Few authors argue how can SMEs effectively implement the CSR agenda and they base their research on the UK case study (Castka, Balzarova, Bamber & Sharp: 2004: 140-149). Jenkins (2004) argues that the relevance of the CSR agenda to SMEs, in the way that is typically framed, remains questionable. The existing propositions for CSR practices are based on experiences of large corporations, mostly MNCs which triggered the process of globalization. Therefore existing CSR practices are not compatible with the cultural context of SMEs. The cultural differences between large and small organizations illustrate why a corporate initiative may not suit a small business. He argues the current literature on corporate CSR and draws parallel on divergence in CSR theory for large and small organizations, which is shown in Exhibit 2.

EXHIBIT 2: CULTURAL DIFFERENCES BETWEEN LARGE AND SMALL ORGANIZATIONS

Corporate (seeking to achieve)	Small Business (often characterised as)
Order	Unitidy
Formal	Informal
Accountability	Trusting
Information	Personal observation
Clear demarcation	Overlapping
Planning	Intuitive
Corporate strategy	«tactically strategic»
Control measures	«I do it my way»
Formal standards	Personally monitoring
Transparency	Ambiguous
Functional expertise	Holistic
Systems	«Freely»
Positional authority	Owner-managed
Formal performance appraisal	Customer/network exposed

EXHIBIT 3: DIVERGENCE IN CSR THEORY FOR LARGE AND SMALL ORGANIZATIONS

Corporate CSR	Small Business CSR
<i>Who</i>	<i>Who</i>
Responsible to wide range of stakeholders	Responsible to fewer and/or different stakeholders
Perceived responsibility to society at large	Perceived responsibility to local community
Importance of shareholders	SMEs often don't have shareholders
<i>Why</i>	<i>Why</i>
Protection of brand image and reputation	Protection of customer business
Pressure from customers	Pressure from business customers down the supply chain
Shareholder pressure, the SRI movement	Pressure from money lenders. Unaffected by SRI movement
The business case	Proven business case lacking
<i>How</i>	<i>How</i>
Based on «corporate values»	Based on principles of «owner-manager»
Formal strategic planning for CSR	Informally planned CSR strategies

Emphasis on standards and indices	Emphasis on intuition and ad hoc processes
Key involvement for CSR professionals	No dedicated personnel for CSR programs
Mitigation of risk	Avoidance of risk
<i>What</i>	<i>What</i>
Prominent campaigns e.g. Cause Related Marketing	Small scale activities such as sponsorship of local football team
Publicity linked to CSR activities	Activities often unrecognized as CSR related

There is a need to focus the research efforts on CSR model which will be compatible for SMEs, especially in developing countries worldwide and CEE countries on their path from state of transition to EU accession.

2. 2. 3. The Criticism of CSR

Criticism on CSR is old almost as the CSR concept itself. De Regil (2005) points out that if we continue to have very sick and incipient democratic structures with a plutocratic system prevailing, CSR has no future, for it will always be a reflection of society. Hopkins (2006) identifies some of the many criticisms CSR faced over the years, shaped in seven essentially different statements:

- CSR lacks universal definition;
- CSR is just part of a public relations plan to bamboozle an increasingly sceptical public;
- CSR is just another word for corporate philanthropy and the contribution that a business directly makes to the welfare of society) is to be viewed as largely independent of its profitability;
- CSR is misleading as it diverts attention from key issues; it is a curse rather than a cure;
- CSR ignores development economics and its concerns with capitalism and neo-liberalism and it is just a way to introduce socialism through the back door;
- the social responsibility of business begins and ends with increasing profits; CSR is an unnecessary distraction and
- CSR is a sham because companies cannot be left to self-regulate.

One of the most radical critics of CSR, Henderson (2001) notes that while the issues that CSR addresses are general, its architects and advocates within the business community typically come from the large MNEs, whose interests are international or even world-wide. He offers a critique of the CSR concept, giving the reasons that CSR concept rests on a mistaken view of issues and events, and that its general adoption would reduce welfare and undermine the market economy. There is a question as to how far its precepts, even if they may hold good for these companies, are applicable to small and medium-sized firms whose public profile is lower and whose concerns are more local. It is possible that this whole recent development of CSR will prove to be little more than a passing fashion, largely confined to the big multinationals and with no serious or lasting impact even on them. In his essay, Henderson notes that CSR should be taken more seriously for several reasons: a) it is not only the large firms that are or may become involved in CSR, b) CSR has to be set in a wider context and c) CSR is a radical doctrine. The possible effects are not confined within national boundaries: they extend to international trade and investment, the economic prospects of developing countries, and even the conduct of politics.

3. ARGUMENTS AND MOTIVES FOR CSR

The companies have different motives for practicing CSR behaviour. Werther and Chandler (2006) identify several arguments for practicing CSR:

- **moral argument** – it assumes that business recognizes that for-profit entities do not exist in a vacuum and that a large part of their success comes as much from actions that are congruent with societal values as from factors internal to the company;
- **rational argument** – CSR represents a means of anticipating and reflecting societal concerns to minimize operational and financial limitations on business;

- **economic argument** – CSR is a way of matching corporate operations with societal values. It adds value because it allows companies to reflect the needs and concerns of their various stakeholder groups. Another research conducted by Berger, Cunningham and Drumwright (2007) revealed three models of behaviour or three different normative logics in company's CSR narratives:

- **The Business Case Model** implies that the normative logic used to explain the CSR activities is relevant only when it translates to a competitive advantage of the firm. CSR initiatives are positioned, measured, supported, and rewarded using traditional bottom-line metrics.
- In **the Social Values-Led Model**, CSR is defined as the force that drives the organization. Noneconomic criteria and the stakeholders associated with them are dominant. CSR is the organization's lifeblood and it is integrated in organizational culture.
- **The Syncretic Stewardship Model** adopts a holistic view of CSR that encompasses a larger and more diverse set of stakeholders than either the business-case or the social values-led firms. CSR is treated as a management philosophy, an overarching approach to business. It is also often referred as the «strategic philanthropy», since companies will strive to align their philanthropic interests with their economic mandates so that both of these objectives may be achieved at the same time (Carroll, 2000: 33-42).

Understanding the different motives and different priorities when it comes to stakeholders, Werther and Chandler (2005) classify stakeholders in three different categories: a) organizational stakeholders - employees, management, stockholders, unions, b) economic stakeholders - customers, creditors, distributors, suppliers and c) societal stakeholders - communities, government and regulators, nonprofits and NGOs, environment. Since we are witnessing the revolution of communications and technology, stakeholders have the opportunity to express their opinion on business practices, whether companies are socially responsible or irresponsible.

Multilevel theory of social change in organizations represents the observation of CSR at the micro (individual), meso (organizational), macro (country), and supra (transnational) level, drawing theories from psychology, sociology, and legal studies, as well as such other disciplines as ethics and international business (Aguilera, Rupp, Williams, Ganapathi: 2007: 836-863). The framework of this theory includes:

- multiple actors (employees, consumers, management, investors, governments, NGOs, etc) that push organizations to act in a socially responsible ways and
- the instrumental, relational and moral motives that lead each actor to push for positive social change.

The exhibit 4 presents CSR motives at multiple levels of analysis according to authors.

EXHIBIT 4: CSR MOTIVES AT MULTIPLE LEVELS OF ANALYSIS

Motives	Level				
	Individual	Organizational	National	Transnational	
				Intergovernmental Entities	Corporate Interest Groups and NGOs
Instrumental	Need for control	Shareholder interests (short term)	Competitiveness	Competitiveness	Power (obtain scarce resources)
Relational	Need for belongingness	Stakeholder interests Legitimation/collective identity (long term)	Social cohesion	Social cohesion	Interest alignment, collaboration and quasi-regulation
Moral	Need for meaningful existence	Stewardship interests Higher-order values	Collective responsibility	Collective responsibility	Altruism

Source: Aguilera, Rupp, Williams, Ganapathi: «Putting the S Back in Corporate Social Responsibility: A Multilevel Theory of Social Change in Organizations», Academy of Management Review, 2007, Vol. 32, pg. 837).

Authors conclude that this model presents a good theoretical base for future research. This is the first theory that observes multiple actors and multiple motives that drive the CSR behaviour. They emphasize that the future brings numerous opportunities for research on micro, meso, macro and supra levels when it comes to CSR. The key is to recognize how actors on all levels perceive the phenomenon and how their motives drive the conceptual framework of CSR. Of great value would be true multilevel research, which would empirically test how actors' motives at different levels interact to predict increased CSR and, consequently, positive social change.

4. TRANSITION COUNTRIES AND CSR PERSPECTIVE IN SMEs

4. 1. Development of SMEs in Transition Countries

The process of transition from planned economy to market economy poses many challenges for companies in Central and Eastern Europe (CEE). On one countries' aim to European Union, SMEs are essential to the 'path out of poverty' for many developing countries in CEE region. It is often found that the legacy of past policies of nationalization, central planning, arbitrary political interference, inappropriate industrial policies and corruption have created an environment of mutual mistrust between the private and the public sectors. There are several reasons why SMEs play important role in transition countries (UNIDO, 2002):

- SMEs tend to employ more labour-intensive production processes than large enterprises;
- there is empirical evidence that countries with a high share of small industrial enterprises have succeeded in making the income distribution more equitable,
- SMEs are key to the transition of agriculture-led to industrial economies;
- SMEs are a seedbed for entrepreneurship development, innovation and risk-taking behaviour;
- SMEs support the building up of systemic productive capacities,
- SMEs, as amply demonstrated in information and communication technologies, are a significant source of innovation, often producing goods in niche markets in a highly flexible and customized manner.

These characteristics of SMEs tend to prove their relevance in transition and developing countries of the world, since there is an absence of large systems and corporations that carry the globalization process. Additional problem is that in many transition countries, the process of privatization has not been terminated. Therefore, SMEs in these countries should be guided by the model that assures them the central position in countries' economy. It means that every process and practice developed in MNCs which proved to be successful, must be adjusted to SME level. The case studies developed by and for SMEs not by and for large corporations will present the guide which will boost the development of both SMEs and national economies. In that light, there is a need to develop more comprehensive business support services on CSR for SMEs (Fox, 2005).

4. 2. CSR Perspective in SMEs in Transition Countries

There is a common belief that CSR is a generic concept by nature and therefore applicable to all organizations, regardless of their size and motives (Castka, Balzarova, Bamber & Sharp: 2004). However, big business framework for CSR proved to be ineffective and inappropriate for SMEs. The fact is that CSR influences SMEs in transitional countries through direct supply chain relationships, as well as the development of legislation, and international standardization and certification.

Teixido notes three ways that SMEs can engage with CSR: a) as providers of employment, b) in their relationship with the public, and c) as providers of goods and services to large companies through supply contracts, marketing, consulting, licensing agreements, etc. It is obvious that SMEs are and will be affected with supply chain issues in their CSR efforts. In his discussion paper, Fox explains how supply chain requirements can discriminate against SMEs:

- SMEs in developing countries find it difficult to access the new technology, environmentally friendly materials, credit, information and training that would help them to meet CSR standards;
- the process of demonstrating compliance with the standards may be a barrier;
- in developing countries, the high cost of certification is also an obstacle to SMEs,
- As buyers adopt a CSR approach, they may prefer to rationalise their supply base, sourcing from a smaller number of larger suppliers in an effort to reduce the risk of social or environmental problems being uncovered within their supply chains, and the transaction costs of audits and inspections across more disparate supply bases.

Some aspects of SME behaviour can be seen as examples of «silent Corporate Social Responsibility»:

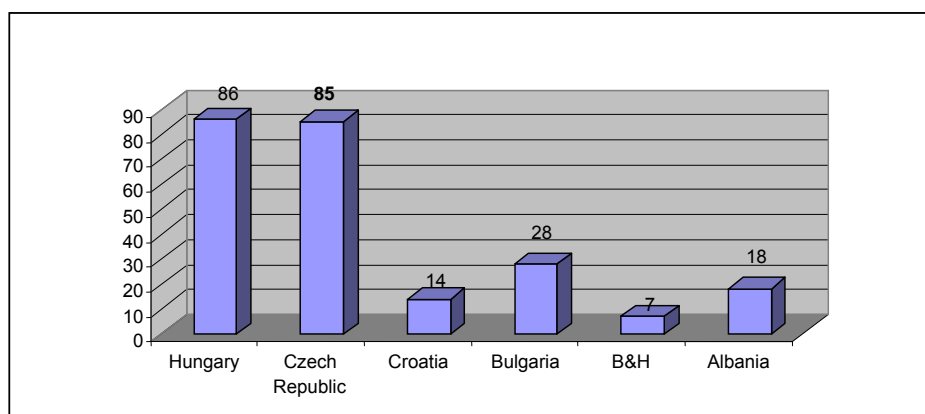
- SMEs are less internationally mobile than MNCs; therefore they take a more longterm view of investment in an individual locality.
- Some family-owned companies exhibit strong religious/philanthropic approaches.
- SMEs have more links to the local civil and cultural environment and may be more aware of local risks and emerging issues than internationally managed companies.

Research on SMEs and CSR in Europe found that: a) SME policies and practice are generally more developed in relation to environmental impacts than to social and economic impacts. This reflects the greater degree of environmental public policy, public awareness and international standardization of certification and auditing processes; b) SMEs tend to prioritize CSR issues and concentrate on one or two key issues rather than cover the broad mix that larger enterprises are able to deal with; c) SMEs tend to focus to a greater extent on local issues and programs; d) SMEs tend to be more active in CSR where they have greater networks of relations, increased focus on quality, links with foreign countries or were involved in production with high environmental impact or heavy use of intellectual capital (CERFE Group: 2001).

4. 3. CSR in SMEs – Case of Bosnia and Herzegovina

Bosnia and Herzegovina, previously a part of Yugoslavia, predominately relied on the state as main actor in regulating social issues, welfare, community development, etc. After gaining its sovereignty in 1992, B&H enters a new era. The period from 1992 to 1995 was a period of war. After signing the Dayton peace agreement, B&H faced tremendous challenge. Infrastructure and production capacities were destroyed. Due to different political and national interests of nationalities, Dayton peace agreement established foundation to complicated political system that consists of two entities, stripping away authority from the state and national institutions. For example, legislative that treats identical legal issues is completely different in entities of Federation of B&H and Republika Srpska. According to World Bank Country Brief, B&H is a lower middle-income country with gross national income per capita of \$2 040. Approximately 61 per cent of GDP is generated in the service sector, 23 per cent in industry, and 11 per cent in agriculture. More than half of total income is controlled by 20 large companies, of which several are still state owned. The process of privatization in these companies has not been terminated yet. Complicated and slow privatization process becomes a limitation to business performances of companies. Hence, the role of SMEs is not defined on both levels – entity and state level. According to PRSP, in comparison to other transitional countries, B&H counts only 7 SMEs per 1000 inhabitants. For example, Republika Srpska as an entity of B&H counts 15.000 SMEs while Baden Wurtenberg in Germany (which is almost the same size as Republika Srpska) counts 400.000 SMEs.

EXHIBIT 5: NUMBER OF SMEs IN SOUTH EAST EUROPE per 1000 INHABITANTS



In order to stimulate the SME sector, USAID is financing the SPIRA project which aims at elimination of complicated registration and legal procedures for SMEs. Although the state and its institutions need to involve more in stimulating the SMEs by formulating the strategy for development of SMEs, this is not the case in B&H. There is no strategy for SME development on state levels. Some of shortcomings and weaknesses in business environment for SMEs in B&H can be classified as follows:

- non-consistent legal framework for SMEs,
- governments do not have defined role in SME sector and therefore are not focused on development of SME sector,
- monetary and fiscal policies are not adjusted to the needs of SME sector,
- insufficient application of communication and information technologies in administrative procedures,
- existing concepts of business incubators and think-tanks do not support development of SME sector,
- lack of knowledge in management, strategic management, leadership, HRM and other scientific fields which could improve competitive advantages of SMEs, etc.

Taking in consideration the absence of institutional framework for development of SME sector which should include CSR concept for SMEs, it is obvious that CSR in SME sector remains a mystery. According to study conducted by UNIDO in 2005 on state of CSR in CEE countries with special focus on B&H, Romania, Bulgaria and Serbia, B&H shows poor performance in domain of national corporate responsibility and responsible competitiveness in comparison to countries of CEE region. There are several initiatives that encourage the dialog on CSR with special focus on SMEs:

- POEMS (Pollution Prevention and Environmental Management System) is an initiative that aims at building the necessary capacity of SMEs in B&H for the implementation of environmental management system according to ISO 14 001;
- UN Global Compact in B&H within UNDP;
- Ethical Code of Conduct and Corporate Governance Codes;
- public contest «DOBR08» represents NGOs initiative for assesment and public rewarding of companies that involve CSR in their strategy. The objective of the media campaign behind the contest DOBR08 is to educate the consumers and other stakeholders on CSR in companies as a part of long-term strategies;
- initiative for Regional CSR Center as a platform for exchange of CSR expiriences and best pratices, since countries in the region manifest cultural similarities;
- REAP (Responsible Entrepreneurship Achievement Program) by UNIDO;
- USAID (U.S. Agency for International Development) is financing the project of informatization in SMEs in order to advance their competitiveness on markets.

Existing CSR activities in B&H are results of sporadic efforts usually driven by the motives of owners or CEOs, while a strategic component is missing. They usually manifest as sponsorships, donations, corporate philanthropy, etc and tend to be short-term activities. But, CSR goes beyond corporate philanthropy, volonterism and charitable donations to communities.

There is a common belief that CSR framework developed within large corporation does not fit SMEs. There is no «one size fits all» approach. On this basis, UNIDO developed the REAP which is based on UN Global Compact, triple bottom line, total employee involvement, 5S workplace organization and standardization methodology, international standards and best practices. REAP is a four-step process which includes: a) CSR assesment in SMEs, b) preparing company and employees for CSR, c) implementation of CSR issues and d) reporting on activities and improvements through REAP software. REAP was already implemented in Croatia with support of Croatian Center for Cleaner Production. The Regional CSR Center will be projected as a hub for exchange of CSR expiriences and prepositions based on REAP for other countries in the region (B&H, Serbia, Montenegro, Macedonia and Albania). Mentioned initiatives represent good foundation for upcoming activities in CSR domain, but they are not sufficient. It is necessary to involve other stakeholders in CSR within SMEs, such as educational institutions, media, chambers of commerce, NGOs, financial institutions, international organizations, state officials and businessmen in order to form a cluster model for implementation of CSR strategies within SME sector under umbrella of national strategy for development of SME sector. The «cluster» approach is a methodology according to which the CSR behaviours and

management tools are developed by a local productive system as a whole and not simply by the enterprises it is made up of (Battaglia, Campi, Frey & Iraldo: 2006).

4. 4. Networking as an Approach to Development of CSR Agenda in SMEs in B&H

So far, entrepreneurs in B&H faced several problems in their efforts when starting a business: a) administrative procedures such as business registration tend to be very complicated and time-consuming, b) microcredit organizations and banks give overpriced loans to SMEs under very strict conditions and c) there are low levels of informatization in SME sector. In order to resolve above mentioned issues, it is necessary to develop the adequate infrastructure and conditions for SMEs. It has been shown that healthy clusters of connected businesses have high positive impact on economic development and competitive excellence of the region where they are located. It requires wide spectrum of institutions, expertise and knowledge in various fields. In the network for development of CSR in SMEs, the formulation and implementation of development strategy for SMEs must be the focal point, since CSR must be included in the strategy. The government must support and guarantee for the SME sector by enabling the needed infrastructure and links to other relevant stakeholders in the network. The educational institutions such as universities and institutes must be involved since many entrepreneurs need to be educated in fields of management, environmental management, leadership, HRM, etc. The educational institutions must also be included as network consultants. USAID is very important stakeholder in the network. The agency strives to promote economic growth and job creation through support for the development of private sector. Programs focus on expanding access to credit, enhancing the competitiveness of selected industrial sectors, strengthening linkages to enable producers and processors to locate and meet domestic and export market demand, and increasing the business skills of managers. Recently, USAID initiated the project for informatization of SME sector. The informatization is the precondition for stable and successful network of many participants in the cluster which strives to develop sustainable SME sector. Other institutions which include EU, chambers of commerce and UNIDO must be strongly intertwined with other parties in the network. We already mentioned REAP developed by UNIDO. The implementation of the REAP in B&H will depend on governments' support and support from chambers of commerce. Financial institutions must attain higher degrees of flexibility towards SME sector. The government should give guarantees for loans provided to SME sector in order to provide necessary financial resources. This will enable financial assets for entrepreneurs to finance their operations and also the provision of certificates such as ISO 14000. Finally, media play very important role in this network. Since we already stated that one of the CSR issues in B&H is that consumers are not familiar with CSR concept, we see media as a channel for transmission of all relevant information on CSR activities in SME sector. Consumers must attain higher level of awareness what is socially responsible company and how consumers can influence the CSR behaviour.

5. CONCLUSION

Although there is no universal definition or approach to CSR, it can be concluded that the concept itself is based on dedication of companies to ethical behaviour and company's contribution to economic and social development. However, this contribution depends on company's size and financial strength. Many large companies seized such power and today they are even more powerful than state governments in some countries. Global corporations align their activities with interests of main stakeholders, mostly shareholders. Hence, their responsibility to society is inferior to responsibility to shareholders.

There are many visible and invisible links between business and society. These links can be observed through a lens of competitiveness. If a company takes care of employees' health and motivation, ensures safe working conditions, and creates business environment without corrupted officials, produced benefits will multiply on several levels – business level and social level. The conditions in society are determined by ability of companies to improve social well-being through citizens' participation in companies' development, sustainable usage of natural resources, etc. It is visible that interests of businesses and communities are strongly intertwined. Core competencies in companies and social well-being must simultaneously develop in order to maximize synergy.

Although western literature treats CSR as very delicate and important global issue, in B&H this concept is not treated in proper manner. First of all, citizens in B&H were preoccupied with war and post-war issues. Secondly, there is no aggressive expansion of global corporations on B&H markets in comparison to other transitional countries where global corporations operate and emphasize their CSR dimension. The CSR concept in B&H is not closely tied to transnational corporations but to SMEs, since they are predominant form of companies in B&H. Therefore, it is necessary to emphasize how SMEs should engage more in CSR concept and involve their own CSR agenda in long-term strategies.

The weaknesses of institutional framework for development of SME sector in B&H pose serious barriers to CSR agenda in SMEs. The starting point of the process of SMEs development is to financially and institutionally empower the SME sector. These actions will influence the CSR agenda of every SME. The strategy of SME development should include:

- stabile social, economic and legal environments which are suitable for development of entrepreneurship in B&H,
- stimulation of SMEs based on knowledge,
- stimulation of SMEs based on export to EU,
- stimulation of business activities in SMEs in order to increase GDP,
- strengthening institutional support for SMEs on different levels of government,
- elimination of legal barriers by adjusting existing legislation and creating new flexible legislation,
- establishing connections to educational institutions, R&D sector and SME sector,
- informatization of SME sector, etc.

Since B&H is one of CEE countries on its path to accession to EU, issues and problems regarding the CSR slowly emerge. There are several initiatives in Bosnia and Herzegovina that encourage the dialog on CSR with special focus on SMEs. Although CSR concept is being accepted in very slow pace in B&H, it is encouraging fact that it gains the position CSR deserves.

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TRIANGLE OF ECONOMICS, ETHICS, AND CORPORATE SOCIAL RESPONSIBILITY: THE OPET CASE

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ABSTRACT

The relations between the subjects of economics, ethics, and corporate social responsibility, under the changing conditions of socio-economic developments, have been started to reconsider and to be discussed. Globalization, cruel competitive environment, increasing role of the multinational corporations, changes in production models, new management techniques, structural changes in organizations, widespread development and growth, IT technologies, inequalities in income distribution, and poverty have led to an increase in expectations and needs from the corporations to move in a socially responsible way. In this context, it's possible to talk about a circulation which occurs from macro scale to micro scale or vice versa. The science of economics, ethics, and corporate social responsibility are three important elements of this circulation.

Although, in the process of application, corporate social responsibility has been considered as a cost element at first step, it provides a huge profit based feedback to the corporation together with its social positive externalities. In this context, corporates should not limit their aims to just an income provider to shareholders, a wage sources to employees, and a provider product and services to consumers in addition to their traditional roles. In this context, modern corporations, in addition to their economic roles, they encounter structures which have a conscious on the responsibilities against environment and society.

The aim of this study is to stress the connection between historical change in the science of economics which has been considered as a sub-discipline of ethics and corporate social responsibility with a special emphasis on OPET case in Turkey.

INTRODUCTION

Within the framework of normative economics, ethical thought and economic thought interact in various forms. It is stated that ethics has distanced from the economic system with the development of modern economics and that an understanding of economics that has distanced from ethics has impoverished welfare economics. In cases where theories asserted in an economic thought that has distance from ethics, found fields of application, it turns into behaviors and the lifestyle of individuals and families, and a conditioning arises in human behaviors that can be considered as traditional. These mutual effects between economics and human behavior, which are both producer and consumer, could likewise be established between other units. For example, business ethics and acting of companies according to consciousness of social responsibility, constitutes another sign of the relationship between economics and ethics.

“Corporate social responsibility”, which has come up frequently both in the literature and in practice during recent years, and the projects realized under this scope by enterprises, have started causing very important results and innovations both in social and economic fields. Corporate social responsibility applications integrate enterprises with social life, increase the number of groups and parties in contact and meanwhile ensure that they act by sharing and undertaking responsibilities and in accordance with social sensitivity; the most important feature of these applications is that they generate added value which can be considered as significant in short and intermediate terms, although they are regarded as a cost item at the beginning. Based on this, it is possible to say that today corporate social responsibility applications have important economic effects as much as they have social ones.

Companies, which have realized this fact, are developing more social projects for the society every day, within the framework of corporate social responsibility. This process also strengthens the ethical aspect of economic behavior and makes business ethics a topic that is considered more. This study draws attention to this situation and its purpose is to analyze the relation of companies and corporate social responsibility projects with economics, which we restrict with the general system, drawing into attention the change in economics, which formerly used to be considered as a sub-branch of ethics. In this context, the concepts of ethics and economics are explained and the relation between them is analyzed in section one. Then corporate social responsibility is taken into consideration in detail, which allows for the application of ethical principles in economic life by companies. In the final section of the study, OPET Oil Company (OPET Petrolcülük A.Ş.) is taken into consideration, which has drawn attention with the projects it carried out in Turkey, in order to concretely see corporate social responsibility understandings of companies and especially, social responsibility projects carried out since the beginning of 2000 under the Conscious Society Projects, are put forward.

ECONOMICS AND ETHICS

Definition Of The Concept Of Ethics And Its Distinction From The Concept Of Morality

The concept of ethics has been assumed different meanings in different times in different economics schools and throughout history. Ethical thoughts have also influenced economic thoughts. “Moral philosophy” and “ethics” are usually considered as if they were synonymous. However some authors emphasize the differences when interpreting these two terms.

For the definition of morality, expressed as the sum of rules and norms which are imposed on all, which differentiate good and bad and have statutory characteristic, (Öcal, 2007: 11) Socrates, St. Augustinus and Montaigne give priority to conscience. Accordingly, morality is expressed as an integral part of conscience, which is left by itself.

On the other hand, an extra aspect is emphasized in the definition of ethics. The individual, the expression of the individual and the interests of the individual can be valued when ethics is concerned. Crossing from morality to ethics is considered as a crossing from the universal to the particular, from macro to micro unit and from this perspective, the activity of everyone is considered as an individual participating in a common work. According to some philosophers such as Phaneuf, morality has a statutory characteristic and includes a religious association. It is expressed that the concept of morality is usually about the good and the bad and that it forces a person and obliges a person to imperatives. It is however expressed that ethics has the meaning of an impulsive self-control, makes persons responsible by making them think and has a nature about positive and negative. Of course, it is not easy to differentiate between the two concepts and distinct morality from ethics by attributing it a statutory characteristic. Nevertheless, ethics is usually accepted as a secular concept in Western literature (Öcal, 2007: 11-12).

Ethics In Economics

Before making comments on relatively abstract concepts such as economic systems and ethics, it will be useful to briefly take into consideration a common and very important element for both of the subjects, namely humans and their behaviors.

Humans have been expressed with the term “homoeconomicus”; however, the social and conscientious aspects have been neglected with this concept. Although it seems rational, it is not a realistic approach to assume that the human mind, which hides the clues and path of its existence, always acts with a motive for economic interest. Of course, the problems of rationality, parameters and measurability come to mind. Even if the meaning given to rationality in standard economics is considered correct, it may not be a correct approach to assume that persons act rationally as defined in real life (Sen, 2003: 21). Nevertheless, the abstract nature of ethical behavior does not mean that positive externalities, benefits and advantages to be brought by these behaviors cannot be seen or noticed.

The conflict of ethics with the existing economic system proceeds in parallel with a complex relation, which is harder to resolve. It is possible to name this as the conflict between ethics and modern economics. Economics, which to a large extent developed as an extension of ethics in the process of historical transformation, currently has a conscious non-ethical character. “Deregulation” and “flexibility” carried out within the framework of neoclassic economics and high competitive conditions, cause companies to distance themselves from ethical values and moral concerns and allow only large-scale companies to engage in corporate social responsibility projects. Today, economic policies and economic developments dominate and shape human behavior. In his works on ethics and economy, Amartya Sen names this issue as “ethic related explanation of human motives” (Sen, 2003: 14-15). Deep domination of modern economics of all sections of the society, causes economy and ethics to head for different paths in the crossroad.

It is possible to say that an economic understanding lacking ethics, impoverishes welfare economics and on the other hand, economic activities with moral concerns bring benefits for the whole society (Sen, 2003: 68).

The Relation Between Economics And Ethics

Economics, as a social science basically expresses meeting unlimited needs with finite scarce resources. Thus, it analyzes how the balance between resources and needs, in other words, between production and consumption, shall be met and how productive resources (natural resources, labour, capital, entrepreneurship) shall be utilized for this (Özgüven, 1991: 3). Scarce resources in this definition can show a considerable differentiation among individuals and social groups. It could sometimes be purchasing more bread for a person, while on the other hand, it could be purchasing a second or even a third house for another person and thus, forms of consumption can vary and production is shaped accordingly. The common of these varying needs among societies, social groups and individuals, is the phenomenon of infinity and economics becomes an important means of ensuring this balance (Sloman, 1991: 1-3).

Ignorance of individual and social ethical rules, means that the society and the market cannot fulfill the functions expected for them. Today, economics without ethics has oriented towards explaining phenomenon and activities depending solely on mathematical balances. Situations encountered in practice contradict the theory due to the lack of adequate emphasis on certain ethical values. Another issue is the willingness of economics to clear itself of value judgments in order to become a branch of science (Arđıç, http://www.istanbul.edu.tr/iuha/?page=template-news/detail&int_Id=772).

It is possible to associate the concept of “unlimited needs” mentioned in the definition of economics, with ethics. There is no problem in the first of the two meanings intended by unlimited needs. The first meaning is that, human needs shall be unlimited faced with growing population and that needs shall continue to increase with every person born. The other meaning is that needs of a human in the micro sense, in other words, of the individual, is unlimited. In this case it might be appropriate to put an annotation on the concept. This is because, needs of the individual are not unlimited, because demands regarding food, shelter, clothes and social needs shall terminate with death. Also, the individual has had and will have consumptions that exceed needs to certain levels, throughout life. However, this may not express needs in the real sense. Also, differences are observed in consumption preferences and forms between relatively rich and poor persons, in the consumption of needs, which have been expressed as unlimited. It is possible to date back the issue of

production and consumption to Fordism, Post-Fordism and styles of production that have differentiated in time.

When observing the nature of the relation between ethics and economics, obviously not positive economics but normative economics is intended, which bases its perspective on normative results in order to test its theory and hypotheses.

It shall be useful to briefly mention the historical event, which brought the issue of ethics in scientific work, in order to explain the concerned interaction. Just as Albert Einstein was aware that results of the research could be “harmful” as well as “useful” while atomic energy works were in progress, it is possible to establish the same relation between economics and ethics (Kazgan, http://kazgan.bilgi.edu.tr/docs/iktisat_ve_Etik.doc: 1). In this context, it is necessary to understand the importance of the economists while explaining the relation between economics and ethics. It is possible to say that an economist acting without ethics, goes through a similar process of hesitation as the persons holding atomic energy. Thus, in this context, the lack of ethics in economics and the resulting poverty (both the real and the ironic meaning is intended here), signifies not merely a destiny but the result of an unconsciousness. It would be appropriate here to state that beyond having knowledge about ethics, acting with a good sense in the economic system is superior to merely having knowledge and using economic rules and economic preferences accordingly. For example, the full poverty and deprivation of today is closely related to income distribution and the economic policies that are applied. However, poverty has gone beyond being the problem of merely developing countries, but has become a problem encountered also in countries considered as developed. This indicates that mere mathematical or statistical expression of economic policies is not enough to reflect the facts. If there is an unfair income distribution among citizens of a country with a high national income, it is possible to say that concerns about ethics are appropriate.

When we observe with a deductive perspective, there are certain units ranging from the macro scale to micro scale, such as the society, economics, ethics, companies (and their responsibilities) and social groups, family, individual etc., which are possible to increase in number and it is possible to change their place in the list. These units are in mutual interactions with each other and the system as a whole that includes them. Only one of these interactions, the relation between companies and corporate social responsibilities shall constitute the remaining part of this study.

A REQUIREMENT OF BUSINESS ETHICS: CORPORATE SOCIAL RESPONSIBILITY

The boom of economic production and the significant increase of economic activities in national and international spheres especially during the 1950's, has emphasized even further the tasks and responsibilities of enterprises, the basic element of commercial life, against all sections of social and economic life. Today, relations of enterprises have become very complex in terms of external aspects as much as internal ones. In globalizing economy, enterprises are not only in a triple structure consisting only of customers, the state and the enterprise. Other than customers, they have to establish relations with many shareholders, such as suppliers, partners and shareholders with the development of stock markets, banks and other financial institutions with the differentiation of capital structure, the media with the development of communication technologies, with non-governmental organizations with the spreading of democratic consciousness, etc. Increase in the number of multi-national companies and environmental pollution reaching scales that threaten life, have increased the social pressure on enterprises and it has become necessary that ethical principles, which are among important basis of social life, also be valid in business life. This has been implemented by enterprises by the formation ethical principles and social responsibility, which is the other aspect of the process, has started being emphasized as a necessity of business ethics. Essentially, the concept of business ethics has a meaning that includes corporate social responsibility.

The concept of corporate social responsibility, which has been widely used in recently years especially by OECD countries, has different meanings for different groups, sectors and shareholders. The issue of consensus is that enterprises play a role much larger and more important than generating employment and welfare in the global economics and that corporate social responsibility should have the

characteristics of enterprises assisting sustainable development. The meaning of this is, enterprises not only providing income for shareholders, wages for employees, products and services for consumers; but also, attending social and environmental problems and values. Today, as much as having a perspective on economic development, enterprises are faced with a triple structure conscious of its responsibilities against the environment and the society (Ersöz, 2007: 17).

When the roots of the concept of corporate social responsibility is examined, it is revealed that it is not a new concept. Although corporate social responsibility has drawn increasing attention recently, use of this concept dates back to the 1950s. During the first years of its use, it has been taken into consideration with the perspective of “social responsibility starts where laws end” (Flanagan and Whiteman, 2007: 66).

Although debates and applications of social responsibility have started in Europe, they have been developed in North America. Howard Bowen has had the greatest role in the generation and gaining importance of the concept of corporate social responsibility. The work of Bowen entitled “Social Responsibilities of Businessman” the foundations of the concept have been laid and theoretic approaches regarding social responsibility have been structured. Bowen’s work has widely influenced the applications and declarations of administrators in the USA during 1950s and has become the guide for many future researches (Öcal, 2007: 5-6).

The concept of corporate social responsibility expresses the ethical and responsible behavior of any organization (a profit oriented enterprise, public institution, civil society institutions) against all internal and external interest groups and the process of taking and applying decisions by it. The concept of corporate social responsibility which is usually used for private organizations, is widely used as “enterprise (company) social responsibility” (Aktan and Vural, 2007: 4).

The World Business Council for Sustainable Development has defined corporate social responsibility as the responsibility of enterprises to work together with workers, their families and regional administrations. Thus the only purpose of enterprises is not to make profit, but to increase the welfare of all sections it carries out work with and with which they are related (Jamali and Mirshak, 2007: 243-244).

In this framework, corporate social responsibility can be expressed in the briefest way, as tasks and responsibilities of enterprises against the society, in other words, how they can be useful to the society they are in. In this context, main emphasis should be made on the society and giving more priority to interests of the society than interests of corporations or at least, establishing a balance between them. There are four basic elements that prompt corporate social responsibility. These are legal arrangements, pressure of the society, pressure of competitors and the feeling of conscientious responsibility of administrators. However, it should not be forgotten that, as the issue of corporate social responsibility is too important to be left to the conscientious behavior of administrators, it should be supported by the other elements (Zaim, 2007: 124).

The concept of corporate social responsibility, which was not given importance and which did not draw attention until 30 years ago, has succeeded in becoming one of the respected fields in business life. The idea that “ethics shall make the firm successful and social responsibility shall result in increase of efficiency” has started to be generally accepted by all enterprises (Stark, 1993: 38-42). Accordingly, today under the scope of their social responsibilities enterprises are preparing ethic codes for their workers, and publishing periodic “social budgets” in order to gain a more transparent structure and become more open to the society and the public opinion, provide aid to low income families, and act with more care in using resources such as energy etc., considering the future of the society (Griesse, 2007: 32).

Corporate Social Responsibility Approaches

Classical Approach

The classical approach of social responsibility is based on the idea that enterprises have no other liabilities than their organizational purposes. Accordingly, an enterprise that operated efficiently and gains profit, has also fulfilled its social responsibility. If enterprises invest their existing or expected incomes on

certain social projects due to social responsibility, there shall be a decrease in employment generating project investments and also increase in consumer prices. Such activities shall reduce the incomes of enterprises significantly and have a negative effect on their contribution to the economy (Çelik, 2007: 76).

The leading supporter of classical approach to corporate social responsibility, Milton Friedman, clearly expresses that the final purpose of enterprises is to generate higher profits for their shareholders and that organizations should focus all their attention on this. Thus, the classical approach to social responsibility claims that all kinds of social projects shall return to the enterprise as a net cost (Akgeyik, 2007: 69).

The following two issues, based mainly on the work of Milton Friedman entitled “The Social Responsibility of Business is to Increase its Profits” (1970), have been asserted by classical scholars to support their claims (Ay, 2003: 23-25):

- Achieving maximum profit is a result indicating that social resources have been used in the best manner,
- Enterprises are units established for economic purposes and they do not deal with social purposes.

Modern Approach

The modern approach, which regards corporate social responsibility as a more overall field, regards it neither as only a modal or a philosophy of charity. Far beyond these, corporate social responsibility shapes an organizational strategy, which has both environmental and economic aspects and is accordingly planned and applied. Thus the modern approach takes as its basis, sustaining the relation between the organization and the society in a good framework. The organization shall generate net yield with social actions it shall carry out in the short and long terms. In this perspective, modern approach to social responsibility claims the developments of a policy that also takes into consideration opinions of organizational parties. It is not always easy to analyze the effect of social responsibility project, regardless of their scale. The fact that this effect is subjective can result in different opinions and approaches in all enterprises and in their conflict. Conflicting opinions are mostly the motive for profitability and the sensation for charity. The way to avoid this for the enterprise to internalize social responsibility projects and define these projects an administrative and strategic field. Such an approach shall make a stronger encouragement for participation to social responsibility projects, both for managers and employees (Akgeyik, 2007: 71).

According to the modern approach, “companies can both increase the living standard and welfare of the society and gain profit”. Those who consider companies as socioeconomic corporations, draw attention to the following issues under the scope of social responsibility (Çelik, 2007: 77):

- Enterprises are integral parts of social life. Thus they constitute a part of the society in terms of social problems and their resolution.
- Enterprises have the resources to take into consideration social problems. However, they cannot utilize all resources without the assistance of the society.
- The environment is very important for the enterprise. Enterprises that invest in the society today are the corporation that shall obtain continuous profit in the future.
- Steps that are not taken by enterprises voluntarily can be achieved by the state through legal enforcement.

Importance Of Corporate Social Responsibility And Its Advantages- Disadvantages For Enterprises

Importance of the concept and applications of corporate social responsibility is increasing for enterprises everyday. Aktan and Börü (2007: 28-29) have listed the following five factors that have played a role in the increase in importance of corporate social responsibility:

- **Transparency:** The current age is one where enterprise applications are becoming more transparent and where information directs economic activity. Enterprises cannot conceal the good or bad works they have carried out and their activities can be easily announced all around the world very quickly, both through the media, modern information, and communication technologies, Internet and mobile

phones for instance. All these have made enterprises much more transparent in many ways. As a result, enterprises that are not sensitive regarding social responsibility in their economic activities and which burden external costs to shareholders, have to be more careful.

- **Information:** Transition to information-based economy requires consumers and investors to have the necessary information and use them effectively. Consumers can come to a clothing shop and prefer a brand against another. Other than price policy, this choice depends on the respectability and prestige of companies. Likewise, investors may choose their fields of investment, not only based on financial factors, but also on environmental criteria.
- **Sustainability:** Pollution of the environment and boundless consumption of economic resources in parallel with the development of industry causes serious global problems. Global cooling and warming are among them. Resources of the world cannot stand against negative factors caused by increase in population and by industrialization. Increasing concern for negative effects resulting from economic activity has caused an increase in the importance of corporate social responsibility.
- **Globalization:** Globalization is another factor that has been effective in the gaining importance of corporate social responsibility. It is observed that global corporation, in other words multi-national companies are under increasing monitoring by the media, governments, employees, environmentalists, human right groups, non-governmental organizations and civil society organizations to include corporate social responsibility standards and sustainability strategies in their world wide activities. Also, while globalization give an important role to enterprises in the resolution of social problems, it has resulted in an increase in attention to corporate social responsibility issues of human rights administration applications, environmental protection, health, security and other fields.
- **Failure of the Public Sector:** Many developing countries are administrated by a deleterious regime or government. Negative consequences of state interventions have resulted in a phenomenon called “failure of the state”. Failure of the state has resulted in more confidence in market corporations and non-profit organizations. Failure of the state even in activities for social benefit, has given more tasks to private companies and voluntary organizations in the field of social responsibility.

Full understanding of corporate social responsibility has resulted in increasing tendency in enterprises towards such applications. Corporate social responsibility has certain advantages and disadvantages in the scope of these applications. Advantages of corporate social responsibility can be listed as follows (Nalbant, 2005: 197):

- A good social environment can make the public opinion accept the enterprise.
- Certain arrangements, which seem to be cost, can return as profit.
- It is possible to become an important part of the society by undertaking tasks in discussing and resolving social problems.
- Enterprises can be sensitive to the ecology and can be environment-friendly.
- Important advantages are gained in entering new markets and ensuring customer loyalty.
- It allows for attracting versatile and high quality employees and increase in the devotion to the corporation.
- Allows for gaining access to a wider range of financial resources.
- Employees and customers start to have more confidence in the organization and give value to it. The sense of belonging of employees and customers develops. As a result, circulation rate of employees decreases. Purchase rate frequency of customers increases. Profitability of sales increases.
- Communication, trust, solidarity and team among employees spirit develop. It results in increase in effectiveness of teamwork, organizational performance and general motivation.
- It enhances and strengthens the relation between the organization and the society and local and central state authorities.
- Know-how, skill and experience of employees in corporations that have undertaken social responsibility projects increase, and also they become persons with higher self-confidence, creative thinking and ability to resolve problems.

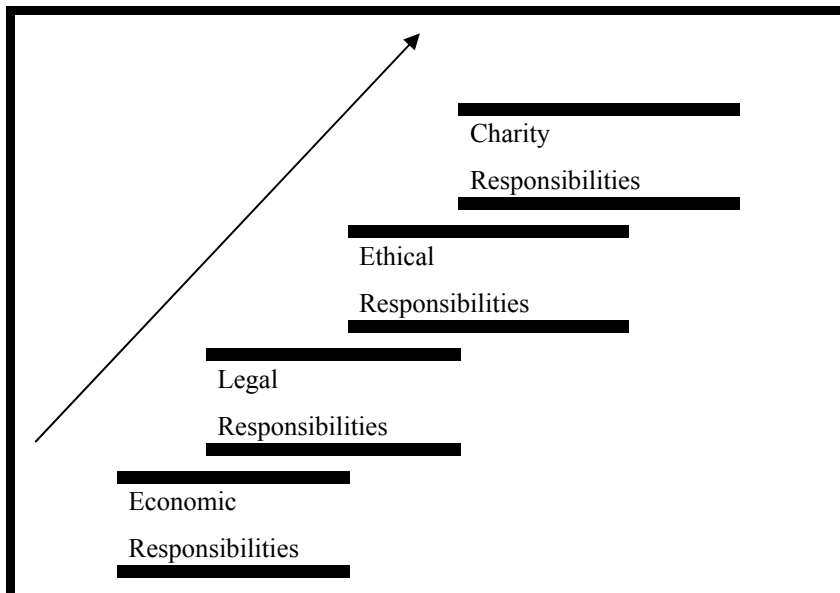
Along with these advantages for enterprises, corporate social responsibility has certain disadvantages. Some of the important disadvantages are (Çelik, 2007: 79):

- Prices increase as social activities are reflected on product costs. This may result in loss of market.
- New human resources may be required for social activities.
- Too much sensitivity for social issues by owner, partner or administrator of the enterprises could result in distancing from organizational aims.

Corporate Social Responsibility Pyramid And Fields Of Social Responsibility Of Enterprises

Prior to accepting corporate social responsibility, an enterprise manager should first determine the fields of responsibility. In the most general sense, corporate social responsibility consists of four main fields of responsibility. These are economic responsibilities, legal responsibilities, ethical responsibilities and charity responsibilities. These four main elements constituting corporate social responsibility have been evaluated by Carrol as a pyramid.

EXHIBIT 1: CORPORATE SOCIAL RESPONSIBILITY PYRAMID



Source: Archie B. Carroll, “The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholder”, **Business Horizon**, Vol. 34, No. 4, (July-August 1991).

- **Economic Responsibilities:** In the process of history it is seen that enterprises have been established and operated for economic purposes. In this context, economic responsibilities are responsibilities resulting from the fact that enterprises are economic units operating for the purpose of profit before anything else. While mentioning economic responsibilities, it should be stated that all other responsibilities depend on the existence of this responsibility. Carrol specifies economic elements of corporate social responsibility as; operating such as to maximize the profit of each share, devote themselves to obtaining maximum profit, maintain their competitive position, maintain high level organizational activity and ensure continuity in profitability (Ersöz, 2007: 30).
- **Legal Responsibilities:** When the society accepts enterprises making profit from their activities and even reaching maximum profit, they do not approve this unconditionally. While continuing their economic activities enterprises are forced to abide to certain legal imperatives. The society and the enterprise have reached an agreement within the legal framework and agreed that enterprises can pursue economic purposes. The principles and values, to which enterprises must adhere to, are established by the legislators. The fact that social responsibilities come after economic responsibilities in the social responsibility pyramid, on one hand refers to the development of historical process, and on the other hand expresses how closely economic responsibilities and legal responsibilities are related (Ay, 2003: 38).

- **Ethical Responsibilities:** Ethical responsibilities mean the enterprise not giving damage to its shareholders and the environment it is showing activity in both economic and legal responsibilities include ethical values. However, there are also behaviors that must be adhered to, which are not stated in the law. These are ethical responsibilities. Ethical responsibilities are, working in conformity with social values and ethic norms, adopting of ethical norms which newly appear in the society or change in time and showing respect for them, preventing casting shadow on ethical norms in order to fulfill purposes of the enterprise, and being aware that ethical norms bring responsibilities beyond those imposed by legal arrangements (Ersöz, 2007: 31).
- **Charity Responsibilities:** This category of responsibilities includes activities that assist strengthening of the goodwill developed in the society by the enterprise or the perception of the enterprise as a good citizen in the social environment. Allocation of a section of the enterprise resources for artistic, educational and social projects is included in charity responsibilities. Volunteerism is the basis of charity responsibilities. In other words, it is not imperative for enterprises to undertake these responsibilities in terms of laws or ethics. Some managers especially give priority to charity responsibilities, in order to ensure that the enterprise is conceived of as a good citizen in the society. However, the share in total social responsibility of this responsibility, which is result of goodwill, is relatively low. As it can also be observed in the pyramid of Carroll, charity responsibilities are located at the top of the pyramid and it is necessary that the other responsibilities be fulfilled first (Ay, 2003: 39-40).

As it can be observed, the social responsibility pyramid of Carroll has given corporate social responsibilities according to a certain priority, however, has also stated that simultaneous application of these responsibilities shall increase enterprise success. According to this, economic sufficiency is the main basis for the other responsibilities. Also, it is expected that enterprises adhere to laws, which are codes of acceptable and unacceptable behaviors of the society. Then, enterprises are expected to fulfill their obligations of righteousness, fairness and integrity at the most basic level, as a requirement of their ethical responsibilities and avoid harming their shareholders. Finally, it is hoped that enterprises be good corporate citizens and assist the society and enhancing of living standards with both financial and human resources.

As economic and social systems open to the external environment, it is not possible for enterprises to be insensitive to changes in the society. Decisions taken and to be taken by enterprises within the process of production, have social effects as much as economic ones. In other words, enterprises play an important role on the welfare of the society both in economics and social terms. Enterprises should give importance to social responsibility in their decision-making processes, at the planning phase. Even when taking a decision that seems very profitable, purposes and values of the society should be taken into consideration. Enterprises in harmony with changes in the society and acting with the consciousness of social responsibility, shall ensure a long life free of problems in terms of long terms interests (İşseveroğlu, 2001: 59).

THE EXAMPLE OF OPET OIL COMPANY

Founded in 1992, OPET Oil Company shows activity in the fields of retail sales, commercial and industrial fuels, mineral oils, storage and international trade. Aiming to become the first choice of consumers in Turkey, the corporation presents as one its basic principles, ensuring customer satisfaction through increasing quality in every field, such as service and product, with respect to the environment and the laws. Following its successful works, the corporation was also entitled to achieve the ISO 9001:2000 Quality Certificate in 2004. Shown as a corporation making difference in the sector, with its support to social life, the corporation carries out exports to 20 countries, especially in the Middle East and the Balkans. It is an important company in its field with a 1312 station network and 845.930 m³ storage capacity and ranks third in the white products market with a market share of 15% and ranks second in the black products market with a market share of 11% (OPET, <http://www.opet.com.tr/tr/opethakkinda.asp>).

Opet shows various social activities in the framework of social responsibility. It is trying to fulfill its social responsibilities by providing sponsorship services in different fields such as motor sports, culture, art, theatrical performances and local festivals in various provinces. However, among the social activities of the corporation, the applications that draw the most attention are the works carried out under the title “conscious society projects”. There are 4 main projects under the scope of conscious society projects (OPET, <http://www.opet.com.tr/tr/tbp.asp>):

- Clean Toilet Campaign
- Green Road Project
- Model Village Project
- Respect for History Project

Clean Toilet Campaign

Clean Toilet Campaign is the first project initiated by OPET in 2000 under Conscious Society Projects and is one of the long term social responsibility projects that has continued for 8 years. The campaign can reach the most remote places in Turkey through OPET stations and is an important consciousness raising project regarding cleaning (Ocakođlu, 2007: <http://ilef.ankara.edu.tr/reklam/yazi.php?yad=11575>). Cooperation has been carried out with the Ministry of Education within the framework of the campaign and education was given to more than 100,000 students. Various animated movies have been prepared for the education of children and adults and they have reached the society through television broadcasting. Handicapped persons have also been taken into consideration in the campaign and the condition and standard has been issued to construct handicapped toilet in the fuel stations of the corporation (Koç Holding Company, 2007: 28).

OPET aims to stand out in its corporate stations not only with its standard corporate image and quality of service, but its priority in cleanliness and hygiene; and has thus established a professional training team and provided training to the personnel in the stations and has achieved hygienic toilets in its stations. As a result of interviews with persons who filled the survey sheets in the fuel stations, a voluntary inspection team has been established and an inspection system for the stations has been developed with an inspection and training team of 37 persons and with the assistance of 27 vehicles. Stations that can maintain the campaign conditions in its toilets are being awarded with White Flag reading “Hand-in-hand for a clean environment”, in the inspections carried out during the campaign. Education has been provided under “Clean Society Project” to more than 35,000 administrators, teachers and employees in all schools under the Ministry of Education in Istanbul in 2003, within the framework of the campaign. OPET training team is continuing its activities and has provided 1,700 hours of education to more than 300,000 persons in 72 cities (OPET, http://www.opet.com.tr/tr/btp_temiztuvalet.asp).

OPET Clean Toilet Campaign has achieved first places in the contest Golden Worlds Awards of IPRA (International Public Relations Association) under the category “Social Responsibility Projects” in 2004; in the contest 3rd Golden Compass of TUHID (Public Relations Association of Turkey) under the category “Social Responsibility Projects”; and in the survey “At the Top” by the Nokta Journal under the category “Social Responsibility Projects” and has thus proven how important and respected work it has carried out (KOÇ, <http://www.koc.com.tr/tr-TR/SocialResponsibility/SocialProjects/>).

Green Road Project

As the danger of desertification is increasing in the world with the threat of global warming and as green fields are rapidly decreasing, the importance of forestation works and forests have been realized. Thus together with state and civil society institutions, some private companies aware of their social responsibilities are also carrying out forestation works in order to prevent vanishing of forests and resulting dangers.

Acting with such an understanding, OPET has initiated the “Green Road Project” in 2004 in coordination with the TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) foundation and the General Directorate of Highways (TEMA, <http://www.tema.org.tr/Calismalarimiz/AgaclandirmaProjeleri/OpetYesilyol.htm>). The project is expected to last for 10 years and it is planned to raise plants suitable to climate conditions with landscape works to be carried out primarily at OPET stations. Also, it is aimed to plant more than half a million trees around highways in Turkey. The fact that landscape works have been completed in 346 stations and 284,364 plants have been planted, is a clear indication of the seriousness and effort in the works and shows that the aims shall be reached (OPET, http://www.opet.com.tr/tr/btp_yesilyol.asp).

Model Village Project

Another one of OPET's social responsibility projects is the Model Village Project which aims to establish educated villages that can use their agricultural and cultural possessions. Works are carried out in the project to bring close far away villages, ensure that they are self-sufficient, make use of their historical, geographical or cultural potential, increase the level of education and develop environment consciousness. There has not been a single application model for the villages, but a special project has been developed for each village according to its characteristics. Villages under the scope of the project also benefit from the Clean Toilet campaign and Green Road Project, and thus it is estimated that the anticipated aims shall be reached more easily. The Dara Village in Mardin, the Yesemek Village in Gaziantep and the Pazarköy Sub-district in Bolu are the villages under the scope of the project, selected to be model villages (Koç Holding Company, 2007: 31-32).

Educational service is provided by experts regarding clean toilets and hygiene, and forestation, to persons living in the villages under the scope of the project. Also, education is provided by experts in order to assist in ensuring economic development, various informative services are being provided regarding communication with tourists and tourist activities and it is aimed to raise consciousness of village inhabitants. As a result of these works, a ruined building in the Dara Village was repaired and turned into a cultural center, the Hitite Sculpture Workshop, which is also the first outdoor museum in Turkey, was renewed in Yesemek and all the houses were painted and a primary school was established in Pazarköy (OPET, http://www.opet.com.tr/tr/btp_ornekkoy.asp).

Respect For History Project

Initiated in February 2006, the Respect for History Project consists of infrastructure and physical works aimed to establish an environment that will allow local and foreign tourists visiting villages in Ecebat at the Gelibolu Peninsula to tour the region without any problems; and it has one of the most social responsibility projects of OPET that has drawn the highest attention. The project aims to ensure an image worthy of the martyrs in the region which is a very important place for Turkey and to raise the consciousness of local inhabitants and many works have been carried out including painting and repairing of houses, environmental and village square arrangements, providing training in fields where local people can make earnings. Many training courses have been provided, ranging from photography to ornaments, in order to increase income producing activities of the village inhabitants (Ocakoglu, 2007: <http://ilef.ankara.edu.tr/reklam/yazi.php?yad=11575>).

The village squares, museums, modern toilets and renewed sales rayons have achieved a modern look with the renewal works under the scope of the project and have increased tourism in the region and the incomes of village mukhtars. Respect for History Project includes infrastructure works for increasing incomes of village mukhtars and thus the region, which is visited by an average of 3.5 million local tourists every year, has achieved the look it deserved and the project is being expanded with education works. English, pension operation, cleaning and hygiene educations are being provided together with the Public Education Center and approximately 500 people have received education under the scope of the project (OPET, <http://www.opet.com.tr/tarihesaygi/index.html>).

In the region, which has witnessed the Çanakkale Wars that have had a very important place in the progress and result of World War One, the following have been carried out with 500 workers, using 66 tons of paint and machines (OPET, <http://www.opet.com.tr/tarihesaygi/index.html>):

- 13 thousand meter squares of granite stone have been laid, 650 trees and 9000 plants and flowers have been planted, 4000 meters squares of grass have been laid.
- 5000 meters squares of permanent posters have been placed on buildings and 270 panels have been made for roads, 150 city furniture have been laid and children's playgrounds have been constructed in 4 villages.
- 300 tables, 1200 chairs and 10,000 pieces of coffee house and restaurant materials have been provided.

- 3 museums have been restored, landscape of 1 museum has been completed, 2 buildings have been turned into cultural centers, and an old building has been turned into a youth center.
- Aid has been provided to approximately 100 families, 78 sales rayons have been provided to 5 villages.
- Education is currently being provided to approximately 500 persons in 5 villages.

CONCLUSION

The phenomenon of ethics, which is one of the basic elements that has been taken into consideration in relations between individuals in history, has become an important element that should be paid attention in relations between societies, with the establishment of states and development of international relations. Although the relation between ethics and economics has been taken into consideration by many authors or scholars in terms of whether ethical values exist in economics or not; the real important issue is the necessity of focusing on the actions and measures in order to ensure that economics include ethical concerns.

Reflection of ethics to business life in the modern sense and business ethics becoming an important issue in economic life and enterprise strategies, started in the USA in 1970s and has become a generally accepted phenomenon in almost all countries, increasing competition and expansion of multi-national companies as a result of globalization. As ethical values became valued elements in enterprises, enterprises have started acting in the scope of a certain responsibility, thus have started taking into consideration their social responsibilities against all sections of the society.

Under the scope of business ethics principles and social responsibilities, enterprises are rearranging in the light of ethical values their relation based on interest with consumers, shareholders, partners, employees, suppliers, competitor firms, and state and laws; and are spreading these values from the stage of purchasing raw materials to the stage of providing technical support under the scope of warranty to customers. Enterprises that duly apply these values, take into consideration principles of business ethics and fulfill their social responsibilities, carry out their activities in integrity with all sections, adhere to business life rules determined by the laws, provide a working environment where the employees can easily express and develop themselves and take care not to harm other firms and customers when using or storing information. Also, when determining the prices of the goods and services they produce, they carry out their activities keeping in mind ethic elements, as a requirement of their social responsibilities.

The fact that corporate social responsibility includes certain transparent applications for enterprises, that transition to information based economy continues rapidly, globalization and especially the general failure of the public sector in developing countries, has ensured that the concept of corporate social responsibility and principles of business ethics have stood out further. Results of many researches prove that the importance given by enterprises to corporate social responsibility and principles of business ethics, are increasing day by day. It is obvious that enterprises give importance to these values and realized their activities accordingly, have received its benefit in many fields. This also results in an increasing number of companies giving more importance to principles of ethics in business life and in the aspect of this life facing the society; and they reflect this to their practices. As one of the companies that acts within the framework of corporate social responsibility, OPET has managed to earn the appreciation of the public opinion with the various projects it realized. OPET applications which have a wide range from training programs about cleanliness to making social investments in historical places which are very valuable for the society, indicate how important and useful it is that an economic unit acts not only with the purpose of profit. The fact that this situation is encouraging other enterprises to act in such an understanding indicates that the ethical aspect of economic life shall grow even stronger.

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MARKETING ETHICS AT SMALL AND MEDIUM SIZE ENTERPRISES(SMEs) IN GLOBALIZATION: A CASE STUDY IN ÇORUM, IN TERMS OF CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT

In today's world, the developments in the fields of economy, technology, and politics have triggered globalization; in other words, people have become much more dependent on each other. So, to improve our country's welfare and to be able to make it permanent; both individuals and SMEs (compose 99.9% of our enterprises) have significant responsibilities. Enterprises have 4 main responsibilities that can be ranked as; being economic, being legal, being ethical and having social responsibility. Corporate social responsibility directly includes the last two responsibilities, but indirectly, it covers all of them. Thus, corporate social responsibility supports enterprises and it helps them to form relations with the society. Additionally, corporate social responsibility can be defined as a company's attempt to include social and environmental concerns in its activities and its relations with shareholders and the company's desire to be ethical and responsible to all shareholders. The aim of our study is to evaluate the marketing ethic of the SMEs in Corum in terms of corporate social responsibility.

Key Words: Globalization, Small and Medium Size Enterprises(SME), Corporate Social Responsibility, Marketing, Ethic

INTRODUCTION

The main function of enterprises is to produce services and products that the society needs. However, the economic activity of enterprises is based on morality and it is a humanistic activity like all other social activities. It is essential that enterprises keep high ethical standards in their relations with benefit groups, in order to have a reliable image and to be able to survive in long-term (Torlak, 2007:32). Marketing, one of the functions of an enterprise, has a critical role in composing a reliable relation between the enterprise and the consumer. Marketing activities reflect the social aspect of an enterprise. Therefore, enterprises have to pay attention to ethics while taking decisions on marketing administration.

Marketing ethics is about ethical problems in marketing activities of an enterprise. Marketing ethics includes the effort to apply ethical principles to marketing decisions, behavior and institutions in a systematic way. Marketing reflects the social face of enterprises, so the ethical problems in the marketing field may harm the prestige of the enterprise. Enterprises need to pay more attention to marketing ethics in today's world because the consumers are more conscious and they are against unethical enterprises (Ural, 2003:69).

The aim of our study is to evaluate the concept of marketing ethics in small and medium size enterprises (SMEs) in Çorum, in terms of corporate social responsibility. The reliability of the hypothesis are tested using correlation and one-way variance analysis.

LITERATURE ANALYSIS ON CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS ETHICS

Researchers (Carroll, 1979:497; Kantanen, 2005:63) consider Howard Bowen's 1953 text *Social Responsibilities of the Businessman* as the first book on CSR in the modern era. Despite more than five decades of research on this topic, its conceptualization is still elusive (Arthaud-Day, 2005:5; Carroll, 1979:498; Clarkson, 1995:92; Friedman, 1970:122; Jones and Goldberg, 1982:603; Sethi, 1996:83; 2002:20; 2003:21). For example, Manakkalathil and Rudolf (1995:29) defined CSR as 'the duty of organizations to conduct their business in a manner that respects the rights of individuals and promotes human welfare'. Carroll's (1979:498-99) widely cited CSR model spelled out four types of corporate responsibilities: economic, legal, ethical, and discretionary responsibilities, which are expectations society has of organizations at a given time. Unfortunately, Carroll did not offer a clear-cut definition. Davis (1973:312) articulated a classic definition of CSR as 'the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm. Again, researchers have criticized this conceptualization because it suggests corporations' engagement in public policy may make corporations too powerful, jeopardizing public interests.

Carroll (1979:499) and Sethi (1979:63; 1996:84) were among the first researchers who examined CSP. However, they did not offer a clear definition. It was Wood (1991:693) who clearly conceptualized CSP as 'a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships. The principles of social responsibility_ motivating principles_ included institutional principle (i.e., legitimacy), organizational principle (public responsibility), and individual principle (managerial discretion). Some researchers on CSP (Carroll, 1979:500; Sethi, 1996:87; Swanson, 1995:506; Wartick and Cochran, 1985:758) treated CSR as an indispensable component of CSP. For example, CSR is one dimension of the three-dimensional conceptual model by Carroll (1979:500-501). The institutional, individual and organizational principles of CSR is the first layer of Wood's (1991:693-694) three-layer CSP model, accounting for what motivates corporations into different socially responsive behaviors.

Some researchers have equated CC with CSR, such as Carroll (1979:497), who defined CC as economic, legal, ethical, and philanthropic responsibilities, precisely the same as his previous definition of CSR. Others (Birch, 2003:1) regarded CC as an innovation to or an extension of the CSR concept, in that CC indicates that business sees itself as part of the public culture, and involves not only employees and management but also stakeholders in the organization, whereas CSR takes social responsibility as an external affair. McIntosh et al. (1998:xxi) proposed the definition that CC "involves a mutually reinforcing relationship between individuals and communities".

Frederick (1994:150) referred to corporate social responsiveness as 'the capacity of a corporation to respond to social pressure'. Likewise, Wartick and Cochran (1985:760) observed that social responsiveness shifted the emphasis from social obligations to social response processes, a solution to problems related to the execution and assessment of CSR. Sethi (1979:68) suggested that social responsiveness is more advanced than CSR. In all, proponents of replacing CSR with social responsiveness contended that this concept is more tangible and attainable or advanced than CSR that is more related to philosophical discourse. Nevertheless, Carroll (1979:502), together with many researchers, argued that corporate social responsiveness is not 'an alternate' to CSR. Besides, it seems that too much emphasis on the 'responding' processes fails to take into account the component of business ethics or the guiding principles of processes. Corporate philanthropy (CP). L'Etang (1994:111) tried to disentangle the confusion surrounding CP and CSR. According to her, corporate philanthropy reflects corporate generosity and beneficence through voluntary corporate actions. Sometimes researchers included CSR as part of business ethics. Broadhurst (2000:98) noted that CSR is under the umbrella of business ethics. She used the case of Shell to illustrate how company tried to establish boundaries of ethical responsibilities. Yet another point of view saw CSR as 'the degree of 'fit' between society's expectations of the business community and the ethics of business' (Zenisek, 1979:362).

CORPORATE SOCIAL RESPONSIBILITY AND MARKETING ETHICS IN TERMS OF BUSINESS ETHICS

Corporate social responsibility requires enterprises to be responsible for individuals and the society (Post vd., 1996:37). In this sense, social responsibility is being responsible for the society. Being socially responsible can be defined as maximizing the positive effects on the society while minimizing the negative ones. Thus, social responsibility involves economic, legal, ethical and voluntary responsibilities (Ferrell and Fraedrich, 1994:6). Business ethics has been popular for the last half-century, in connection with the increase in the efforts of corporate social responsibility. Business ethics involves proper and improper behaviors in the business world, so it requires to be fair, respectful and to be against injustice (McHugh, 1992:11-12). Business ethics is the application of common moral views to management behaviors. Besides, it is a kind of applied ethics that describes the ethical responsibilities of the employees and the managers who take decisions and apply them (Buchholz ve Rosenthal, 1998:3).

Business ethics involves two significant issues. Firstly it is important that managers and enterprises have social responsibility to keep their sources for the next generation and not to use them extravagantly. Secondly, managers and employees need to behave honestly and properly not only to each other, but also to customers, salespeople and their rivals (Vogel, 1991:101-102). Thus, it can be noted that business ethics includes corporate social responsibility and marketing ethics.

The interest in business ethics and social responsibility of enterprises has increased recently, because marketing applications require enterprises to confront with their customers. Some marketing applications such as; the attitudes of the salespeople, lots of advertisements, confused customers exposed to a lot of information, various strategies at pricing, increase in the negative results about the products, and the promotion that affects consumers' decisions bring out ethically controversial results. Marketing ethics which is an important part of business ethics has been continuously discussed in recent years (Torlak, 2007:157).

Marketing ethics is a sub-division of business ethics and it is related with the ethical problems in the marketing activities of enterprises. As a function of management, marketing is the most ethically observed one because marketing is related to customer satisfaction and it maintains the communication between the enterprise and the customer (Tsalikis ve Fritzsche, 1989:703). Due to these reasons, managers are required to behave ethically; managers behave ethically only if they are conscious about corporate social responsibility. Corporate social responsibility is a part of the social contract between the society and the enterprise (Robin ve Reidenbach, 1987:44). Marketing ethics is the systematic application of ethical principles to marketing decisions, behaviors, and institutions (Schlegelmilch, 1998:3). According to these definitions, it is important that managers carry out marketing activities in accordance with the business ethics. The managers who are also the owners of SMEs balance the relation between the enterprise and the society, so their ethical sensitivity has an important role. There are some studies claiming that, demographic properties of the managers take a significant part in the ethics of marketing decisions. Posner ve Schmidt (1984:202) stated that age factor affects ethical behavior positively and according to them, older people have much more tendency to behave ethically. Serwinek (1992:563), in this study on secondary level managers in insurance sector, found out that only in half of the managers, there is a relation between age and ethical behavior. Meanwhile, the relation between education level and ethical behavior is weak in some researches (Munhall, 1980:57-58), while it is strong (Colby et al, 1983:200) in the others (Smith ve Oakley, 1994:19). Besides, there are studies claiming that there is a relation between ethical behavior and business experience. It is indicated that, having business experience make it easier for employees to realize ethical problems (Ural, 2003:98).

METHOD

This study covers small and medium size enterprises in Çorum. In this study, marketing ethics at SMEs is analyzed in the frame of corporate social responsibility. In Çorum, 98 percent of enterprises are small and medium size whereas 2 percent of them are big. The sample capacity of our study is determined as 31 by prediction method through ratios. In order to increase the reliability of the study, sample capacity is determined as 80, all enterprises are reached, but only the valid surveys are taken into consideration.

The data used in this study are obtained through questionnaire survey and interview technique. Survey and the interviews are performed by interviewing the owners of enterprises in person. The survey form which is used to reach the primary data in this research, comprises of three parts. First part is about the demographic properties of the participator. These properties are multiple-choice, personal questions related to age, education and business experience. Second part is about the properties of enterprise. In this part, there are multiple-choice questions about the number of employees, the age of the enterprise and the primary subject matter of the enterprise. And the last part includes the questions about determining business ethics and marketing ethics of the enterprise. It is also about evaluating the perceptions of managers in terms of social responsibility. There are 43 multiple-choice expressions in order to determine business ethics and marketing ethics. To define managers' perceptions of social responsibility, 15 expressions are ranged between "I definitely believe" and "I don't believe" according to the quinary Likert Scale. While determining the expressions related to business ethics and marketing ethics, the studies of Ferrell and Faedrich(1994), Broadhurst(2000), Buchholz and Rosenthal(2000) and Birch(2003) are utilized. To determine the expressions about social responsibility, the studie of Arthaud-Day(2005) and Kantanen(2005) are consulted to.

In order to determine whether there is a correlation between the factors of the survey form, alpha coefficient(Cronbach's Alpha) is used. In consequence of the analysis, the value of alpha coefficient is required to be more than 60 percent, in order to claim that the scale is reliable(Nakip, 2006:146). In this study, the reliability of the scale is analyzed and the coefficient is calculated as 99.39 percent. Thus, we can say that the survey form is reliable.

The Model Of The Study

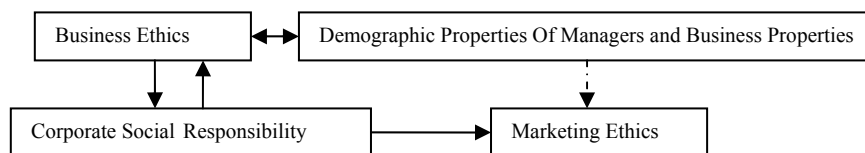


Figure 1: The Relation Between Corporate Social Responsibility and Marketing Ethics

The Hypotheses of the study are below:

The Hypotheses Of The Study:

- H1:** As the CRP applications in the enterprises increase, marketing ethics also increase.
- H2:** There is a positive correlation between marketing ethics and demographic properties of managers.
- H3:** Enterprises have different views of corporate social responsibility in terms of the demographic properties of their managers.
- H4:** Enterprises have different application levels of corporate social responsibility in term of their properties.

The Data Analysis and The Results

The data obtained using questionnaire survey technique are evaluated by SPSS 11.0 packet program. In order to analyze the data, descriptive statistics are used, showing weighted average, standard deviation, percentage and frequency. The relations between corporate social responsibility and marketing ethics, demographic properties of the managers and marketing ethics at enterprises are analyzed using correlation method. Correlation analysis is a statistics method used in order to determine the direction and unity between two variables(Nakip, 2006:342). In this study, the different views of social responsibility among enterprises in terms of the demographic properties of the managers and the different application levels of corporate social responsibility, in terms of the properties of enterprises are analyzed by one-way variance method. One-way

variance analysis is a statistics method used for evaluating the effector of the vaious levels of an independent variable on a specific dependent variable(Nakip, 2006:374).

Descriptive statistics regarding Survey Model

Percentage and frequency distributions which describes the characteristics of the enterprises and their administrators are given in Table 1

Table 1: Descriptive statistics regarding administrators and properties of the enterprises

S1 Age of administrator	n	%	S3 Work experience in years	n	%	S5 Age of enterprise	n	%
Younger than 29	9	12.5	Less than one year	-	-	Less than one year	-	-
30-39	21	29.2	1-2 years	4	5.6	2-7 years	10	13.9
40-49	26	36.1	3-4 years	13	18.1	8-13 years l	17	23.6
50-59	13	18.1	5-6 years	20	27.8	14-19 years	22	30.6
Older than 60	3	4.2	More than 6 years	35	48.6	20-25 years	20	27.8
Total	72	100.0	Total	72	100.0	More than 25 years	3	4.2
S2 Education level	n	%	S4 Number of employees	n	%	S6 Field of activity	n	%
Elementary	4	5.6	1-9	12	16.7	Industrial machine	14	19.4
Junior high school	5	6.9	10-49	33	45.8	Industrial metal	12	16.7
high school	15	20.8	50-250	37	37.5	Textile industry	5	6.9
Junior technical college	19	26.4	Total	72	100.0	Food industry	19	26.4
B.Sc.	21	29.11				Information technology	2	2.8
M.Sc.	8	11.1				Furniture	7	9.7
Total	72	100.0				Brick – Clay roofing tile	7	9.7
						Flour, feed and semolina	2	2.8
						Foot wear industry	1	1.4
						Automotive replacement industry	2	2.8
						Agriculture products	1	1.4
						Total	72	100.0

As seen in Table 1, 58.4% of the administrators are older than 40 years, 87.41% of them are graduated from high school and 76.4% of them have more than 5 years work experience. It is also shown that 16.7% of the enterprises are micro scaled; whereas 45.8% and 37.5% of them are small and medium scaled, respectively. 62.6% of the enterprises are actively in production for at least 14 years. Among the enterprises involved in this survey, 26.6% are in food, 19.4% are in industrial machine, 16.7% are in industrial metal, 9.7% are in furniture, 9.7% are in brick and clay roofing tile, 6.9% are in textile, 2.8% are in information technologies, 2.8% are in flour, feed and semolina, 2.8% are in automotive replacement industry, 1.4% are in foot wear industry and 1.4% are in agriculture sectors. In Table 2, Corporate Social Responsibility (CSR) perspectives of the administrators are given.

Table 2: Corporate Social Responsibility (CSR) Of The Administrators

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Total	A.O	S.S
	n/%	n/%	n/%	n/%	n/%	n/%		
S8.49 CSR increases the prestige of the enterprises	20/27.8	35/48.6	16/22.2	-	1/1.4	72/100.0	1.99	,796
S8.50 CSR increases the prides of employees	20/27.8	36/50.0	11/15.3	2/2.8	3/	72/100.0	2.06	,963
S8.51 CSR increases the motivations of employees	17/23.6	42/58.3	10/13.9	1/1.4	2/2.8	72/100.0	2.01	,831
S8.52 CSR increases the productivity of employees	20/27.8	40/55.8	9/12.5	1/1.4	2/2.8	72/100.0	1.96	,846

S8. CSR decreases inactive times of the enterprises	24/33.3	30/41.7	14/19.4	3/4.2	1/1.4	72/100.0	1.99	,911
S8.56 CSR decreases the trend of harmful activities to the environment	27/37.5	30/41.7	10/13.9	3/4.2	2/2.8	72/100.0	1.93	,969
S8.57 CSR decreases the rate of resignation among the employees	38/52.8	20/27.8	8/11.1	3/4.2	3/4.2	72/100.0	1.79	1.07
S8.58 CSR decreases the illness rate of the employees	25/34.7	20/27.8	18/25.0	5/6.9	4/5.6	72/100.0	2.21	1.16
S8.59 CSR decreases the rate of accident at work	23/31.9	35/48.6	8/11.1	4/5.6	2/2.8	72/100.0	1.99	,957
S8.60 CSR decreases the bribery	26/36.1	29/40.3	9/12.5	5/6.9	3/4.2	72/100.0	2.03	1.07
S8.61 CSR decreases the discrimination among the employees	19/26.4	34/47.2	14/19.4	4/5.6	1/1.4	72/100.0	2.08	,900
S8.62 CSR decreases the claims of the employees about not being fair to them	30/41.7	26/36.1	11/15.3	4/5.6	1/1.4	72/100.0	1.89	,958
S8.63 CSR increases the consumer satisfaction	22/30.6	29/40.3	14/19.4	4/5.6	3/4.2	72/100.0	2.13	1.05

As is seen in Table 2, 76.4 % of the administrators believe that the CSR increases the prestige of the enterprises. Moreover, 77.8%, 81.8% and 83.6% of the administrators think that the CSR increases the prides, motivations, and the productivities of the employees, respectively. On the other hand, 75%, 79.2%, 80.6%, 62.5%, 80.5%, 76.4%, 73.6%, 77.8% of the administrators agree on that the CSR decreases the inactive times of the enterprises, the trend of harmful activities to the environment, the rate of resignation among the employees, the illness rate of the employees, the rate of accident at work, the bribery, the discrimination among the employees, and the claims of the employees about not being fair to them, respectively. Finally, 70.9% of the administrators believe that the CSR increases the consumer satisfaction. CSR applications of the enterprises are given in Table 3.

Table 3: CSR Applications of the Enterprises

	Always	Frequently	Sometimes	Rarely	Never	n/%	A.O	S.S
S36 Enterprise gets involve in charity activities	22/30.6	21/29.2	28/38.9	1/1.4	-	72/100.0	2.11	,865
S37 Enterprise makes donation for education and social activities	14/19.4	21/29.2	35/48.6	2/2.8	-	72/100.0	2.35	,825
S38 Enterprise wants to be a sponsor for sports, congresses and symposiums	10/13.9	17/23.6	36/50.0	6/8.3	3/4.2	72/100.0	2.65	,966
S39 Benefit of the enterprise to the local area	Very High n/% 29/40.3	High 20/27.8	Moderate n/% 22/30.6	Low n/% 1/1.4	Very Low n/% -	72/100.0	1.93	,877
S40 Enterprise is respectful to the traditional cultural structure of the local environment	Always 37/51.4	Frequently 20/27.8	Sometimes 13/18.1	Rarely 2/2.8	Never -	72/100.0	1.72	,859
S41 Enterprise has systems and tools ready to prevent environmental pollution	Always 9/12.5	Frequently 31/43.1	Sometimes 22/30.6	Rarely 6/8.3	Never 4/5.6	72/100.0	2.51	1.01
S42 Enterprise uses environment friendly materials	Always 28/38.9	Frequently 23/31.9	Sometimes 12/16.7	Rarely 6/8.3	Never 3/4.2	72/100.0	2.07	1.13
S43 Enterprise carries out action plans to protect natural energy resources such as oil, coal, electricity and water	Always 20/27.8	Frequently 24/33.3	Sometimes 16/22.2	Rarely 8/11.1	Never 4/5.6	72/100.0	2.33	1.16
S44 Enterprise makes efforts to minimize the usage of non-renewable resources	Always n/% 13/18.1	Adequately n/% 22/30.6	Moderate n/% 27/37.5	Rarely n/% 7/9.7	Never n/% 3/4.2	72/100.0	2.51	1.03

As is seen in Table 3, 59.8% of the enterprises claim that they are involved in charity activities. Besides, 48.6% of them make donation for education and social activities. Additionally, 37.5% wants to be a sponsor for sports, congresses and symposiums. Table 3 also reveals that 68.1% of the enterprises state that they are

beneficial to the local area. 79.2% of the enterprises think that they are respectful to the traditional cultural structure of the local environment, while 55.6% of them claim that they have systems and tools ready to prevent environmental pollution. Moreover, 70.8% enterprises state that they use environment friendly materials. 61.1% of the enterprises carries out action plans to protect natural energy resources such as oil, coal, electricity and water. Finally, 48.7% of them make efforts to minimize the usage of non-renewable resources

Table 4: Marketing Ethics of the Enterprises

S8.28 Does enterprise pay attention to produce safe products?	Certainly pays attention	Pays attention	Sometimes pays attention	Does not pay attention	Never pays attention	n/%	A.O	S.S
	32/44.4	22/30.6	17/23.6	1/1.4	-	72/100.0	1.82	,845
S8.29 Does enterprise perform product maintenance and development constantly?	Certainly performs	Performs	Sometimes performs	Does not perform	Never performs			
	22/30.6	29/40.3	17/23.6	3/4.2	1/1.4	72/100.0	2.06	,918
S31 Does enterprise satisfies consumer demands?	Satisfies immediately n/%	Satisfies n/%	Sometimes it delays n/%	Does not satisfy	Never satisfies n/%			
	36/50.0	17/23.6	14/19.4	4/5.6	1/1.4	72/100.0	1.85	1.02
S8.32 Does enterprise follow marketing ethics?	Certainly follows n/%	follows	Sometimes follows n/%	Does not follow n/%	Never follows n/%			
	44/61.1	15/20.8	11/15.3	2/2.8	-	72/100.0	1.60	,850
S8.33 While choosing suppliers, does enterprise consider the criteria such as price offers and the lowest price standards?	Never considers n/%	Considers n/%	Sometimes considers n/%	Does not consider n/%	Never considers n/%			
	18/25.0	24/33.3	27/37.5	3/4.2	-	72/100.0	2.21	,871
S8.34 Does enterprise has a fair competition with the other enterprises?	Always has fair competition n/%	Has fair competition n/%	Sometimes has fair competition n/%	Does not have fair competition n/%	Never has fair competition n/%			
	52/72.2	7/9.7	13/18.1	-	-	72/100.0	1.46	,786
S8.35 Does enterprise prepare black list for bad suppliers?	Certainly prepares n/%	prepares n/%	Sometimes prepares n/%	Does not prepare	Never prepares			
	13/18.1	37/51.4	19/26.4	3/4.2	-	72/100.0	2.17	,769
S8.5 Is increase in prices performed deliberately by the enterprise?	Performed n/%	Performed randomly n/%	Does not performed randomly					
	56/77.8	7/9.7	9/12.5	-	-	72/100.0	1.35	,695

As is seen in Table 4, 75% of the enterprises claim that they pay attention to produce safe products, 70.9% of them state that they constantly perform product maintenance and development. Besides, 73.6% of the enterprises declare that they satisfy consumer demands, while 81.9% of them follow marketing ethics. 58.3% of the enterprises consider the criteria such as price offers and the lowest price standards while choosing suppliers. 81.9% of the enterprises claim that they have a fair competition with the other enterprises. 69.5% of the enterprises prepare black list for bad suppliers and 77.8% of them increases the prices deliberately. In the following sections, the results of the analysis which test the hypothesis of this study are given.

Findings Regarding the Hypothesis of the Study

H1: As the CSR applications in the enterprises increase, marketing ethics also increase.

Hypothesis H1 is tested with correlation analysis and the results are given in Table 5.

Table 5: Correlations between the CSR and Marketing Ethics.

		S8.5	S8.28	S8.29	S8.31	S8.32	S8.33	S8.34	S8.35	S8.49	S8.50	S8.51	S8.52	S8.53	S8.56	S8.57	S8.58	S8.59	S8.60	S8.61	S8.62	S8.63
S8.5	Pearson Correlation	1	,756	,521	,634	,812	,460	,916	,549	,747	-,029	-,008	,025	,008	,036	-,098	-,091	,007	-,013	-,047	,059	-,060
	Sig. (2-tailed)		,000	,000	,000	,000	,000	,000	,000	,000	,807	,944	,835	,949	,762	,412	,448	,951	,913	,696	,624	,614
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.28	Pearson Correlation	,756	1	,795	,886	,839	,760	,826	,741	,876	-,126	-,016	,048	-,168	-,102	-,120	-,463	-,073	-,196	-,202	-,130	-,293
	Sig. (2-tailed)	,000		,000	,000	,000	,000	,000	,000	,000	,291	,891	,686	,158	,396	,317	,000	,543	,099	,088	,278	,013
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.29	Pearson Correlation	,521	,795	1	,810	,697	,761	,687	,845	,753	-,291	-,167	-,124	-,319	-,233	-,231	-,500	-,224	-,330	-,381	-,249	-,447
	Sig. (2-tailed)	,000	,000		,000	,000	,000	,000	,000	,000	,013	,160	,300	,006	,049	,051	,000	,059	,005	,001	,035	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.31	Pearson Correlation	,634	,886	,810	1	,759	,721	,759	,718	,746	-,049	-,014	,042	-,078	-,025	-,042	-,342	-,002	-,112	-,109	-,047	-,194
	Sig. (2-tailed)	,000	,000	,000		,000	,000	,000	,000	,000	,684	,906	,729	,513	,833	,723	,003	,985	,348	,362	,697	,103
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.32	Pearson Correlation	,812	,839	,697	,759	1	,666	,912	,707	,762	-,041	-,012	,035	,011	,051	,015	-,242	,010	-,018	-,066	,048	-,085
	Sig. (2-tailed)	,000	,000	,000	,000		,000	,000	,000	,000	,732	,921	,770	,928	,670	,902	,041	,931	,878	,582	,689	,478
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.33	Pearson Correlation	,460	,760	,761	,721	,666	1	,537	,746	,756	-,384	-,257	-,198	-,404	-,300	-,435	-,656	-,301	-,443	-,454	-,428	-,492
	Sig. (2-tailed)	,000	,000	,000	,000	,000		,000	,000	,000	,001	,029	,095	,000	,011	,000	,010	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.34	Pearson Correlation	,916	,826	,687	,759	,912	,537	1	,664	,776	-,034	-,010	,029	,009	,042	,115	-,106	,009	-,015	-,055	,069	-,071
	Sig. (2-tailed)	,000	,000	,000	,000	,000		,000	,000	,776	,934	,808	,940	,724	,337	,376	,943	,899	,648	,567	,556	
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.35	Pearson Correlation	,549	,741	,845	,718	,707	,746	,664	1	,740	-,412	-,401	-,335	-,358	-,362	-,401	-,512	-,399	-,415	-,407	-,338	-,428
	Sig. (2-tailed)	,000	,000	,000	,000	,000	,000		,000	,000	,000	,004	,002	,002	,000	,000	,001	,000	,000	,004	,000	
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.49	Pearson Correlation	,747	,876	,753	,746	,762	,756	,776	,740	1	-,367	-,234	-,189	-,408	-,312	-,284	-,499	-,296	-,411	-,470	-,335	-,505
	Sig. (2-tailed)	,000	,000	,000	,000	,000	,000	,000		,002	,048	,112	,000	,008	,016	,000	,012	,000	,000	,004	,000	
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.50	Pearson Correlation	-,029	-,126	-,291	-,049	-,041	-,384	-,034	-,412	-,367	1	,774	,763	,852	,925	,843	,531	,888	,829	,873	,924	,748
	Sig. (2-tailed)	,807	,291	,013	,684	,732	,001	,776	,000	,002		,000	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.51	Pearson Correlation	-,008	-,016	-,167	-,014	-,012	-,257	-,010	-,401	-,234	,774	1	,942	,651	,754	,745	,362	,816	,678	,639	,710	,548
	Sig. (2-tailed)	,944	,891	,160	,906	,921	,029	,934	,000	,048	,000		,000	,000	,000	,000	,002	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.52	Pearson Correlation	,025	,048	-,124	,042	,035	-,198	,029	-,335	-,189	,763	,942	1	,638	,735	,719	,367	,799	,667	,633	,689	,546
	Sig. (2-tailed)	,835	,686	,300	,729	,770	,095	,808	,004	,112	,000	,000		,000	,000	,000	,002	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.53	Pearson Correlation	,008	-,168	-,319	-,078	,011	-,404	,009	-,358	-,408	,852	,651	,638	1	,876	,788	,628	,759	,878	,894	,870	,828
	Sig. (2-tailed)	,949	,158	,006	,513	,928	,000	,940	,002	,000	,000	,000	,000		,000	,000	,000	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.56	Pearson Correlation	,036	-,102	-,233	-,025	,051	-,300	,042	-,362	-,312	,925	,754	,735	,876	1	,893	,576	,895	,854	,847	,933	,786
	Sig. (2-tailed)	,762	,396	,049	,833	,670	,011	,724	,002	,008	,000	,000	,000	,000		,000	,000	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.57	Pearson Correlation	,098	-,120	-,231	-,042	,015	-,435	,115	-,401	-,284	,843	,745	,719	,788	,893	1	,701	,916	,835	,776	,881	,787
	Sig. (2-tailed)	,412	,317	,051	,723	,902	,000	,337	,000	,016	,000	,000	,000	,000	,000		,000	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72

S8.58	Pearson Correlation	-.091	-.463	-.500	-.342	-.242	-.656	-.106	-.512	-.499	,531	,362	,367	,628	,576	,701	1	,535	,717	,616	,641	,765
	Sig. (2-tailed)	,448	,000	,000	,003	,041	,000	,376	,000	,000	,000	,002	,002	,000	,000	,000		,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.59	Pearson Correlation	,007	-.073	-.224	-.002	,010	-.301	,009	-.399	-.296	,888	,816	,799	,759	,895	,916	,535	1	,823	,803	,844	,747
	Sig. (2-tailed)	,951	,543	,059	,985	,931	,010	,943	,001	,012	,000	,000	,000	,000	,000	,000	,000		,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.60	Pearson Correlation	-.013	-.196	-.330	-.112	-.018	-.443	-.015	-.415	-.411	,829	,678	,667	,878	,854	,835	,717	,823	1	,828	,879	,873
	Sig. (2-tailed)	,913	,099	,005	,348	,878	,000	,899	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000		,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.61	Pearson Correlation	-.047	-.202	-.381	-.109	-.066	-.454	-.055	-.407	-.470	,873	,639	,633	,894	,847	,776	,616	,803	,828	1	,861	,856
	Sig. (2-tailed)	,696	,088	,001	,362	,582	,000	,648	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000		,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.62	Pearson Correlation	,059	-.130	-.249	-.047	,048	-.428	,069	-.338	-.335	,924	,710	,689	,870	,933	,881	,641	,844	,879	,861	1	,815
	Sig. (2-tailed)	,624	,278	,035	,697	,689	,000	,567	,004	,004	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000		,000
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72
S8.63	Pearson Correlation	-.060	-.293	-.447	-.194	-.085	-.492	-.071	-.428	-.505	,748	,548	,546	,828	,786	,787	,765	,747	,873	,856	,815	1
	Sig. (2-tailed)	,614	,013	,000	,103	,478	,000	,556	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000	
	N	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72	72

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

As is seen in Table 5, marketing ethics increase as the CSR of the enterprises increase. The result of the analysis ($p < 0.01$) supports our hypothesis.

H2: There is a positive correlation between the demographic characteristics of the administrators and marketing ethic.

Hypothesis H2 is tested with correlation analysis and the results are given in Table 6.

Table 6. Correlation between the Demographic Characteristics of the Administrators and Marketing Ethic

		S1	S2	S4	S8.5	S8.28	S8.29	S8.31	S8.32	S8.33	S8.34	S8.35
S1	Pearson Correlation	1	,914	,831	,741	,906	,756	,774	,781	,782	,763	,782
	Sig. (2-tailed)		,000	,000	,000	,000	,000	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72
S2	Pearson Correlation	,914	1	,906	,628	,820	,801	,734	,740	,856	,664	,818
	Sig. (2-tailed)	,000		,000	,000	,000	,000	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72
S3	Pearson Correlation	,831	,906	1	,439	,763	,764	,718	,618	,889	,513	,782
	Sig. (2-tailed)	,000	,000		,000	,000	,000	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72
S8.5	Pearson Correlation	,741	,628	,439	1	,756	,521	,634	,812	,460	,916	,549
	Sig. (2-tailed)	,000	,000	,000		,000	,000	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72
S8.28	Pearson Correlation	,906	,820	,763	,756	1	,795	,886	,839	,760	,826	,741
	Sig. (2-tailed)	,000	,000	,000	,000		,000	,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72
S8.29	Pearson Correlation	,756	,801	,764	,521	,795	1	,810	,697	,761	,687	,845
	Sig. (2-tailed)	,000	,000	,000	,000	,000		,000	,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72
S8.31	Pearson Correlation	,774	,734	,718	,634	,886	,810	1	,759	,721	,759	,718
	Sig. (2-tailed)	,000	,000	,000	,000	,000	,000		,000	,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72
S8.32	Pearson Correlation	,781	,740	,618	,812	,839	,697	,759	1	,666	,912	,707
	Sig. (2-tailed)	,000	,000	,000	,000	,000	,000	,000		,000	,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72
S8.33	Pearson Correlation	,782	,856	,889	,460	,760	,761	,721	,666	1	,537	,746
	Sig. (2-tailed)	,000	,000	,000	,000	,000	,000	,000	,000		,000	,000
	N	72	72	72	72	72	72	72	72	72	72	72
S8.34	Pearson Correlation	,763	,664	,513	,916	,826	,687	,759	,912	,537	1	,664
	Sig. (2-tailed)	,000	,000	,000	,000	,000	,000	,000	,000	,000		,000
	N	72	72	72	72	72	72	72	72	72	72	72
S8.35	Pearson Correlation	,782	,818	,782	,549	,741	,845	,718	,707	,746	,664	1
	Sig. (2-tailed)	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000	
	N	72	72	72	72	72	72	72	72	72	72	72

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

Table 6 shows that there is a positive correlation between the demographic characteristics of the administrators and marketing ethic. Age, education level and work experience are considered as the characteristics of the administrators. The result of the analysis ($p < 0.01$) supports our hypothesis.

H3: According to the demographic characteristics of the administrators, there are differences in their CSR understanding.

H3a: According to the ages of the administrators, there are differences in their CSR understanding

H3b: According to the education levels of the administrators, there are differences in their CSR understanding

H3c: According to the work experience levels of the administrators, there are differences in their CSR understanding

Hypothesis given above are tested using one tile variance analysis. Results are given in Table 7, Table 8, and Table 9.

Table 7. Evaluation of the CSR understanding levels of the enterprises with respect to the ages of the administrators. (ANOVA)

		Sum of Squares	df	Mean Square	F	Sig.
S8.49	Between Groups	36,120	4	9,030	68,237	,000
	Within Groups	8,866	67	,132		
	Total	44,986	71			
S8.50	Between Groups	35,607	4	8,902	19,768	,000
	Within Groups	30,171	67	,450		
	Total	65,778	71			
S8.51	Between Groups	29,812	4	7,453	26,042	,000
	Within Groups	19,175	67	,286		
	Total	48,986	71			
S8.52	Between Groups	32,521	4	8,130	29,679	,000
	Within Groups	18,354	67	,274		
	Total	50,875	71			
S8.53	Between Groups	27,731	4	6,933	14,861	,000
	Within Groups	31,255	67	,466		
	Total	58,986	71			
S8.56	Between Groups	37,493	4	9,373	21,537	,000
	Within Groups	29,160	67	,435		
	Total	66,653	71			
S8.57	Between Groups	57,252	4	14,313	38,947	,000
	Within Groups	24,623	67	,368		
	Total	81,875	71			
S8.58	Between Groups	79,982	4	19,996	84,298	,000
	Within Groups	15,893	67	,237		
	Total	95,875	71			
S8.59	Between Groups	39,744	4	9,936	26,373	,000
	Within Groups	25,242	67	,377		
	Total	64,986	71			
S8.60	Between Groups	52,079	4	13,020	29,209	,000
	Within Groups	29,865	67	,446		
	Total	81,944	71			
S8.61	Between Groups	27,009	4	6,752	14,837	,000
	Within Groups	30,491	67	,455		
	Total	57,500	71			
S8.62	Between Groups	36,291	4	9,073	21,091	,000
	Within Groups	28,821	67	,430		
	Total	65,111	71			
S8.63	Between Groups	45,915	4	11,479	24,063	,000
	Within Groups	31,960	67	,477		
	Total	77,875	71			

Table 8. Evaluation of the CSR understanding levels of the enterprises with respect to the education levels of the administrators. (ANOVA)

		Sum of Squares	df	Mean Square	F	Sig.
S8.49	Between Groups	33,410	5	6,682	38,096	,000
	Within Groups	11,576	66	,175		
	Total	44,986	71			
S8.50	Between Groups	42,223	5	8,445	23,662	,000
	Within Groups	23,554	66	,357		
	Total	65,778	71			
S8.51	Between Groups	30,398	5	6,080	21,586	,000
	Within Groups	18,589	66	,282		
	Total	48,986	71			
S8.52	Between Groups	33,893	5	6,779	26,346	,000
	Within Groups	16,982	66	,257		
	Total	50,875	71			
S8.53	Between Groups	42,889	5	8,578	35,169	,000
	Within Groups	16,097	66	,244		
	Total	58,986	71			
S8.56	Between Groups	47,355	5	9,471	32,393	,000
	Within Groups	19,297	66	,292		
	Total	66,653	71			
S8.57	Between Groups	57,849	5	11,570	31,782	,000
	Within Groups	24,026	66	,364		
	Total	81,875	71			
S8.58	Between Groups	79,827	5	15,965	65,660	,000
	Within Groups	16,048	66	,243		
	Total	95,875	71			
S8.59	Between Groups	42,748	5	8,550	25,373	,000
	Within Groups	22,239	66	,337		
	Total	64,986	71			
S8.60	Between Groups	63,811	5	12,762	46,451	,000
	Within Groups	18,133	66	,275		
	Total	81,944	71			
S8.61	Between Groups	37,282	5	7,456	24,342	,000
	Within Groups	20,218	66	,306		
	Total	57,500	71			
S8.62	Between Groups	44,406	5	8,881	28,311	,000
	Within Groups	20,705	66	,314		
	Total	65,111	71			
S8.63	Between Groups	63,475	5	12,695	58,185	,000
	Within Groups	14,400	66	,218		
	Total	77,875	71			

Table 9. Evaluation of the CSR understanding levels of the enterprises with respect to the work experiences of the administrators. (ANOVA)

		Sum of Squares	df	Mean Square	F	Sig.
S8.49	Between Groups	27,750	3	9,250	36,495	,000
	Within Groups	17,236	68	,253		
	Total	44,986	71			
S8.50	Between Groups	55,828	3	18,609	127,179	,000
	Within Groups	9,950	68	,146		
	Total	65,778	71			
S8.51	Between Groups	30,609	3	10,203	37,754	,000
	Within Groups	18,377	68	,270		
	Total	48,986	71			
S8.52	Between Groups	32,067	3	10,689	38,647	,000
	Within Groups	18,808	68	,277		
	Total	50,875	71			
S8.53	Between Groups	50,150	3	16,717	128,653	,000
	Within Groups	8,836	68	,130		
	Total	58,986	71			
S8.56	Between Groups	49,925	3	16,642	67,649	,000
	Within Groups	16,728	68	,246		
	Total	66,653	71			
S8.57	Between Groups	52,861	3	17,620	41,297	,000
	Within Groups	29,014	68	,427		
	Total	81,875	71			
S8.58	Between Groups	56,534	3	18,845	32,573	,000
	Within Groups	39,341	68	,579		
	Total	95,875	71			
S8.59	Between Groups	45,294	3	15,098	52,135	,000
	Within Groups	19,692	68	,290		
	Total	64,986	71			
S8.60	Between Groups	67,742	3	22,581	108,116	,000
	Within Groups	14,202	68	,209		
	Total	81,944	71			
S8.61	Between Groups	45,636	3	15,212	87,192	,000
	Within Groups	11,864	68	,174		
	Total	57,500	71			
S8.62	Between Groups	50,425	3	16,808	77,829	,000
	Within Groups	14,686	68	,216		
	Total	65,111	71			
S8.63	Between Groups	50,873	3	16,958	42,705	,000
	Within Groups	27,002	68	,397		
	Total	77,875	71			

It can be seen from Table 7, Table 8, and Table 9, there are meaningful differences among the CSR understanding levels of the administrators when their ages, education levels and work experiences are considered. According to the results of the analysis, F value 0.00 is meaningful and supports our hypothesis.

H4: According to the characteristics of the enterprises, there are differences in the application levels of the CSR.

H4a: According to the scales of the enterprises, there are differences in the application levels of the CSR.

H4b: According to the ages of the enterprises, there are differences in the application levels of the CSR.

Hypothesis given above are tested using one tile variance analysis. Results are given in Table 10 and Table 11.

Table 10 Evaluation of the CSR application levels of the enterprises with respect to their scales (ANOVA)

		Sum of Squares	df	Mean Square	F	Sig.
S8.36	Between Groups	39,596	2	19,798	101,076	,000
	Within Groups	13,515	69	,196		
	Total	53,111	71			
S8.37	Between Groups	33,350	2	16,675	76,860	,000
	Within Groups	14,970	69	,217		
	Total	48,319	71			
S8.38	Between Groups	31,926	2	15,963	32,024	,000
	Within Groups	34,394	69	,498		
	Total	66,319	71			
S8.39	Between Groups	41,744	2	20,872	111,561	,000
	Within Groups	12,909	69	,187		
	Total	54,653	71			
S8.40	Between Groups	36,088	2	18,044	76,116	,000
	Within Groups	16,357	69	,237		
	Total	52,444	71			
S8.41	Between Groups	38,766	2	19,383	40,260	,000
	Within Groups	33,220	69	,481		
	Total	71,986	71			
S8.42	Between Groups	59,744	2	29,872	66,684	,000
	Within Groups	30,909	69	,448		
	Total	90,653	71			
S8.43	Between Groups	70,424	2	35,212	94,998	,000
	Within Groups	25,576	69	,371		
	Total	96,000	71			
S8.44	Between Groups	34,653	2	17,326	28,924	,000
	Within Groups	41,333	69	,599		
	Total	75,986	71			

Table 11: Evaluation of the CSR application levels of the enterprises with respect to their ages (ANOVA)

		Sum of Squares	df	Mean Square	F	Sig.
S8.36	Between Groups	42,809	4	10,702	69,602	,000
	Within Groups	10,302	67	,154		
	Total	53,111	71			
S8.37	Between Groups	36,897	4	9,224	54,106	,000
	Within Groups	11,422	67	,170		
	Total	48,319	71			
S8.38	Between Groups	54,865	4	13,716	80,229	,000
	Within Groups	11,455	67	,171		
	Total	66,319	71			
S8.39	Between Groups	51,885	4	12,971	313,949	,000
	Within Groups	2,768	67	,041		
	Total	54,653	71			
S8.40	Between Groups	38,790	4	9,697	47,583	,000
	Within Groups	13,655	67	,204		
	Total	52,444	71			
S8.41	Between Groups	36,332	4	9,083	17,068	,000
	Within Groups	35,655	67	,532		
	Total	71,986	71			
S8.42	Between Groups	74,698	4	18,675	78,423	,000
	Within Groups	15,955	67	,238		
	Total	90,653	71			
S8.43	Between Groups	63,478	4	15,869	32,693	,000
	Within Groups	32,522	67	,485		
	Total	96,000	71			
S8.44	Between Groups	47,652	4	11,913	28,170	,000
	Within Groups	28,334	67	,423		
	Total	75,986	71			

As is seen in Table10 and Table11, there are meaningful differences among the CSR applications when the characteristics of the enterprises are considered. The results of the analysis $p < 0.01$ support our hypothesis.

CONCLUSIONS

CSR wants enterprises to be respectful regarding their applications which affect the individuals, society and the environment. In this manner, social responsibility means that enterprises feel themselves responsible to the society. Parallel to CSR efforts of the enterprises, enterprise ethics have been discussed more extensively than CSR for more than five decades. Enterprise ethics apply the general ethical rules to the enterprises and can be described as applied ethical rules which describe the responsibilities of the administrators and the employees. Enterprise ethic contains CSR and marketing ethic. Marketing ethic is sub-category of the enterprise ethic and deals with ethical problems that can be faced during marketing. Marketing establishes the connection between the enterprises and the consumers. Marketing is monitored by people more than other functions of the enterprises; therefore it is exposed to the ethical inspections. For this reason, in this paper, marketing ethic in SMEs is studied in terms of CSR. Four different hypotheses are generated and their validity is tested using correlation and one-tailed variance analyses. In this study it is tested if there is an increase in the marketing ethics as the CSR understanding in the enterprises. It is also tested if there is a positive correlation between the age, income and work experiences of the administrators and the marketing ethic. These tests are done using correlation method and the results show that there is a strong correlation ($p < 0.01$) between them. Besides, it is tested with one-tailed variance method if there is any negative correlation between the CSR understandings of the administrators and their age, income and work experiences. The results show that there is a negative correlation between the CSR understandings of the administrators and their age, income and work experiences since F value is 0.00. Moreover, the relationship between the CSR application levels of the enterprises and their ages and scales is tested with one-tailed variance method. The results show that there is a negative correlation between them with 0.00 F value.

Depending on the finding of this study, it can be said that CSR understandings and applications can be different depending on the demographic characteristics of the administrators and the characteristics of the enterprises. In addition, it can be stated that the marketing ethic applications of the SMEs depend on the level of their CSR understanding. It is also observed that the age, income and experience affect the marketing ethic applications of the SME administrators.

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DECISION TO BUY FROM ONLINE STORES OR BRICK-AND-MORTAR STORES: EVIDENCE FROM TURKISH CONSUMERS

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ABSTRACT

One of the most important uses of Internet for both customers and sellers is the purchasing of goods from online stores instead of conventional brick-and-mortar stores. There are several issues consumers consider in deciding whether to buy a product from online stores or prefer actual stores. In this study, based on a questionnaire survey, we examine several factors affecting the consumers' decision to buy online or prefer the conventional stores. The results of discriminant analyses conducted on the survey data revealed that consumers who think that enough information can be gathered about products via the Internet and those who think they can easily find products on the Internet and save time by shopping from online stores tend to shop online. On the other hand, risk and security concerns about online shopping and the quality of service provided by conventional stores are important factors that lead to shopping from actual stores. Suggestions for stores conducting online sales and for brick-and-mortar stores are provided.

INTRODUCTION

Internet is a gigantic network of users and computers covering the globe, and it has become one of the most important communication media. Other than being used for communication and information sharing and dissemination purposes, recently Internet has become an important medium for conducting business and performing commercial activities. People use Internet for the search and purchase of several products, ranging from products that can be transmitted through the Internet to the consumers' computer (like computer software, music and movies) to physical products of any kind that are ordered through the Internet and delivered physically to the customer. As Internet usage become more common and more people have access to it, the use of Internet for commercial purposes are expected to increase.

Although the number of Internet users is increasing rapidly and the online shops are improving their services and offerings, the amount of purchasing from online shops is still very low compared to purchasing from actual stores and is not expanding as expected. For example, according to a report by Turkish Statistical Institute, among Turkish Internet users only 5.65% of users have made online purchases during the period of April-June 2007 (2007). These statistics show that there are still many Internet users who prefer the conventional way of shopping from actual stores instead of online stores even if they use the Internet on a regular basis. Similarly, some Internet users prefer Internet as a tool for searching products and gathering product related information, but they just don't shop from the Internet and prefer the actual stores to buy the products. There are several factors that prevent people to make online purchases. Security of payment transactions done on the Internet is a big concern for most users. Also customers are concerned about their privacy when they give personal information through the Internet. Some people don't trust in the selling company and have concerns about after sales services. Moreover, the personal characteristics of the customers make a difference. For example, some consumers like to visit stores and physically examine the products before they buy. Also, education level, age, sex and level of Internet usage are important user characteristics affecting the shopping behavior regarding the preference to shop online or shopping from conventional stores. On the other hand, some people like the advantages of online shopping and prefer to make purchases online. Among the advantages of Internet shopping are the convenience of buying products without having to visit the physical store, the less time required to make the purchase (Burt and Sparks,

2003), easily gathering detailed information about the product, the search for competitive products and easily making the comparison of different brands and sellers.

As it can be seen, there are several factors affecting whether customer buys online or choose the conventional brick-and-mortar stores. Therefore, a better understanding of these factors and their affect on the shoppers' decision to choose between online and conventional shopping behavior will be beneficial to sellers who market and sell their products through the Internet as well as to traditional brick-and-mortar stores who should compete with online stores. In this study, we used a questionnaire developed by Watabe and Iwasaki (2007) in order to understand the important factors affecting the customers' behavior in choosing between online and conventional stores using data gathered from a sample of Turkish consumers.

LITERATURE REVIEW

Recently, there have been considerable advances in Internet related applications and technologies especially regarding the Web. The ease and convenience of using web pages and ever increasing innovations of the Web related technologies made it possible to use the Web as a medium for selling products and conducting business. Therefore, companies are trying to improve their presence and offerings in order to effectively use this new medium and stay competitive in their business. Even though online customers show similar behaviors to conventional customers, in order to better service them online, companies need to understand deeper these new types of customers. For instance, why people make online purchases, the benefits they expect and drawbacks they face, and common features of online customers in attitude, behavior and preferences are examples of these issues (Blackwell et al., 2000). Better understanding of customers' decision process of online shopping can help companies in developing strategies and deploying marketing tools to persuade visitors to shop online (Underhill, 2000).

Studies show that some people prefer to shop from actual stores even they use Internet regularly in their home and work, while others shop through the Internet frequently. There are several reasons mentioned in the literature for this difference. One of the most frequently cited reasons why people do not shop from online stores is the consumers' concerns about the risks of engaging online shopping activities (Forsythe, 2003). People who find risky to shop online have risk perceptions about the financial aspects of the online purchasing activity, performance of the product they buy and some other psychological concerns. Such people may use the Internet for searching product and related information, but do not shop online because of the perceived risks. This risk perception makes trust concept essential for online purchasing activities since trust reduces the perception of risk and so makes online purchasing possible (Gefen and Straub, 2004). Studies show that the price of the product to be purchased is another factor in choosing between online and conventional store shopping. As the price of the product increases, people tend to buy it from actual stores because the risk associated with it increases, and in that case, customers want to make a first-hand examination of the product before making the final purchasing decision (Citrin et al., 2003). The type of the product and the consumer's characteristics also affect whether the consumer prefers the online shopping or not. For example, the quality and some other attributes of some products may not be easily estimated without direct inspection by the customer. In that case, users may prefer to shop from actual stores where they can make a first-hand examination of the product. Finally, some people just like to shop from conventional stores because they enjoy it and have fun during shopping.

Although some Internet users don't prefer to shop online for several reasons, some of which mentioned above, still others like to shop online and do it frequently. These Internet users find online shopping very convenient and think that online shopping has several advantages. Time saving is an important factor in making online purchases. Internet shopping is seen to provide more time saving compared to traditional methods of shopping (Alreck and Settle, 2002). Therefore people who sees shopping as a task to be completed in the shortest time as possible, this provides an advantage and can be a reason to buy online. Studies show that people who are more experienced in using the Internet tend to make more online purchases compared to novice and less experienced users. Experience in using the Internet contributes to the perception of the user that this technology is easy to use and makes the user more comfortable in using this technology. Especially, if the user has prior online shopping experience, this will increase the future online purchases (Brown et al., 2003).

RESEARCH METHODOLOGY

In order to understand the discriminating factors that affect consumers' choice between online stores and conventional brick-and-mortar stores, we used a questionnaire survey which was developed and used in a prior study by Watabe and Iwasaki (2007). The questionnaire consists of 32 items to measure several factors supposed to affect the decision to choose between online and conventional stores; namely, *price* concerns and sensitivity, *trust* to stores, *switching costs* associated with changing from one seller to another, *convenience* of shopping regarding the time spent and efforts put into during shopping, *information* about the product and how it is gathered, *first-hand examination* of the product, i.e., the actual contact of the customer with the product, and finally the *service* levels of stores provided to the customers. In addition to these items, several questions regarding the participants' demographics like age, gender, education and income level are asked. Also, information regarding how long and how frequent are the participants have been using the Internet was collected in order to better understand the profiles of participants.

In order to gather the data, firstly the questionnaire was translated into Turkish. Items were carefully reviewed in order to ensure that the participants clearly understand each question. Then the questionnaires were given to participants who voluntarily wanted to participate in the study. The participants were mainly the students and academic and administrative staff of a Turkish university. The questionnaires were distributed in March, 2008 and a total of 100 responses collected.

The respondents were active users of the Internet with a mean of 20.3 hours per week. They were accessing the Internet from home (26%), work (20%), school (12%), internet café (1%) or a combination of these (41%). About 60 % of participants were male and 40% were female. Among the respondents 52% were students, about 65% was working and about 77% had credit card. The data being mostly from a university, the respondents were highly educated. About 3% had a high school degree and the remaining participants were either had a bachelor or a graduate degree or were attending a bachelor or graduate program. The monthly income range of participants were as follows : about 34% in 0-500 YTL range, about 28% in 500-1000 YTL range, about 30% in 1000-3000 YTL range, about 5% in 3000-6000 YTL range and unspecified values of about 3%.

ANALYSIS AND RESULTS

The main part of the questionnaire consisted of 32 items supposed to measure several factors that were hypothesized to discriminate online shoppers and actual store shoppers. In order to determine the underlying factors, we performed a principal components analysis with varimax rotation on these items. In the analysis, components with eigenvalues of over 1 are retained as factors. Table 1 shows the rotated component matrix and the corresponding item loadings. In order to improve readability, the factor loadings with loadings less than 0.4 were suppressed and not shown. As it is seen in the table, question items 1 through 5 are loaded on the same component and formed the *switching* factor. Similarly items 6,7, 8 and 10 formed the *trust* factor, items 15, 16 and 31 formed the *Internet info* factor, items 17 through 20 formed the *price* factor, items 28 and 30 formed the *Internet risk* factor, items 22 and 23 formed the *store service* factor, items 24 and 25 formed the *delivery* factor, item 9 formed the *return policy* factor and finally item 32 formed the *time saving* factor.

Based on the results of principal components analysis and the factor loadings, we took the averages of items to represent each corresponding factor. These factors were then used in discriminant analysis. Discriminant analysis is done here to investigate the relative importance of the mentioned factors in predicting the Internet users' decision to shop online or prefer actual stores. The analysis is done separately for the purchase of two different products, a laptop computer and a digital camera.

Table 2 presents the results of the discriminant analysis for the purchase of a laptop computer. Since the group number for purchasing behavior is three (i.e. actual store shoppers, Internet shoppers, and neutral

group), the discriminant analysis generates two different functions. The eigenvalues of each function and the percent of variance explained by each function are provided. According to the table the first function is significant at less than 0.001 level, has an eigenvalue of 0.616 and explains the 95.3% of the total variance. Therefore it has a good discriminating ability. On the other hand, function 2 is not significant and therefore is not used in further analysis. The table also shows the standardized coefficients of the factors included in the model. Only the factors of online information, Internet risk, store service and time saving are significant and therefore contribute to the model. Among these four factors, online information and store service have higher absolute values and are better at discriminating between consumers regarding their shopping preference. Group centroids for function 1 show that the figure for store shoppers is negative while for Internet shoppers and neutral group it is positive with a higher value for Internet shoppers. This means that customers who think Internet shopping is risky and service of actual stores are good tend to buy a laptop computer from stores. On the other hand, customers who think that they can find products and product information easily from the Internet and who think that they can buy products sooner from online shops will most probably purchase a laptop computer from online shops or become neutral about buying it from an online store or an actual store.

Similarly, Table 3 shows the discriminant analysis results for the purchase of a digital camera. Again number of discriminant functions is two. The first function is significant at less than 0.001 level while the second function is not. Therefore the second function is not considered for further analysis. The eigenvalue of function 1 is 1.202 and explains the 97.4% of the variance and therefore has a good discriminating ability. From the table, it is seen that similar to the results of the discriminant analysis for purchase of a laptop computer, the same four factors are significant at 0.01 or 0.05 level and have a discriminating ability. Again online information and store service factors have higher absolute values meaning that they are better at discriminating compared to the other two factors. As in the case of laptop computer purchase, for the purchase of a digital camera, group centroid value for store shoppers is negative, while for Internet shoppers and neutral group it is positive. This reveals that customers who is worried about the risks of online shopping and who likes services of actual stores will probably buy a digital camera from an actual store. On the contrary, customers who think that it is easier to find products and product related information on the Internet and who think that they save time when buying products from online shops will tend buy it via Internet or be neutral about it.

DISCUSSION AND CONCLUSIONS

The Internet has become an important part of our daily life. It has affected several areas like communication, education, leisure and business, just to name a few. And it still continues to diffuse into our lives by providing new services and offerings. Statistics show that the number of people using the Internet and the services offered through it are increasing rapidly. One of the most important and growing services of Internet related to the businesses is the selling of products over the Internet. In that respect, Internet has become a new distribution channel for delivering products and services to customers. On the other hand, while being extremely promising, currently online shopping is not prevalent among Internet users in many countries, and a similar situation holds for Turkey.

In the relevant literature, several factors have been mentioned affecting the consumers' preference to shop online or to shop from actual brick-and-mortar stores. In this study, based on a previous model developed and tested by Watabe and Iwasaki (2007), we conducted a survey research to investigate the discriminating factors which affect the decision of the consumers to shop online or to shop from actual stores using a convenience sample of Turkish consumers. The principal component analysis performed on the data gathered from 100 Internet users revealed 9 such factors; namely, Internet info, trust, switching cost, price, Internet risk, store service, delivery, time saving and return policy. Using these factors as discriminating variables and answers given by the respondents to whether they will buy a laptop computer and a digital camera from online shops or from actual stores as criterion variables, we conducted two separate discriminant analyses to determine important factors influencing the consumers' preference. The results of both analyses were similar and revealed that online information, Internet risk, store service and time saving are important factors. The results of the analyses suggest that customers who think that they can easily find products and get enough information about products from the Internet without actually seeing them, and who thinks that they can buy product from online shops sooner than actual stores tend to choose online stores. On the other hand,

customers who find the Internet as a risky medium for purchasing transactions and don't trust online shops and who likes the services of actual stores will prefer to shop from actual stores.

These results have implications both for online stores and conventional stores. For the conventional stores, in order to retain existing customers and attract new customers, they should improve their service level because among customers who are active Internet users, those who think that the services of actual stores are better than online stores tend to shop from actual stores. Also, they should provide detailed information about their products offerings to help their customers easily find products because this is an important criterion for customers to choose online shopping. In that respect, conventional stores can use the Internet and other tools for providing information to their customers and offer good quality and secure services in which they seem to be superior to online stores. Online shops, on the other hand, should try to gain the trust of their customers by improving their level of security in conducting business transactions, informing users about the security improvements in Internet technologies to eliminate customers' concerns, and providing faster and better services in every aspect of the purchasing process so that they can compete with conventional stores.

In future studies, other and larger samples can be used to test the factors in this study. Also, other factors mentioned in the relevant literature related to shopping preference between online and actual stores can be incorporated into the model used in this study to enhance our understanding about the subject.

APPENDIX

TABLE 1. PRINCIPAL COMPONENTS ANALYSIS WITH VARIMAX ROTATION*

Questionnaire items**	Internet info	Trust	Switching cost	Price	Internet risk	Store service	Delivery	Time saving	Return policy
16 I can buy goods without seeing the actual goods.	0.757								
27 It is important to actually see the goods.	-0.755								
15 Enough information can be obtained over the Internet.	0.748								
13 I can't select goods with only net information.	-0.657								
31 It is easier to find goods over the Internet.	0.609								
21 The service in stores is better than that of online shops.	-0.603					0.483			
7 Reputation of the shop is important.		0.852							
8 Security of the shop is important.		0.750							
6 Trust of the shop is important.		0.681							
10 Service after the purchase is important.		0.661							
14 The information provided by shops is important.		0.441					0.402		
3 I like to buy goods at the shops I often visit.			0.871						
4 I like to buy goods at a fixed shop.			0.801						
2 I like to buy goods at the shops I have bought before.			0.684						
1 Changing shops is troublesome.			0.542	-0.475					
5 I like to buy goods at the shops which names I know.			0.512						
20 Price difference is important.				0.751					
17 I like to compare the prices.				0.678					
19 I usually buy at a cheaper store.				0.656					
18 I think there is a shop where I can buy cheaper.				0.621					
28 There are many unreliable online shops.					0.778				
30 Shopping at different online shops is highly risky.					0.659				
11 I like to ask a shop clerk for recommended goods.					0.581				
26 I like to select goods after closely checking them.					0.555				
12 I like to decide after talking with a shop clerk.					0.402				
23 I trust stores.						0.827			
22 The service in stores is good.						0.796			
29 The service in online shops is not good.						0.489		-0.416	
24 The ways I can receive goods is important.							0.754		
25 Speedy delivery is important.							0.746		
32 I can buy goods at online shops sooner than stores.								0.760	
9 Returns policy after purchase is important.									0.783

* Values under 0.4 are not shown. Items are sorted by factor loadings.

** Numbers at the beginning of items show their orders at the questionnaire

TABLE 2. DISCRIMINANT ANALYSIS FOR THE PURCHASE OF A LAPTOP COMPUTER

Factors		Discriminant Function 1	Discriminant Function 2
Switching cost		-0.197	0.752
Trust		-0.203	-0.511
Online information *		0.639	0.379
Internet risk *		-0.246	0.344
Store service *		-0.528	-0.428
Delivery		0.252	0.276
Return policy		0.022	0.113
Time saving *		0.341	-0.460
Eigenvalue		0.616	0.030
Percent of Variance		95.3	4.7
Significance		0.000	0.912
Group Centroid	Store	-0.554	-0.039
	Internet	1.928	-0.597
	Neutral	0.823	0.179

* Significant at 0.01 level

TABLE 3. DISCRIMINANT ANALYSIS FOR THE PURCHASE OF A DIGITAL CAMERA

Factors		Discriminant Function 1	Discriminant Function 2
Switching cost		-0.208	0.760
Trust		-0.035	-0.352
Online information *		0.762	-0.001
Internet risk **		-0.164	-0.394
Store service *		-0.598	-0.186
Delivery		0.296	0.271
Return policy		0.123	0.699
Time saving *		0.272	-0.558
Eigenvalue		1.202	0.032
Percent of Variance		97.4	2.6
Significance		0.000	0.900
Group Centroid	Store	-0.865	-0.030
	Internet	2.053	-0.534
	Neutral	1.119	0.172

* Significant at 0.01 level ** Significant at 0.05 level

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DETERMINING CUSTOMER EXPECTATIONS IN REAL ESTATE: A POTENTIAL MARKET FOR ISTANBUL/ TURKEY

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ABSTRACT

Real estate market of Turkey, especially Istanbul, is getting attention and interest of many foreign investors all around the world, especially the Europeans. In time of such demand, the development and management of the right real estate project is very critical. Hence, this paper attempted this end by presenting a segmentation of the Istanbul consumers based on their evaluation of attributes and profiling them in order to prepare guidelines for the international and national construction companies.

INTRODUCTION

Turkish Real Estate Sector went through two major incidents that changed the demand and supply structure of the sector: Istanbul earthquake which took place in 1999 and the mortgage law. When the change is considered from the consumer perspective, prior to 1999, although İstanbul was known to be in the earthquake zone, consumer consciousness about the issue was rather low. After the earthquake, consumers' consciousness related to construction and the quality standards has changed. Moreover, real estate has been one of the major investment tools for the Turkish customer. Due to the increasing population and migration to major cities in the last 40 years, real estate prices have been increasing steadily. To own a home of their own has been the dream of a standard Turkish family, for those who already own their own, a new house is a mean for investment. Since the mortgage law had been introduced, real estate has become more affordable for the average Turkish family, increasing the demand, thus the prices.

There are two different means of satisfying demand for real estate: the sale from the individual who already bought from a construction company, the second hand market and the sales of new projects by construction companies. These projects are various, in some cases a few story apartment houses or in other cases, "small cities" of organized apartment blocks.

On the supply side, the increase in demand and prices has resulted in increase in profitability for construction companies and increase in the number of projects as well. As there are more alternatives for purchase in the market, it is essential for the construction companies to be marketing oriented and to design the projects according to the requirements of the customer for getting competitive advantage. In order to be more effective, the companies should be aware of the current and potential customers' demands, attitudes, and preferences when they select real estate. It is true that price, quality and quantity of amenities go hand in hand. However, there might be different market segments who would value these characteristics differently and the successful marketers should be able to equate demand and supply in each segment (Anglin 1997).

For a construction company to succeed, segmenting the market and determining the product requirements of each segment is very important. Research has shown that market segments may be defined in terms of differences in the relative importance given to each attribute, and that market segments do not necessarily correspond to simple demographic measures (Nelson and Rabianski 1988). Therefore, the objective of this study is to present real estate segmentation based on the Istanbul consumers' evaluation of attributes in real estate and profile these segments. Additionally, the sources of information, decision making process, and implementing strategies to reach these segments are other dimensions to be considered. The implications of this research will prepare strategic guidelines for the construction companies to design and manage their projects and marketing according to the demand and consumer behavior of different market segments.

Turkey and İstanbul were selected as the context of this study because real estate is described as one of the rising sectors for Turkey, especially in terms of the İstanbul district. Turkish real estate market has attracted foreign investment from all around the world with Europe leading the way. Unsurprisingly, many national and international retail chains such as Turyap, Coldwell Banker, Remax, Reha Medin, Century 21, Realty World, Eskidji are opening franchise offices all around the country at a fascinating rate. Only in İstanbul, there are 415 branded franchise offices as of 2007, let alone the independent retail offices (Cingi, 2007). Six executives from the Turkish real estate sector had already been invited and attended the "Global Real Estate Institute Conference-Europe 2006" to discuss the growth, developments, and the opportunities in the Turkish real estate sector, especially in İstanbul (Türk Emlakçılarının Paris Çıkarması/ The Parisian Landing of the Turkish Real Estate Agents 2007). In periods of such a "property boom", project development and management becomes an important topic of interest (Wernecke, Rottke, and Holzmann 2004). In İstanbul, it is forecasted that till 2015, every year there will be need for 250.000 new houses. İstanbul is considered as the most promising market in real estate in terms of income and opportunities in 2007 by Urban Land Institute and Pricewaterhouse Coopers (İstanbul'un taşı toprağı altın/ Land and stone in İstanbul is golden <http://www.kobifinans.com.tr/tr/sektor/0117/18461/5>). Thus, a keener look into the Turkish real estate market and determination of different consumer segments and decision making process with a focus on İstanbul is timely and warranted.

CONSUMER REAL ESTATE DECISION MAKING

Neoclassical economics assume that individuals make rational economic decisions to maximize their utility. Real estate buying is one of the complex buying processes where the consumer is highly involved in the purchase, makes such purchases infrequently, also the purchase is highly self-expressive, and expensive (Kotler and Armstrong 2008); moreover, it is characterized by incomplete information, costly search and varying expectations (Quan and Quigley 1991). Complex buying process involves all of the steps of consumer decision making; problem recognition, information search, evaluation of alternatives, purchase and post purchase (Levy and Lee 2002). In order to maximize utility and to find the "right" product in the process, consumer is willing to spend time and effort in each of these steps.

For most households, buying a house is one of the most significant but also infrequent transaction. *Problem recognition* is the initiation stage of the process. There might be different reasons of buying at this stage. People might consider buying a real estate for living and consumption, or for investment (Elder and Zumpano 1991).

Following the problem recognition, *information search* starts. Real estate market can be characterised by having incomplete information. Actually the product is nonhomogenous and information is costly to obtain, which makes the role of the intermediaries very critical (Baryla and Zumpano 1995). The buyer cannot know without searching which property offers the best match (Ford, Rutherford, and Yavaş, 2005). Real estate agencies play an important role in the information search process since they had already compiled most of the information necessary for customers. Having an agent who knows the tastes of the buyers very well is a perfect substitute for

the customer's own efforts (Day and Nourse 1991, Benjamin, Jud, and Sirmans, 2000). Real estate brokers help buyers gain information, and provide marketing and financial expertise (Johnson and Hamilton 1996). The newspapers may also provide a useful source since a customer who carefully reads newspapers can more easily locate his own house and buy in less time rather than depend on a real estate agent (Anglin 1997). There is the increasing use of the Internet for searching real estate information. It is much cheaper and easier for those who are technologically ready to use the Internet. There is high quality and quantity of information available. Buyers that search real estate information from the Internet can search for more properties, have virtual tours of the home interiors, be better informed, and enjoy a better expected match (Benjamin, Jud, and Sirmans, 2000; Ford, Rutherford, and Yavaş, 2005). However, search on the Web takes longer time (Ford, Rutherford, and Yavaş, 2005) minimizing the information search cost.

The *evaluation of alternatives* and selection of real estate is a complex decision which involves a lot of comparisons on amenities of different alternatives. Potential buyers in housing/ real estate markets have heterogeneous preferences over property characteristics. Properties differ from each other with respect to certain features. The matching game in housing markets involves more than simply pairing a buyer with a seller. There also needs to be a match between the buyer's preference and the characteristics of the construction project (Ford, Rutherford, Yavas, 2005).

Most of the amenities of different alternatives are physical characteristics such as amount of square footage, location, closeness to work, surrounding neighborhood, neighbourhood externalities, expenses, architectural design, age of the building, parking place, newness (Smith, Garbarino, and Martini 1992, Anglin 1997). Building characteristics are important criteria to be considered, however, research has proved that selection of location is equally important (Anglin 1997). Research suggests that consumer characteristics like psychographics as well as gender, family lifecycle, income, and prior experience (Anglin 1997, Levy and Lee 2002, Elder and Zumpano 1991) influence the amenities searched for and evaluation process among alternatives.

Women and men differ in what they search for in a real estate. Women are more interested in issues related to how the family will live in the house, whereas the men are interested in practical issues such as resale value, and/or materials used in the construction (Levy and Lee 2002).

Family life cycle refers to the changes that occur in family structure as the family progresses over time (Levy and Lee 2002). In simplistic terms, there might be singles and marrieds. However, marrieds can further be classified as those without children, those with small families, those with large families. Finally, with the rising divorce rates, there is a newer family structure called single parent families (Lawson et al. 1996). Research has shown that especially children influence family decision making. Their influence is through creation of derived demand effect on their parents. Parents take into consideration the number of children and their needs and wants when deciding on the size of the house, number of bedrooms, the location, and the surrounding environment (Levy and Lee 2002).

Income of the customers is also important in determining what kind of amenities are searched for, and which can be afforded. The price of the property has an equal value with that of the amenities in the evaluation of alternatives. Research shows that higher-priced houses have more amenities (Anglin 1997). Research has also shown that upper income customers prefer housing outside the city center in suburban locations, while low income families reside in the cities, close to work. (Elder and Zumpano 1991).

Prior experienced buyers of real estate enjoy the advantage of having gone through the process and their expectations are more accurate for the second or third times. Lack of prior information and experience in the issue makes the customers less accurate of housing expectations (Anglin 1997).

The final decision, *purchasing* a real estate, resides on the leader of the family. Women or men can decide independently, as well as both can decide jointly. Depending on the democratic structure of the family and the main income earner, the role of the family members differ as main decision maker. Children in the beginning of their adolescence have a direct influence on the final say since they are the ones who are mostly interested in their own space in the house, the location, and the neighbourhood that the house is located at (Levy and Lee 2002).

Once the consumer buys the house, the *post purchase* process starts. In the post purchase stage, one of the important considerations is the long term value of the house (Shim, Lee and Kim 2008). Another important issue is the satisfaction from the purchase. Depending on the expectations of the customer, the fulfillment of the expectations will result in satisfaction and also a learning process. As the consumer feels that the value of the investment increased and find satisfaction in the purchase, trust in the construction company and the broker is established resulting in longer relationships and less inclination to sell the house (Shim et al 2008). The customer will be inclined to purchase from the same vendor when the need arise.

RESEARCH METHODOLOGY

The specific research question addressed in this study was whether there were different real estate customer segments in Istanbul based on evaluation of a list of real estate attributes. The focus was on the evaluation of alternatives phase of the consumer decision making. Related to this question, the study also investigated the problem recognition/ reason of buying and information search process of the real estate consumer decision making.

The research was conducted in Istanbul with a sample of 183 people who intend to purchase real estate in the next three years. Data collection was carried through the administration of a structured questionnaire. The questionnaire investigated reason of buying, the evaluation of real estate alternatives in terms of importance given in real estate purchase decisions, and which methods were utilized for information collection. The amenities included in the questionnaire were drawn from literature, but in-depth, face-to-face interviews with ten real estate consumers who had recently bought a house within a six month period were carried on to add and drop certain amenities to fit the local context. An importance scale was utilized to measure the consumers' evaluation of amenities anchored between 1=not important at all to 4= very important. The scale proved reliable with a Cronbach's alpha coefficient of 0.86.

RESEARCH FINDINGS

To understand the overall evaluation of the respondents and which amenities were ranked more important than the others, the first thing was to mean rank the amenities as presented in Table 1. The results show that resistance to earthquake was the most important amenity ($\mu=3.7971$) followed by price premiums ($\mu=3.5485$) and reasonable prices ($\mu=3.4854$), and a trustable construction company ($\mu=3.4732$). The least important amenities, on the other hand, were sauna (mean value=1.8098), house type ($\mu=1.9855$), and multi-stories ($\mu=2.0000$).

The amenities were then factor analyzed (using principle components, varimax rotation) to reduce the total items to a more manageable number and detect patterns in data. The analysis yielded a seven-factor solution that explained approximately 61 % of the variance. The factors of real estate evaluation are named as modern lifestyle, payment conditions, individual living area, location-related, modernity, open area related, and luxury life style. The corresponding factors and elements under the factors are presented in Table 2.

Table 1 Mean Ranking of Evaluation of Housing Amenities

	Mean	Standard Deviation	Mean Rank	Friedman Test Result
Resistance to earthquake	3.7971	0.5373	29,29	N: 165 Chi-Square:1853,248 Df: 35 P value: 0.000
Price Premium in the future	3.5485	0.6735	26,55	
Reasonable price	3.4854	0.6531	25,89	
Built by a trustable construction Company	3.4732	0.7955	26,88	
Gets sunshine	3.4223	0.6486	24,91	
Heat protection	3.3854	0.6808	24,81	
With security	3.3039	0.8038	23,95	
With balcony	3.2390	0.6762	23,18	
Individual heating system	3.2319	0.7532	22,57	
With parking space	3.1990	0.8288	22,66	
Neighbors from similiar social background as mine	3.1317	08559	21,46	
Finishing details of the kitchen and bathroom according to my expectations	3.1063	0.7493	21,48	
Fit for mortgage	3.0878	0.8977	21,20	
In a neighborhood that I like	3.0485	0.8709	20,57	
In the city center	3.0146	0.9185	20, 56	
Newly built	2.9854	0.8487	20,34	
Price that is to be paid in installment basis to the construction Company	2.9709	0.9571	19,84	
Close to my Office	2.9118	1.0034	19,22	
Big physical space	2.8647	0.7575	18,78	
With view	2.8252	0.8602	18,35	
In a condominium complex	2.7961	0.8306	18,05	
With a garden	2.7488	0.9162	17,98	
Maintanence performed by the	2.5894	0.9555	16,19	
Social activities (like restaurants)	2.4927	0.9000	14,95	
Open sports fields	2.4396	0.9216	14,43	
Technology friendly	2.4341	0.9659	14,45	
Play ground for children	2.4098	0.9989	14,82	
Pathway for walking	2.3835	0.9388	14,14	
Built in white goods	2.3235	0.9640	13,56	
Swimming pool	2.2705	0.9824	12,73	
Outside the city center	2.1546	0.9800	12,03	
Fitness center	2.1359	0.9427	11,12	
Heating system in the floor	2.0874	0.8217	10,41	
Multi-stories	2.0000	0.7483	10,37	
House	1.9855	1.1720	9,90	
sauna	1.8098	08447	8,37	

Table 2 Factor Analysis Results for the Housing Amenities Scale

	Factor Loading	Variance Explained	Cronbach Alpha	No. of Items
Factor 1: Luxury life style		22.953	0.85	6
Fitness center	0.810			
Swimming pool	0.785			
Open sports fields	0.773			
Pathway for walking	0.643			
Sauna	0.641			
House	0.538			
Factor 2: Individual living area		11.144	0.69	5
With balcony	0.757			
Finishing details of the kitchen and bathroom according to my expectations	0.617			
With view	0.600			
Neighbors from similiar social background as mine	0.573			
Gets sunshine	0.565			
Factor 3: Location related		7.361	0.63	3
Close to my Office	0.818			
In the city center	0.668			
In a neighborhood that I like	0.629			
Factor 4: Modern life style		5.735	0.66	4
With security	0.654			
Resistance to earthquake	0.644			
In a condiminum complex	0.597			
With parking space	0.588			
Factor 5: Open area related		5.327	0.60	2
With a garden	0.643			
Play ground for children	0.572			
Factor 6: Payment related		4.442	0.61	3
Price that is to be paid in installment basis to the construction Company	0.776			
Reasonable price	0.690			
Fit for mortgage	0.680			
Factor 7: Modernity		4.113	0.64	2
Technology friendly	0.760			
Newly built	0.661			
Total variance explained		61.075		

The next level of analysis involved cluster analyzing the factor scores to group individual respondents; in essence, to segment our respondents based on their answers to the importance of real estate amenities. The optimal solution produced three solutions. The initial seeds of the clusters on the factors are presented in Table 3.

Table 3
Three-Cluster Solution of Non-Hierarchical Cluster Analysis
with Initial Seed Points from Hierarchical Results

Cluster	F1	F2	F3	F4	F5	F6	F7	N
Final Cluster Centers								
1	1.55	2.86	2.98	2.99	1.87	3.10	2.26	71
2	2.66	3.18	2.33	3.29	3.18	2.84	2.76	51
3	2.39	3.42	3.48	3.53	2.89	3.54	3.16	61
F value	76.0	26.1	55.7	21.5	94.3	22.8	29.170	
Significance	.000	.000	.000	.000	.000	.000	.000	

Based on the factors, we can characterize the clusters as follows: contenteds (C1), dolce vita (C2), and city dwellers (C3). To get a better picture of the clusters, reason of buying, and basic demographic characteristics were further examined and shown in Table 4. The overall results provide interesting profiles for İstanbul real estate consumers.

Table 4 Profile of the Three-Clusters (Cross-Tabs)

Profiling the Clusters					
Reason of Buying	Clusters			Pearson Chi-Square	p
	1	2	3		
For living	33 (47.8%)	13 (25.5%)	39 (63.9%)		
Housing for other family members	12 (17.4%)	10 (19.6%)	7 (11.5%)		
As a second house	6 (8.7%)	16 (31.4%)	7 (11.5%)		
As an investment	18 (26.1%)	12 (23.5%)	8 (13.1%)	23.448	.001
Family Life Cycle					
Single	29 (40.8%)	7 (13.7%)	15 (25%)		
Married w/out children	6 (8.5%)	2 (3.9%)	6 (10%)		
Single with children	7 (9.9%)	1 (2%)	2 (3.3%)		
Married with one child	7 (9.9%)	10 (19.6%)	17 (28.3%)		
Married with two children	14 (19.7%)	18 (35.3%)	15 (25%)		
Married with more than two children	8 (11.3%)	13 (25.5%)	5 (8.3%)	28.832	.001
Age					
19-23	8 (11.3%)	1 (2%)	8 (13.1%)		
24-29	25 (35.2%)	7 (13.7%)	11 (18%)		
30-35	6 (8.5%)	7 (13.7%)	16 (26.2%)		
36-45	13 (18.3%)	19 (37.3%)	18 (29.5%)		
45+	19 (26.8%)	17 (33.3%)	8 (13.1%)	27.085	.001
Income					
Low	30 (42.3%)	15 (30.6%)	21 (34.4%)		
Medium	24 (33.8%)	9 (18.4%)	24 (39.3%)		
High	17 (23.9%)	25 (51%)	16 (26.2%)	12.781	.012

The contendeds consider the luxury lifestyle ($\mu=1.55$), open area ($\mu=1.87$) and modernity ($\mu=2.26$) amenities the least in their real estate decisions. The location ($\mu=2.98$), house related ($\mu=2.86$), and security amenities ($\mu=2.99$) are moderately considered whereas payment ($\mu=3.10$) is the most important factor determining their real estate decision. Most of them (47.8 %) buy real estate for living whereas some (26.1%) also consider investment as a reason of buying. These people are mostly single (40%) or have families with two children (30%). Thus, approximately 46 % are young , at the early stages of their family life cycle, and 26.8 % are over 45. Compared to the other two clusters, they have lower income.

The dolce vitas consider luxury lifestyle ($\mu=2.66$) and open area ($\mu=3.18$) amenities the most when compared to the other two clusters. Thus, they want houses with gardens and luxury life style. They are also the ones who consider the payment factor ($\mu=2.84$) the least among the clusters. Security ($\mu=3.29$), house related ($\mu=3.18$), and modernity ($\mu=2.76$) amenities are considered in respective order, whereas location ($\mu=2.33$) is not an important factor for them. They consider different purposes in the purchase of a house like: a second home as a country house or summer house (31.4%) or investment (23.5). Approximately 60 % of these people have families with two or more children. They (70 %) are middle aged or older, with 51 % of them having high income.

City dwellers consciously consider many factors for choosing real estate. They are the ones who place the most importance on payment ($\mu=3.54$), security ($\mu=3.53$), location ($\mu=3.48$), house related ($\mu=3.42$), and modernity ($\mu=3.16$) factors in respective order among the clusters. The least important factors for them are open area ($\mu=2.89$), and luxury lifestyle ($\mu=2.39$). These people want to live in the city center, in modern, good houses, with security and search for good payment conditions. Their main reason of buying is for living (63.9%). They are evenly distributed in terms of family cycle and age. Their income level is medium (39.3%) to low (34.4%).

The sources of information were also examined regardless of the clusters to understand which sources were more frequently used by the consumers to search for real estate information. The results showed that the Internet (60.4%), newspapers (56.5%), friends/ relatives 4 (50.7%), real estate agents (32.9%), and real estate magazines (18.4%) were used in respective order.

DISCUSSION AND CONCLUSION

Real estate can be identified as one of the potential markets in Turkey, which attracts the attention of domestic and foreign investors. The future projections of growth in the real estate market of İstanbul/Turkey shows the need for careful planning and strategy building to get a share of the pie on the supply side. Just as it is true for the general running of every type of business in today's marketplace, profits will flow from the satisfaction of customer needs and wants in the real estate market. Therefore, the most important thing is to be market-oriented and customer focused, and generate intelligence on the needs, wants, preferences, and behavior of different target customer groups, and act on that knowledge. This paper attempted this end.

The results showed that earthquake resistance is the most important amenity for every type of consumer. Long term value of the house, reasonable prices factors, projects by a trustable construction company are also valued. The importance placed on earthquake resistance and preference of a trustable construction company are understandable considering the previous experiences of earthquakes, the financial and emotional damage it caused, consumers sensitivity, and resulting risk redutive behavior. Importance of price and long term value are not surprising as well since the literature already supported that the price of the property and its financial value have a strong influence in the evaluation of real estate alternatives (Anglin 1997).

These results have important implications for the success of any construction project in İstanbul. Earthquake resistance is a must that cannot be compromised for anything. Establishing brand name awareness and a trustable, credible, and a responsible corporate image is as critical as well. The projects should also have good payment conditions, and reasonable choices for the customers, and finally communicate the idea of long term value increase of their real estate investment.

Although we have discussed what is deemed necessary for every construction project, still it is not possible to approach every customer in the same way. Segmentation and understanding the needs, wants, preferences, and behavior of the segments is important. The projects should be designed accordingly. This study identified three clusters or segments of customers, namely the contenders, dolce vitas, and city dwellers.

The contenders and city dwellers resemble each other on their choices. Payment is the most important factor for both groups. Security, location, house-related factors are also other amenities considered as important although in different order for both groups. The major difference lies in the fact that contenders are not strongly in search for any amenity except for affordability. This maybe because they act realistic and feel that as long as they can find somewhere they can afford, they do not have much choice. These people are at the early stages of their life or people in their middle ages with low income. The city dwellers are more demanding and searching for more amenities, at the same time not giving up the price. They prefer to live in the city, with a better income level than the contenders. Finally, there is another segment, the dolce vitas, who are after the search of a better, luxurious life outside the city, in big houses with gardens. These people are affluent and older in age. These findings are compatible with the previous research findings that upper income customers prefer housing outside the city center in suburban locations, while low income families reside in the cities, close to work. (Elder and Zumpano 1991). The projects should be built taking into consideration these three segments and their requirements

Even though creating the right project is important, what is equally important is to be able to communicate it to the target consumers. The results of this study show that the Internet is the most commonly preferred source of information, followed by newspapers, and friends/ relatives. Given the increased use of the Internet in the Information Age, this result is not surprising. Interesting finding is that real estate agents are not very much preferred even though national and international real estate agents are opening their offices at an increasing rate all over the country (Cingi 2007). The implication for real estate companies is that they should make use of the Internet, print media, and customer references as a communications strategy for their real estate projects.

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**DO IT YOURSELF!
SPECIALTY RETAILERS
IN HOME IMPROVEMENT SECTOR
OPERATING IN TURKEY**

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ABSTRACT

“Do it yourself”, often referred to by the initials DIY, is a term used by various communities that focus on people creating things for themselves without the aid of paid professionals. The phrase "do it yourself" came into common usage in the 1950s in reference to various jobs that people could do in and around their houses without the help of professionals. In the 1960s DIY was a hobby of the few.

The home improvement DIY scene we know today is actually a re-introduction (often to city and suburb dwellers) of the old pattern of personal involvement in home or apartment upkeep, or the making of clothing, or maintaining of cars, computers, websites, or any material aspect of living. Large hardware stores have capitalized upon the DIY ambitions of consumers and wanted to bring value, longer opening hours and a broader product range to everyone. Several major home improvement retailers specialize in selling materials and tools for DIY home improvement. These stores host classes and carry numerous books to teach customers how to do the work themselves. Home Improvement Products Market size has grown through the years and reached about \$308 billion in USA and \$10 billion in Turkey.

The aim of this paper is to investigate the home improvement retailers, compare their business models, strategies, design, major products and services, owned brand names, slogans etc. operating in Turkey. Additionally, they will be compared with world giants Home Depot (number one in USA), Lowe’s (number two in USA), and B&Q (number one in UK).

Keywords: Do It Yourself, Home Improvement, Business Model

INTRODUCTION

“Do it yourself”, often referred to by the initials DIY, is a term used by various communities that focus on people creating things for themselves without the aid of paid professionals. It can be defined as the activity of doing or making something (as in woodworking or home repair) without professional training or assistance; broadly: an activity in which one does something oneself or on one's own initiative (<http://aolsvc.merriam-webster.aol.com/dictionary/do%20it%20yourself>).

“Do it yourself” as an activity and as a concept has been fueling individual and collaborative creativity for centuries, not just within the US, where it became part of the social fabric under the umbrella of “yankee ingenuity”, but in a multitude of other political and cultural environments as well. One can easily trace, throughout the history of humanity, a continuous desire to adapt and improve existing conventions, tools and practices, so that they may better fit each individual's purposes. As humans, we share not only the need to learn from others' experiences but also the desire to hand down instruction sets to others, so that they in turn may use and alter them in their own unique and creative ways. Politically subversive in its inherent rejection of pre-formulated consumer culture, DIY philosophy has taken roots within many aspects of social and personal relationships, within the visual and applied arts, the sciences and within innumerable technological developments of the last decades. Many historically significant art movements such as Russian Futurism, Dada, Situationism, Fluxus, and Beuys' vision of the social sculpture embody DIY characteristics and have led to contemporary manifestations in the works of Temporary Services, the Center for Applied Autonomy, or Critical Art Ensemble (<http://www.curragh-labs.org/tmp/DIY%20Booklet%20version%204.pdf>).

Doing-it-ourselves reaches back to '70s punk music and the development of 'zine culture, to '60s back-to-the-land movement and feminist healthcare models, and to the popular home improvement programs of Europe and the US after WWII. In this country, early settlers and colonists were ultimately all DIYers, and myriad societies arose before the Civil War to encourage self-education and to foster mutual assistance and improvement. You can keep going back further as far as you want and still find traces of the DIY impulse (http://www2.colum.edu/adgallery/DIY_catalog.pdf). The actual activity of DIY goes back through the ages: since the beginning of time, people have used their own abilities and available tools and technologies to take care of their own needs, make their own clothing, and so on.

The phrase "do it yourself" came into common usage in the 1950s in reference to various jobs that people could do in and around their houses without the help of professionals. A very active community of people continues to use the term DIY to refer to fabricating or repairing things for home needs, on one's own rather than purchasing them or paying for professional repair. In other words, home improvement done by the householder without the aid of paid professionals. It seems logical that do-it-yourself (DIY) activities, (which reflect the idea of a lifestyle in which the person tries to be self-supporting and not dependent on others), tend to be more popular in individualistic countries and reflect the way of life in such societies (Willer, 2006).

In the 1960s DIY was a hobby of the few. Professional building supplies were mainly found at builder's merchants and the service in these large stores could be intimidating to the average DIY'er. DIY has been a growth sector since at least the mid-1970s and there have been two major drivers of growth. The first was the arrival of warehouse-style stores - bigger outlets have tended to expand the market. Wider ranges and better displays helped demystify DIY and make it more accessible (proquest.umi.com/pqdweb?did=1268885021&sid=4&Fmt=3&clientId=43845&RQT=309&VName=PQD).

HOME IMPROVEMENT

The origins of home improvement can be traced to the early part of the century, when government loan programs placed home ownership within the reach of growing numbers of families, mass-circulation magazines began providing their readers with information about home renovation, and increasing numbers of Americans turned to the manual arts and handicrafts as leisure-time pursuits. World War II provided many Americans with the skills and confidence to undertake home-improvement projects on their own, and after the war, changes in the manufacturing and retailing of tools and equipment created new possibilities for transforming one's home. As home remodeling became a central feature of domestic life and consumer culture, the "do-it-yourself" movement was born, coming of age in the baby-boomer 1950s and 1960s, when Americans created suburban paradises and reclaimed decaying urban centers (Goldstein, 1998).

The home improvement DIY scene we know today is actually a re-introduction (often to city and suburb dwellers) of the old pattern of personal involvement in home or apartment upkeep, or the making of clothing, or maintaining of cars, computers, websites, or any material aspect of living.

The home improvement sector comprises a range of retail activities related to the renovation, alteration, addition and accessorizing of the home and garden. These include, for example, the retail of building materials, hardware, lumber, paints, plumbing, heating, electrical and gardening supplies and equipment.

Large hardware stores have capitalized upon the DIY ambitions of consumers and wanted to bring value, longer opening hours and a broader product range to everyone. Several major home improvement retailers specialize in selling materials and tools for DIY home improvement. These stores host classes and carry numerous books to teach customers how to do the work themselves.

It found that spending time online has surpassed do-it-yourself work and gardening as the most popular hobby especially for retirees (Powers, 2006). It is more than a hobby, although it may be fun (Smith, 2003).

Home Improvement Products Market size has grown through the years and reached about \$308 billion in USA (www.hiri.org/inside.asp?id=21), and \$10 billion in Turkey (www.patronlardunyasi.com/news_detail.php?id=37624).

DIY Stores, which are offering consumers product categories of home, garden and building materials and trying to adopt "do it yourself" concept, are developing retailers in Turkey. The brand names operating in Turkish home improvement market are Bauhaus, Koçtaş, Praktiker, and Tekzen. Baumax and Oli are on the way (planned to open their first stores in 2008).

BUSINESS MODEL and STRATEGY

The term business model describes a broad range of informal and formal models that are used by enterprises to represent various aspects of business, such as operational processes, organizational structures, and financial forecasts. Although the term can be traced to the 1950s, it achieved mainstream usage only in the 1990s. The growing body of literature using the term business model shows that there is a continuum between authors using the term to simply refer to the way a company does business

From the literature review, outstanding definition of the business model comes from answers to Peter Drucker's age-old questions: "Who is the customer?" and "What does the customer value?" As Magretta exposed, a good business model also answers the fundamental questions every manager must ask: "How do we make money in this business? "What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?" (Magretta, 2002;87).

A business model is a conceptual tool that contains a big set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams (Osterwalder, Pigneur and Tucci, 2005).

Doern & Fey (2006;323) state that business model converts innovation to economic value for the business and spells-out how a company makes money by specifying where it is positioned in the value chain.

Many different conceptualizations of business models exist (Chesbrough and Rosenbloom 2000; Hamel 2000; Linder and Cantrell 2000; Afuah and Tucci 2003; Fetscherin & Knolmayer 2005). They all have various degrees of resemblance or difference. The common ground is that the business model should depict the business in relation to the other entities that form part of the value network and how the firm expects to generate revenue (Ürü and Özevren, 2007; 255).

Morris, Schindehutte & Allen (2005;729-730) mentioned six key questions addressed by business model which form the components of a business model; How will the firm create value? For whom will the firm create value? What is the firm's internal source of advantage? How will the firm position itself in the marketplace? How will the firm make money? What are the entrepreneur's time, scope, and size?

Hedman & Kalling (2003;52) proposed a generic business model that includes customers, competitors, offering, activities and organization, resources, supply of factor and production inputs, and scope of the management.

Also, Osterwalder, Pigneur & Tucci, (2005;10) identify nine building blocks and their four pillars of a business model. Pillars are; product, customer interface, infrastructure management and financial aspects whereas building blocks consisting of value proposition, target customer, distribution channel, relationship, value configuration, core competency, partner network, cost structure and revenue model.

Hamel (2000;70) indicates that a business model comprises four major components. These are core strategy (business mission, product/market scope, basis for differentiation), strategic resources (core competencies, strategic assets, core processes), customer interface (fulfillment & support, information & insight, relationship dynamics, pricing structure) and value network (suppliers, partners, coalitions).

In a highly interconnected world enabled by advances in information and communication technologies, entrepreneurs and managers should look beyond firm and industry boundaries in order to capture and exploit business opportunities through the design of value-creating business models. In order to succeed, entrepreneurs need not only to strike a balance between the new and the old in the products and services they bring to market, they must also define the right mix of design themes of their business models (Zott).

Different business models can be found in different areas. Especially, it is important to investigate the new business models in developing sectors. One of these developing sectors is specialty retailing in consumer

electronics – techno(logy) marketing (Yozgat & Deniz, 2007; 271), and another one is specialty retailing in home improvement.

RESEARCH DESIGN, METHODOLOGY AND FINDINGS

Objectives of the Research

The aim of this paper is to investigate the home improvement retailers, compare their business models, strategies, design, major products and services, owned brand names, slogans etc. operating in Turkey. Additionally, they will be compared with world giants Home Depot (number one in USA), Lowes (number two in USA), and B&Q (number one in UK).

Methodology

A survey among 1,300 randomly chosen home improvement retailers' visitors is conducted.

Total 7 shops including Bauhaus (3), Koçtaş (2), Praktiker (3) and Tekzen (2) in Istanbul and websites (several times) including Home Depot, Lowes and B&Q are visited.

Their printed materials (flyers and newspaper ads) during the period 15.02-15.04-2008 are investigated.

Short semi-structured interviews are conducted with General Managers of Tekzen and Bauhaus, Marketing Director of Praktiker, and Marketing Manager of Koçtaş and a questionnaire form was mailed (Appendix.2).

Research Findings

General

Home improvement retailers in Turkey are founded later than the European and American ones; Lowe's (1946), B&Q (1969), Home Depot (1978), Tekzen (Götzen:1995, Tekzen:1999), Bauhaus (Germany:1959, Turkey:1996), Koçtaş (1996), and Praktiker (Germany:1978, Turkey:1998).

Bauhaus

Innovative ideas are successful across national borders. BAUHAUS has proved this with more than 200 branches in Europe. As a pioneer of specialist trade for everything to do with workshop, house and garden Bauhaus opened the first specialist shopping center in Mannheim back in 1960. Under a single roof, it combined the wide offering of the individual specialist shops and the self-service concept allowed a whole new shopping experience. The friendly interior design of the stores and the clear division into specialist departments creates a special shopping atmosphere throughout Europe. At the same time, all the Bauhaus branches take account of local traditions and market conditions.

Bauhaus opened its first shop in Turkey in 1996 with the mission “to make fertile, fastidious and successful investments to be the leader company, increase his market share and also the market share of the organized home improvement retailing”. Its goal is not only making profit but also fulfill permanent investments for Turkey.

During the years Bauhaus created a great confidence upon its suppliers and employees. He supports its supplier firms and it has “win- win” approach. Nowadays it is working on a program which is called “watch and do it yourself”.

Koçtaş

Koçtaş founded in 1955 by Vehbi Koç and entered into home improvement retailing business in 1996. First store opened in Bornova in 1996, Antalya, Balçova, Bodrum stores followed. In May 2000, 50-50 joint venture agreement signed with Kingfisher Group.

Their vision is to be the leading company in home improvement retailing at international standards in Turkey and neighborhood countries and mission is to help our customers to improve their homes and living conditions by providing them wide range of products, affordable prices, suitable payment methods and expert service; in this manner to make the home improvement retailing sector grow.

Their basic purpose is to provide opinions and solutions for people to help them improve their homes and their lifestyles. Their Values are to focus on the customer (work towards what is best and right for the customer, simplicity, sincerity, consistency), to create values (effectiveness and efficiency, honesty-reliability, respect for people and environment) and to succeed together (team spirit, frankness and openness, creativity, continuous improvement).

Praktiker

Praktiker Group based in Kirkel (Saarland) plays in the Champions League of the European home improvement and DIY sector. With its around 427 DIY stores in nine countries, almost 23,000 employees and annual sales of 4 billion euros, it is number fourth at the European level. The profitable growth that forms the basis for these figures, an innovative group strategy in Germany and abroad, an unmistakable profile of the Praktiker brand and a high customer acceptance are the drivers of the success story of this company that went public in November 2005. Praktiker Türkiye opened in 1998.

Praktiker operates with the mission of ensuring customer satisfaction by offering practical solutions in the renovation, repair, and decoration of homes, gardens, and offices in a unique environment and with the most affordable prices. The vision of Praktiker Türkiye is to become a preferred brand in home improvement in Turkey. The Board of Directors leads Praktiker Türkiye in view of mission and vision guided by the principles of continuous development and customer orientation.

Tekzen

Tekzen was founded by German-Turkish collaboration, named Götzen, in 1995 as leader of construction market sector. Since 1999, the company has continued its activities in the name of Tekzen with the 100% national capital. In 2003-2004 the company increased the number of its store by buying different construction retailers in Bursa and İzmit.

Tekzen makes its product portfolio with the slogan “From the floor to the roof, all you need for your home” and is not only a construction market but it is known a market for house, construction, hobby and garden market. With more than 40.000 products, easy reachable stories, Tekzen sees itself as Turkey’s construction company.

Their mission is to present house, building, and garden products to their customers regarding customer pleasure in consciousness social and environmental responsibility for increasing the quality of their life. Their vision is being a successful company in Turkey and abroad, to be a leader global trademark in his sector and a company which his workers, shareholder and customers are happy.

Home Depot

The Home Depot founders’ vision of one-stop shopping for the do-it-yourselfer came to fruition when they opened the first two Home Depot stores on June 22, 1979, in Atlanta, Georgia. The first stores, at around 5,500 m2 each, were cavernous warehouses that dwarfed the competition and stocked 25,000 SKUs, much more than the average hardware store at that time. Empty boxes piled high on the shelves gave the illusion of even more product. From the start, associates were able to offer the best customer service in the industry, guiding customers through projects such as laying tile, changing a fill valve or handling a power tool. Not only did store associates undergo rigorous product knowledge training, but they also began offering clinics so customers could learn how to do it themselves. The Home Depot revolutionized the home improvement industry by bringing the know-how and the tools to the consumer and by saving them money.

According to the founders, the customer has a bill of rights at The Home Depot, and this entitles the customer to the right assortment, quantities and price, along with trained associates on the sales floor who want to take care of customers. Their philosophy of customer service – “whatever it takes” – means cultivating a relationship with customers rather than merely completing a transaction. The Home Depot is still guided today by those values established by its founders: excellent customer service, taking care of people, entrepreneurial spirit, respect for all people, building strong relationships, doing the right thing, giving back to communities, and creating shareholder value. The founders viewed the structure of the company as an inverted pyramid, with stores and customers at the top and senior management on the bottom. Arthur demanded that associates take risks to succeed, saying, “It is your business, your division, your market, your store, your aisle and your customer.”

The Home Depot is the fastest growing retailer in U.S. history. In 1981, the company went public on NASDAQ and moved to the New York Stock Exchange in 1984. The 1980s and 1990s spawned tremendous growth for the company, with 1989 marking the celebration of its 100th store opening. The company arrived in Canada with the acquisition of Aikenhead’s home improvement centers in 1994, and it began flying its flag proudly in Mexico in 2001 through the acquisition of Total HOME. In 2006, the company extended its reach to China by acquiring The Home Way, a 12 store chain.

Lowe’s

The Lowe's story began in North Carolina when H. Carl Buchan, part owner of the North Wilkesboro Hardware Company, envisioned creating a chain of hardware stores. At the time, Lowe’s was a typical, small town hardware store selling everything from overalls and snuff to wash tubs, work boots and even horse collars.

Carl Buchan later bought-out his brother-in-law and partner, James Lowe, and foreseeing the post-World War II building boom, concentrated on selling only hardware, appliances and hard-to-find building materials. By eliminating wholesalers and dealing directly with manufacturers, Lowe's established a lasting reputation for low prices. Sales grew over time and additional Lowe’s stores opened in neighboring towns throughout western North Carolina.

The company went public in 1961, and began trading on the New York Stock Exchange in 1979 (NYSE: LOW). During this time, U.S. housing starts soared and professional builders became Lowe's loyal customers, accounting for the majority of Lowe’s business. In 1982, Lowe’s had its first billion-dollar sales year, earning a

record profit of \$25 million. Lowe's stores then reported serving a new type of customer: do-it-yourself homeowners seeking to improve the value of their properties.

Anticipating their needs while still accommodating contractors, Lowe's began to enlarge its stores and expanded its merchandise offerings. The modern Lowe's began in 1994, when our new store expansion consisted of only large stores, which we define as stores with greater than 85,000 square feet of selling space. In 2006, our expansion continues, opening a new store on average every three days with our 117,000-square-foot (117K) stores in the nation's larger metro markets and our newer 94,000-square-foot (94K) stores in the nation's small to mid-sized markets. Lowe's opened its first stores in Canada in December 2007 and plans to open its first stores in Mexico in 2009.

Lowe's Vision is "We will provide customer-valued solutions with the best prices, products and services to make Lowe's the first choice for home improvement".

With fiscal year 2007 sales of \$48.3 billion, Lowe's Companies, Inc. is a FORTUNE® 50 company

B&Q

B&Q aims for a sustainable approach to both development sites and store design. In seeking to secure new sites for development, B&Q works within national and local planning policy guidelines.

In the 1960s DIY was a hobby of the few. Professional building supplies were mainly found at builder's merchants and the service in these large stores could be intimidating to the average DIY'er. Block and Quayle wanted to bring value, longer opening hours and a broader product range to everyone, so they opened the first B&Q store in Portswood Road, Southampton, Hampshire. Although initially called Block and Quayle, the name was soon shortened to B&Q.

B&Q's list of stores continued to expand throughout the 1970s, and B&Q introduced products from power tools through to sheet boarding and Formica to the British public. Richard Block left the company in 1976, but David Quayle stayed on to take the company into the next decade. B&Q grew rapidly during the early 1980s, buying the Scottish DIY chain Dodge City and eventually becoming part of the Kingfisher Group. David Quayle left the company in 1982, and by the end of the decade B&Q had expanded to 280 stores and was offering customers larger stores and an even greater product range, sourced from around the world.

In January 1996 B&Q's first store outside the UK was opened in Taiwan. In 1998 B&Q merged with France's leading DIY retailer, Castorama, to become the largest DIY retailer in Europe. International expansion continued in June 1999 with the opening of a Shanghai store through parent company Kingfisher - B&Q's first in mainland China.

In 2001 B&Q launched its transactional website providing 24 hour, 7 days a week access to B&Q products, expert advice, inspirational room ideas and 'how to' guides, plus general information on our stores, our community activities and links to other useful sites.

On 1 July, 2004 B&Q opened its largest UK store at Trafford Park. At 168,450 square feet, it is three times the size of the pitch at Old Trafford and the biggest B&Q store in Europe. B&Q announced its partnership with the British Olympic Association.

The headquarters of the home improvement retailers operating in Turkey are located in Istanbul.

The Turkish originated home improvement retailers Koçtaş (I love my home) and Tekzen (From the floor to the roof, all you need for your home) use the word “**home**” in their slogans where the other don’t Praktiker (Everything is very Praktiker!), Bauhaus (If it should be good), HomeDepot (You can do it. We can Help) and Lowe’s (Let’s build something together).

Tekzen has more stores and operates in more cities than its competitors. All stores are company operated, they do not give franchise. The number of stores in Turkey is given in table.1.

Table.1. Stores

	Stores
Tekzen	23
Koçtaş	16
Praktiker	10
Bauhaus	4

Tekzen operates in 15 cities, Koçtaş in 12, Praktiker in 6, and Bauhaus in 2 cities.

Home Depot the world's largest home improvement specialty retailer operates with 2,141 stores in all 50 U.S. states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, 10 Canadian provinces, Mexico and China.

The world’s second largest home improvement specialty retailer Lowe’s serves over 14 million customers a week in its 1,525 stores in 50 states and Canada.

B&Q, the largest DIY retailer in Europe and the third largest in the world, behind The Home Depot and Lowe's. It is a subsidiary of the retail group Kingfisher plc. As of January 2008, B&Q in the UK had 330 stores. They have 60 stores opened internationally, including B&Q Beijing, which is now the largest B&Q store in the world.

As of April 2008 the workforce deployed in Koçtaş is approximately 1.670, followed by Praktiker 850, Tekzen 830, Bauhaus 650, where world giants Home Depot 355,000, Lowe’s 215,000 and B&Q 39,000.

The store sizes of Bauhaus are min. 12,000 m2, Home Depot average appr. 9,750 m2, Lowe’s 9,000 m2, Praktiker between 8,000-10,000m2, 6,250m2, Koçtaş 6,000 m2, Tekzen 2,400 m2 (total 55,000 m2),

The store inventory consists of up to 40,000 different kinds of building materials, home improvement supplies, appliances and lawn and garden products for all of project needs by Home Depot, Lowe’s, Tekzen and Praktiker, 45,000 by Koçtaş and B&Q, 80,000 by Bauhaus. More products are available by special order.

The percentage of the imported products is 20% by Praktiker, 25% by Tekzen, 30% by Bauhaus.

All have their private names (well known are given); Koçtaş (Colours, Savon, Vivace, Performance Power, Febbre, Fiore), Tekzen (Maestro, Merster), Bauhaus (Alpha-Tools, Craftomat, Herkules, Wisent, Mixomat, Admiral, Riva, Venüs, Camarque, Palazzo, Speed & Go, Starlux, Tween Light, Star-Fan, Voltostar, Voltomat, Voltotherm, Probau, Logoclic, Kaeltestop, Stabilomat, Stabilit, Regalux, Portoferm, Swing Color, Atlantis,

Swing Décor, Sunfun, Colorama, Somra, Texclusiv, Gardol, Grillstar, Hurricane, Neptun etc.), Praktiker (Homefit, Fleurette, Sparkling, Faust, Budget, Outdoor)

The percentage of men customers are higher than women visitors by Tekzen (65%), Bauhaus (55%) and Praktiker (55%) where equal by Koçtaş (50%).

Social Responsibility Projects - Sponsorships

Home Depot, Lowe's and B&Q believe that an environmentally responsible company builds shareholder value and it is an indicator of business success. As an industry and global leader, they are committed to leveraging our influence in the marketplace—with vendors, customers, associates and communities, and in all our business operations—to conserve and preserve natural resources.

They support non-profit organizations with financial and volunteer support, bring together all of their resources to empower associates with knowledge, tools and support to meet critical needs and build better communities.

They make meaningful contributions by completing improvement projects in the local communities their stores serve.

They are concerned about the protection of the critical resources and recognize that, through the products they sell, their company can play an important role in determining whether these forests will remain for future generations, and they help to improve forest management practices worldwide. They will also ask our suppliers to help them to increase the supply of certified wood products that they can make available to their customers.

Koçtaş sponsored the modification project of Fındıkzade Education Park through the money collected by charity event arranged by Türk Eğitim Gönüllüleri Vakfı (TEGV). 400 coats were bought for the students of Tunca Uras Elementary School in Van and 250 slippers were given as a gift to the children living in Küçükyalı Çocuk Esirgeme Kurumu using the income of the donated book selling.

There are wheel chairs in some Koçtaş stores available for disabled people come to shop.

Koçtaş donates 6,000 seeds to oak project of Tema, being a member of Çevko. Koçtaş follows the origin, characteristics and certificates of the trees, which was the raw material of wooden products imported and obtained from local producers, also FSC certificate/ TFT guarantee for imported products. All imported living room furniture has Tvilum-Danish Technological Institute certificate. Koçtaş investigates if there are hazardous chemicals for living organism in products for sale, and supervise the obtainers.

Acting with environmental consciousness, it collects the garbage at goods accepting part of the stores and offices for recycling.

Koçtaş contributed scholarship and internship for 8000 students in 4 years.

Bauhaus never keep uncertified tropical country trees in its own constitution. Instead of these, it prefers to sell wood products which are grown by legal forestry institutes on principle. Bauhaus's suppliers have also same responsibility feelings on that issue. As an entrepreneur, Bauhaus always endeavors to implement his duties and responsibilities against natural environmental, like to its own customers and employees.

Tekzen sells the products of the Turkish Blinds Federation unprofitable. It supports natural bee-keeping and tree plantation in the collaboration with TEMA.

Praktiker supports UNİCEF's Project which is called "13 kindergartens in 13 cities."

Praktiker is the sponsor of a sport program in Best FM, gives ads to magazine Evim (40,000 print) and organized "the most beautiful garden-balcony competition" with Ev-Bahçe magazine. It's also sponsor of İbrahim Kutluay Basketball school (till may/2008).

Websites

All of the examined home improvement retailers' websites, Bauhaus (www.bauhaus.com.tr, www.bauhaus.com), Koçtaş (www.koctas.com.tr), Praktiker (www.praktiker.com.tr, www.praktiker.com), Tekzen (www.tekzen.com.tr), Homedepot (www.homedepot.com), Lowe's (www.lowes.com) and B&Q (www.diy.com), are visited several times. All have online-shops except Bauhaus.

The product categories of the home improvement retailers are compared; the main categories in all of them are building materials, tools & hardware, garden, bath, plumbing, kitchen, paint, decorating, lighting, electrical, heating & cooling, flooring and car accessories, in most of them appliances, electronics, camping and pet care.

Survey Findings

A questionnaire is given to 1300 randomly chosen visitors of the home improvement retailers Bauhaus, Koçtaş, Praktiker, and Tekzen. 657 visitors denied filling the questionnaire. Of the 653 (50.23%) questionnaires received 611 (47.00%) were suitable to analyze.

The questionnaire consists of two demographic and nine open-ended questions.

Demographics

On average, 611 respondents were 32,06 years old (Std.Dev.=7.29, Min=21 and Max=61) and 309 (50,57%) of 611 respondents are male.

Brand awareness

The brand awareness of the home improvement markets are founded as follow; **Koçtaş (89.69%)**, Bauhaus (82.49%), Praktiker (61.87%), and Tekzen (37.64%) (Table.2).

Koçtaş is remembered by **36.17%** of the respondents as the first brand, followed by Bauhaus (27.33 %), Praktiker (11.62 %), and Tekzen (7.20 %) (Table.2).

Visits

The mostly visited shop is **Koçtaş (69.39%)**, followed by Bauhaus (63.01%), Praktiker (36.81%), and Tekzen (23,40%) (Table.2).

Purchasing

76,65% of the respondents, visited the corresponding market, have been bought something from **Koçtaş**, 69.35% from Bauhaus, 61.78% from Praktiker, and 59.44% from Tekzen (Table.2).

Table.2. Home Improvement Markets

Brand Awareness (%)	Remembrance as First Brand (%)	Visit Rate (%)	Buying Rate (%)				
Koçtaş	89.69	Koçtaş	36.17	Koçtaş	69.39	Koçtaş	76.65
Bauhaus	82.49	Bauhaus	27.33	Bauhaus	63.01	Bauhaus	69.35
Praktiker	61.87	Praktiker	11.62	Praktiker	36.82	Praktiker	61.78
Tekzen	37.64	Tekzen	7.20	Tekzen	23.40	Tekzen	59.44

By the examination of table.2, it can easily be seen that Koçtaş is on the first place in all of the categories, followed by Bauhaus, Praktiker and Tekzen. The difference between Koçtaş and its follower Bauhaus is not extremely high.

Remembrance of Slogans

52.54% of the respondents remember the slogan of **Koçtaş**, 4.58% of Praktiker, 3.11% of Bauhaus, and 0.49% of Tekzen (Table.3).

There exists statistically significant difference between female and male respondents by remembrance of slogans (Sig.=0.000). 62.58% of female respondents remember at least one of the slogans where 45.95% of male respondents. %45.83 of the respondents remember none of these slogans.

Table.3. Remembrance of Slogans

	Frequency	
	n	%
Koçtaş	321	52.54
Praktiker	28	4.58
Bauhaus	19	3.11
Tekzen	3	0.49

Buying/Purchasing criterion

The price is the most mentioned criterion (81.34%) followed by quality (70.70%), design&esthetics (22.75%), and brand reliance and warranty (11.62%) (Table.).

Table.4. Buying/Purchasing Criterion

	Percentage (%)
Price	81.34
Quality	70.70
Design & Esthetics	22.75
Brand reliance and warranty	11.62
Brand	9.82
Distance	9.66
After sales and technical support	9.00
Transportation	8.67
Customer satisfaction	7.53
Product variety	7.20
Everlasting	6.22
Compensation of the needs	5.89
Payment conditions	1.47

“Quality” is mentioned as the first criterion by 38.79% of the respondents, “price” by 28.81% and “design & esthetics” by 6.71%.

There exists statistically significant difference between female and male respondents by buying/purchasing criterion “design & esthetics” (Sig.=0.000) and “brand” (Sig.=0.016). Where “design & esthetics” is more important for female respondents (28.48%) than male respondents (17.15%), “brand” is more important for male respondents (13.59%) than female respondents (5.96%) (Table.5).

Table.5. “Gender – Buying/Purchasing Criterion” Crosstable

	Female		Male	
	(302)		(309)	
	n	%	n	%
Design & Esthetics	86	28.48	53	17.15
Brand	18	5.96	42	13.59

Products considered have to be in home improvement retailers

37.64% of the respondents believe that tools & hardware should take place in these shops, followed by building materials (28.15%) and decorations (27.33%) (Table.6).

There exists statistically significant difference between female and male respondents by products to be in home improvement retailers based on the categories decoration (Sig.=0.038), lighting (Sig.=0.026), tools & hardware (Sig.=0.005), paint (Sig.=0.040), and kitchen (Sig.=0.012).

Table.6. Products to be in Home Improvement Retailers

Product Line	Percentage (%)
Tools & Hardware	37.64
Building materials	28.15
Decoration	27.33
Home materials	25.37
Electrical	23.57
Bath	23.40
Furniture	22.59
Kitchen	19.15
Paint	17.35
Garden & Outdoors	16.37
Plumbing	10.15
Flooring	5.40
Lighting	3.60
Other (Appliances, Hobby, Electronics)	2,95

Where 31.13% of female respondents marked decoration products as to be in home improvement retailers 23.62% of male respondents marked it. Lighting, painting and kitchen products are manifested more by female (5.30%, 20.53% and 23.18%) respondents than male (1.94%, 14.24% and 15.21%) as to be there. Tools & hardware products are more important for male (43.04%) than female (32.12%) respondents (Table.7).

Table.7. “Gender - Products to be in Home Improvement Retailers” Crosstable

	Female		Male	
	(302)		(309)	
	n	%	n	%
Decoration	94	31.13	73	23.62
Lighting	16	5.30	6	1.94
Tools & Hardware	97	32.12	133	43.04
Paint	62	20.53	44	14.24
Kitchen	70	23.18	47	15.21

Perceived similarities and differences

The respondents perceive that all of these sell almost the same products, building materials, they are huge places, almost everything for home improvement could be found and the prices are reasonable.

The differences are mentioned as follows;

- Koçtaş has a friendly climate, their sales-team members are knowledgeable, concerned on customers, make more advertisement, and their prices are relative expensive.
- Bauhaus is relative rich in the product mix, have more products, one of its specialization areas is gardening.
- Praktiker is relative cheap than its competitors, have relative more courses on DIY.
- Tekzen sells quality products.

Social responsibility

The respondents were finally asked if the social responsibility projects of the home improvement markets would affect their buying decision (Table.8).

Table.8. Impact of the Social Responsibility Projects on Buying Decision

	Frequency	
	n	%
Yes	392	64.16
No	178	29.13
missing	41	6.71
Total	611	100.00

64.16% of the respondents declared that the social responsibility projects will affect their buying decision.

The reasons mentioned are as follows;

- They care of the environment,
- They care the future of the children,
- It's more important than money,
- They feel happy,
- It's a responsibility,
- It's a contribution.

There exists statistically significant difference between female and male respondents by the impact of the social responsibility projects on buying decision (Sig.=0.000). 77.97% of female respondents stated that the social responsibility projects affect their buying decision where 59.51% of male respondents stated.

Table.9. “Gender - Impact of the Social Responsibility Projects on Buying Decision” Crosstable

	Yes		No		Total	
	n	%	n	%	n	%
Female	223	77.97	63	22.03	286	100.00
Male	169	59.51	115	40.49	284	100.00

CONCLUSION

Home Improvement Products Market size has grown through the years and reached about \$308 billion in USA (www.hiri.org/inside.asp?id=21), and \$10 billion in Turkey (www.patronlardunyasi.com/news_detail.php?id=37624).

The organized home improvement retailers are one of the growing sectors in Turkey, and the market size is estimated 10% of the whole home improvement market, which is still to low compared to Europe 50% and USA almost 80%.

The young generations’ deep interest in creating their life style, enthusiasm doing it by themselves will also affect the growth of the sector.

The announced arrival of new players into the market and striving of the existing players in order to strengthen their positions in the market are the most important driving factors for this growth.

When the business models of the organized home improvement retailers are compared there are similarities among them. They open new stores continually to increase the number of their potential consumers they reach as much as they can. They provide high knowledgeable sales team members in order to answer the consumer’s information requests. The stores are established in bigger sizes to enable a high range of product choice, have parking lots where the consumers can park their cars during their visit.

As the product lines and depths are the same the differentiation strategies such as sales at more places, sales of more products, at bigger stores, lowest price guarantee etc. are used. To increase the awareness of the consumers continuously ads on newspapers are given, and some uses TV ads too. They also give their flyers with known newspapers almost every two week. To increase to customer loyalty they give corporate cards to the consumers.

If we look to the future plans and goals of the home improvement retailers;

Bauhaus wants to be permanent with its investments by making a profit through an effective and fertile management to ensure pleasure and needs of their customers, suppliers and employees. They plan continue to expand carefully.

Koçtaş plans to open 6 new stores in 2008, and to reach 68 stores totally till 2012.

Praktiker plans to establish three new stores in five years as from 2009. Small sized stores are going to be established (4.500-5.000m²), and their top priority is Aegean and Mediterranean region.

In 2008, Tekzen will increase the number of stores and cities operating in. By opening 12 hardware dealer stores Tekzen targets to create an organized, modern and institutional hardware dealer chain. They also plan to open four stores in Romania. And since April 2008, they started to invest in technology heavily.

All of the organized home improvement retailers believe that DIY sector is going to make progress. More people will prefer DIY stores for purchasing the products.

Young people want to create their own style, mid-class people interest in luxury, especially soft DIY (decoration), products. Where women are not able to shop comfortable in the traditional places they will visit the home improvement retailers. "Shopping with family" approach will also develop and the number of families especially at the weekends will boom.

Ikea is not perceived as a threat because it is seen as a complementary retailer, the market is also expected to grow through the synergy.

Only possible economic instability in Turkey will be a threat in retail sector as in the many other sectors, and it will slow down the investments.

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Appendix.1: Survey Questions

1. Give the names of the home improvement markets you know:

- | | | |
|----|----|----|
| a. | b. | c. |
| d. | e. | f. |

2. If you remember the slogans of the home improvement markets write them.

3. If you ever visited any home improvement market write the names and locations.

4. If you ever bought anything from the home improvement markets write the names and products.

If you have visited more than one home improvement market

5. What are the common features of these home improvement markets?

6. What are the unique features of these home improvement markets?

7. Give the **have to be** products in the home improvement markets.

8. Give your buying/purchasing criterion of any product in home improvement market and align them according your preference .

- | | | |
|----|----|----|
| a. | b. | c. |
| d. | e. | f. |

9. Will the social responsibility projects of the home improvement market affect your buying decision? Why?

Age:

Men () Women ()

Appendix.2: Company Information Form

Foundation date

Headquarter

Mission

Vision

Employees

Slogan(s) of your company

Number of stores

Location of the stores and sizes

Number of items carried

Franchise

Market share

Stock exchange

Private Labels

Sponsorships

Social responsibility projects

Define your company

Give the main differences of your company

What are your goals?

History of your company

Additionally to your company ...

Opportunities in the market

Threads in the market

Future

MARKETING PLANNING IN ALBANIA AS AN EX SOCIALIST COUNTRY. CHALLENGES AND IMPLICATIONS.

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ABSTRACT

The last 10 years have seen major changes in the marketing environments faced by organisations in the once centrally – planned economies of ex- socialist countries in Europe. These changes and the responses of companies to them have been the subject of our study.

This paper addresses the implementation of marketing planning in albania as a ex- socialist country. Marketing planning in our country is a rudimentary often the emphasis being on shorter term sales or financial plans rather than longer term marketing plans. Despite the low levels of marketing planning in general a small group of enthusiastic planners did emerge. Contents of marketing plans are discussed together with issues of marketing plan.

To examine the changes taking place in the marketing environments in our country the approaches towards marketing adopted by companies operating in the country the marketing strategies adopted and the organisation of marketing effort. The methods included personal interviews with managers in our country conducted by local academic and researchers followed by mailed and personal surveys completed in spring 2007.

A total of 100 personal interviews were conducted in the first phase of the research. These interviews were exploratory in nature and designed to identify respondent terminology in and understanding of marketing and planning issues.

Following the preliminary interviews questionnaires were drawn up for the mailed surveys.

One questionnaire was then pilot- tested. Final minor changes were made to the questionnaire following piloting to create the questionnaires for the mailed surveys.

A sample of 500 enterprises was established for the mailed surveys. These mailing lists structured to provide representation across size categories industry categories and ownership types in our country.

A cluster analysis was performed to identify any grouping of respondents with respect to the types of plans they developed. This was accomplished through two stages.

First the plan components were subjected to a factor analysis to identify any underlying structure.

Second respondents were clustered on factor scores to identify natural groupings.

Three factors emerged from the factor analysis following:

- 1. analysis and target setting*
- 2. planing the marketing mix*
- 3. financial planning sales management and distribution.*

Individual respondents were clustered on the basis of their factor scores on the extracted factor using the K-Means Cluster Analysis method based on nearest centroid clustering. Solutions were sought with two three four five and six clusters. Each were tested using Chi-square analysis one way analysis of variance using Duncan's Multiple Range test the discriminant analysis along with researcher judgement to determine the most useful classification.

The our study has demonstrated the relatively low levels of marketing planning in Albania. While this low level of planning is not surprising given the stage of economic development of albania at the time of the study it is of concern given the professed strategic intent of many companies to build a longer term market position.

INTRODUCTION

The last 10 years have seen major changes in the marketing environments faced by organizations in the once centrally-planned economy of Albania as an ex-socialist country. The collapse of communism in Albania come at a difficult time on the world trade cycle. The economic boom years of the late eighties, experimented in many development economies such as those of Western Europe, were coming to an abrupt end and making way for one of the recessions in recent times. Trade liberalization, the freeing of economy of Albania to engage in international trade, had a number of implication. First, in trading with Western countries, Albania found heightened competition resulting in greater pressure to deliver at required quality standards and as competitive prices. Second, the influx of Western products and Western marketing techniques has forced many companies into a new era of heightened domestic competition and defense of their markets.

THE STUDY

The aim of this study is to examine the changes taking place in the marketing environments in our country, the approaches towards marketing adopted by companies operating in the country, the marketing strategies adopted and the organisation of marketing effort. The methods included personal interviews with managers in our country conducted by local academic and researchers followed by mailed and personal surveys completed in spring 2007. A total of 100 personal interviews were conducted in the first phase of the research. These interviews were exploratory in nature and designed to identify respondent terminology in and understanding of marketing and planning issues. Following the preliminary interviewes questionnaires were drawn up for the mailed surveys. One

questionnaire was then pilot- tested. Final minor changes were made to the questionnaire following piloting to create the questionnaires for the mailed surveys. A sample of 500 enterprises was established for the mailed surveys. These mailing lists structured to provide representation across size categories industry categories and ownership types in our country. Overall the project yeilded an extensive usable data base of 432 companies across the companies and it is this data which is presented in the discutions below.

Findings

Critical factors included the collapse of the traditional export markets in Albania, increasingly demanding customers at home and abroad (both in terms of quality and reliability expectations) with broader levels of choice, continued downward pressure on costs, increasing levels of competition, both domestic and international, and accelerating rates of technological change.

The impact of these changes has been to make survival, let alone profit or growth, increasingly difficult. Table 1 shows response to two questions concerning strategic priorities. The "last 2 years" relates to the period 2005 to 2007 and the "next 2 years" relates to expectations up to 2009. The in-depth interviews have shown that a 2-year planning horizon was considered "long term" in the prevailing economic conditions. Indeed many managers expressed the view that planning that far ahead was impossible. As might be expected, the major emphasis for the past has been on survival. An interesting difference emerges, however, with respect to intentions for the next 2 years. While many companies intend to keep their "survival", the largest single group state that their priorities will be to build long-term market position. What is of interest, however, is to see the strength of the strategic intent expressed by respondents.

To achieve those longer term market position gains will require clearly thought through and implemented marketing strategies. Table 2 presents data on the extent of long-term planning reported by respondents.

It was perhaps surprising, given the high percentage reporting a focus for the future on long-term market position gain, to find a few companies having long-term plans. When looked at in more detail it became clear that where plans do exist, they are often primarily sales plans or financial plans, rather than marketing plans. Equally worrying from the long-term perspective of the firms surveyed was the lack of planning for personnel development. The role, if any, of marketing in the long-range planning of the company was also examined. In a marketing-led organization it might be expected that the role of marketing will be substantial. Table 3 shows that, in many, marketing has little or no role in planning, while m others the role can be limited to support . A number of companies, however, report a major role for marketing. The high incidence of "no reply" indicates companies where there is no long-term planning.

Table 1. Strategic priorities

Nr	Responses	What were your company's strategic priorities over the last 2 years? (n = 432)	What will be your companies strategic priorities over the next 2 years ? (n = 432)
1	Survival	68.5 %	30.7 %
2	Good short-term profits	11.9%	20.2%
3	Long-term market position gain	17.1%	46.3%
4	No reply	2.5%	2.8%

Table 2. . Long – term planning

Nr	Responses	Does your company has a long-term plan (2 years or more)? (n = 432)
1	Yes	28.9
2	No	62.1
3	No reply	9
Nr	Responses	If “yes”, which of the following does it include (tick as many as apply (n = 432)
1	Marketing plans	18.1 %
2	Sales plans	26.2 %
3	Financial plans	23.1 %
4	Technical / R&D plans	15.3 %
5	Production /operations plans	18.6 %
6	Personnel development plans	11.3 %

Table 3. The role of marketing in strategic planning

Nr	Responses	What is the role of marketing in your company’s overall long -term planning ? (n = 432)
1	Little or no role	27.9 %
2	A limited support role	19.3 %
3	A major input to long-term planning	17.8 %
4	Marketing leads long-term planning	6.2 %
5	No reply	28.8 %

APPROACHES TO MARKETING PLANNING

The main focus of attention for this paper is the type of marketing plans that are developed and used by companies in Albania. The analysis set out to identify what elements were included in marketing plans, where they were formulated, and to identify any different approaches to marketing planning evident in the sample. A total of components of marketing plans were identified from the marketing planning literature (Greenley 1986; Cravens 1994; Doyle 1994; Zinkhan and Pereira 1994) and refine through the preliminary interviews conducted with 100 senior managers across the country. Conceptually, these components fall into four major types as shown in Figure 1. first analyses of the marketing environment and the company’s own capabilities. Second, the setting of goals and targets. Third, the planning of the functional aspects of marketing. Fourth, management and control of the marketing effort.

Prior analysis

The most commonly reported elements of marketing plans across the entire sample were analyses of the marketing environment facing the company, resulting in a summary of market opportunities and threats. A relatively high proportion of respondents also reported conducting analyses of the company's own strengths and weaknesses. For many companies, marketing planning stops at this analytical level. The implications of the analysis are not developed into more specific marketing plans.

Setting of goals and targets

A second level of marketing planning is concerned with the setting of targets and goals. These typically fall into three main types. First, sales targets; second, profit and other financial targets; and finally, market share targets.

Planning the Marketing Mix

A third planning level concerns the development of overall marketing strategy and "the planning of the various functional components of marketing. The extent of planning of overall marketing strategy was particularly low (13.5 %) . Planning of the elements of the marketing mix varied around one in six companies for each element. Advertising and promotions planning was reported by 21 % of companies, sales and sales management planning and new product development by planning by 22%, pricing and distribution planning by 20% and planning for existing product by 16%.

Management and control

Very few companies, across the full sample, reported planning the management of marketing effort. This reflects the relatively low incidence of separate marketing departments found across the sample of companies. There is, however, greater planning of budgetary issues (27%) and monitoring of how well the objectives are being achieved.

A MARKETING PLANNING TYPOLOGY

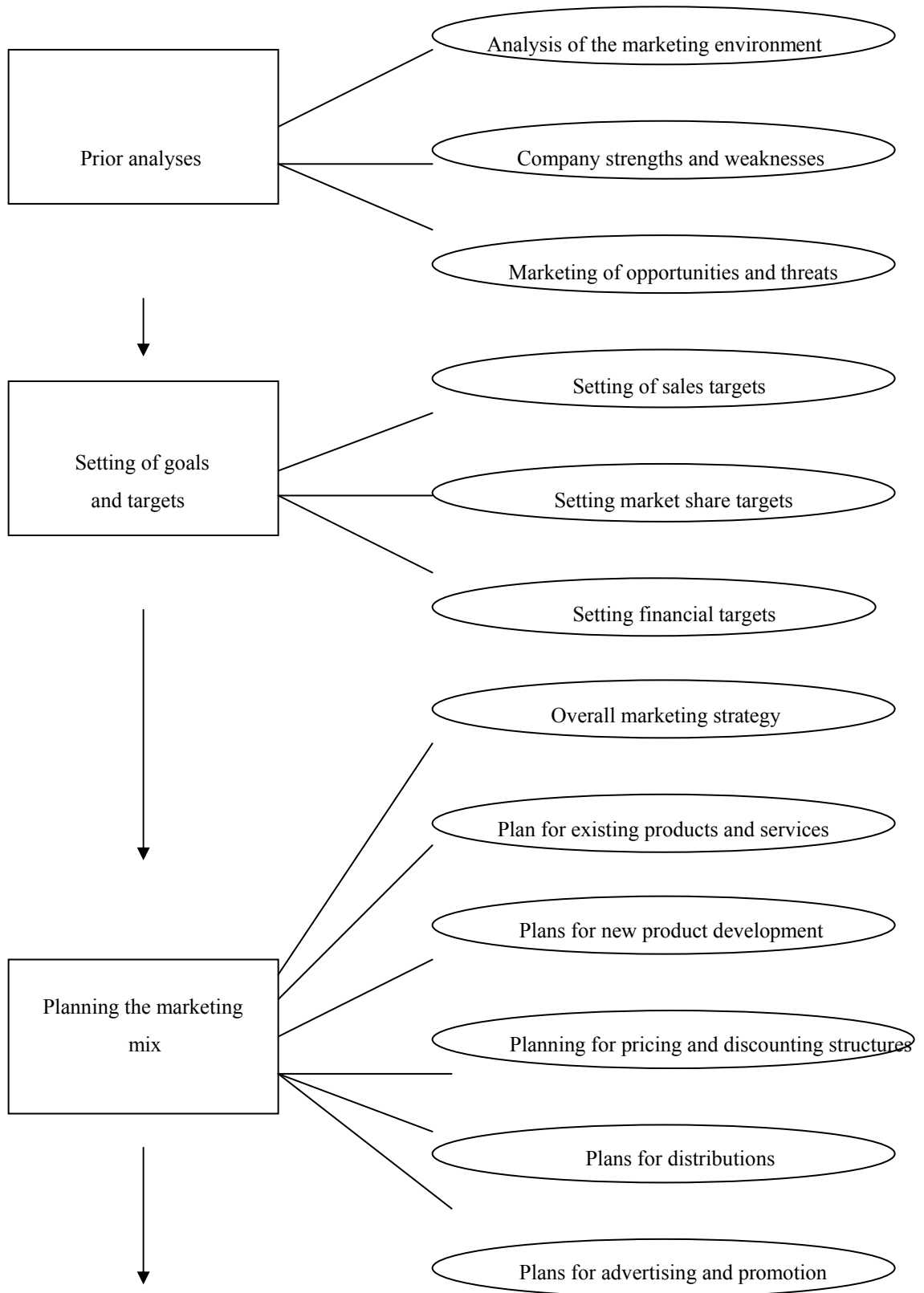
A cluster analysis was performed to identify any groupings of respondents with respect to the types of plans they developed (as revealed through the components of those plans). This was accomplished through two stages. First, the 16 plan components were subjected to a factor analysis to identify any underlying structure. Second, respondents were clustered on factor scores to identify natural groupings.

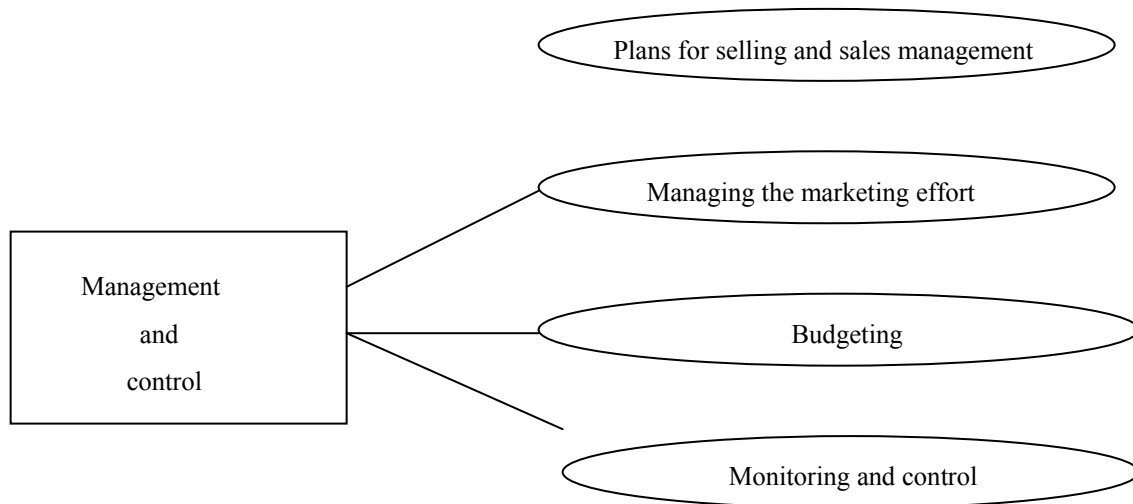
Factor Analysis Results

Three factors emerged from the analysis accounting. After rotation, they can be labeled as follows:

Factor 1 : Analysis and target setting. The first factor is characterized by high loadings on prior analysis elements of plans, such as analysis of the marketing environment, internal company strengths and weaknesses, external opportunities and threats and the planning of overall marketing strategy through market share and sales target

Figure 1. Components of marketing plans





setting. Relating back to the model in Figure 1, it can be seen that this factor is associated with both first and second levels of the model (prior analysis and the setting of goals and targets).

Factor 2 : Planning the marketing mix. Plans for marketing mix variables such as advertising and promotion, existing products and services, new products and services, and pricing, together with managing the marketing effort all load highly on this factor. This dimension of planning is clearly associated with the third functional (marketing mix) level of Figure 1.

Factor 3: Financial planning, sales management and distribution. The third factor was less easily interpreted. High loadings were found on financial planning elements (budgeting and forecasting of financial outcomes, setting financial and profit targets) but also on planning for selling and sales management and for distribution. This factor does not fit easily within the structure presented in Figure 1 but appears to capture the elements not included in Factors 1 and 2 above. It can be concluded that the factor analysis lends some support to the conceptualization presented above.

Cluster analysis results

Individual respondents were clustered on the basis of their factor scores on the extracted factors using the K-Means Cluster Analysis method based on nearest centric clustering. Solutions were sought with two, three, four, five and six clusters. Each were tested using Chi-square analysis, one way analysis of variance using Duncan's Multiple Range Test, and discriminate analysis, along with researcher judgment, to determine the most useful classification.

Cluster 1: The Enthusiastic Planners. This small group consists of the most comprehensive planners. Across most of the planning components, their extent of planning is the greatest. In particular, they are more likely to conduct an analysis of the marketing environment facing them, set sales and market share targets, develop plans for all elements of the marketing mix and put in place plans for managing and monitoring the marketing effort. The Enthusiastic Planners are more likely than any other cluster to make formal marketing plans, and their planning of other functional aspects of their businesses is also generally high. Their long-term planning is not limited to marketing planning though this is the single highest level of planning activity for the group. Indeed, for all types

of plans covered in the survey, this group was three to four times more likely than the sample average to engage in long-term planning activities.

Cluster 2: The Analyzers. This group undertake a moderate degree of planning. It is noticeable that they are particularly high with regard to internal analysis of the company's strengths and weaknesses, and particularly strong on setting profit and financial targets rather than marketing or sales targets. While the group is active in the analysis and target-setting aspects of planning, they are not as active as the group above in taking those plans to the level of marketing activities with only around one-third of the group planning individual aspects of the marketing mix.

Cluster 3 : The Operational Planners. The third group, the largest amongst the long-term planners, exhibits generally low levels of planning across the marketing planning elements. On none are the significantly higher than members of the other groups, and on all they are significantly lower.

Firms in this cluster are far less likely than either of the above groups to develop long-term marketing plans. They are, however, just as likely to develop financial plans and operational plans. A significant proportion also make sales plans. While this level of sales planning is less than the other clusters above, it is significantly greater than the sample as a whole.

Conclusions

The above has demonstrated the relatively low levels of marketing planning in Albania. While this low level of planning is not surprising given the stage of economic development of this country at the time of the study, it is of concern given the professed strategic intent of many companies to build a longer term market position.

Where planning is undertaken, it is more often of sales than of marketing (again understandable at this stage of development), and there is also a relatively heavy emphasis on financial, rather than market, planning.

Very few companies surveyed have explicit marketing strategy plans as part of their overall planning. They take their planning to the level of marketing functions as defined by Zinkhan and Pereira (1994), such as new product development, pricing and distribution. Despite the disappointing findings above, it is clear that some firms are very heavily engaged in marketing planning activities: A small grouping of firms emerged who do undertake a great deal of planning, both at the strategic and operational level. Not only are they highly active in most of the aspects of marketing planning covered in the survey, they are also generally active in sales planning, financial planning, R&D planning and the planning of production and operations. While only two out of five of these firms report having plans for personnel development

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A NEW STRATEGY IN MARKETING: BUZZ

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ABSTRACT

Marketers are searching the new ways of communicating with the customers. Because now a days the customers have too much choices, they approve hardly, and they get bored easily. So the companies have to make more easy, more cheaper and more reliable communication with the customer. Because the communication between people is cheaper and easy in these days, word of mouth marketing concept have improved.

Word of mouth marketing is, people speak with others around them about a good or a service which have influence on them. They talk about that good or service, they argue about it and they make information commerce. Word-of-mouth marketing, also known as buzz marketing and viral advertising, can be highly valued by product marketers. Because of the personal nature of the communications between individuals, it is believed that product information communicated in this way has an added layer of credibility. Research points to individuals being more inclined to believe WOMM than more formal forms of promotion methods; the receiver of word-of-mouth referrals tends to believe that the communicator is speaking honestly and is unlikely to have an ulterior motive. The main characteristic of this concept is that it is based on honesty and communication with each other.

It is the company itself that make the communication with the customers in the general marketing techniques. The belief that a company can not be objective while introducing its goods and services is prevalent around customers. But in word of mouth marketing customers are buying goods and services which are already be consumed by other customers, they are sharing their experiences. If one customer be satisfied with a good or service that customer advise other people to buy it. If that customer does not be satisfied he will also share that experience too.

Now a days while the advertisement expenses are too high it is seen clearly that buzz is a very important component for companies. Companies can use word of mouth marketing to give different messages to customers about their goods and services. In this technique, the information about the company not only communicate as a buzz but also they make people move and tend them to buy the goods and services. But there is an important truth that negative informations will also be spread mouth-to-mouth in a short time and will be shared by too many people.

With the emergence of internet, many web start-ups like facebook, youtube, and myspace, have used buzz marketing by merging it with the social networks that they have developed. With the increasing use of the Internet as a research and communications platform, word of mouth has become an even more powerful and useful resource for consumers and marketers. Tracking this online 'buzz' has led to the rise of a range of services and tools known as buzz monitoring as a component of online public relations.

In this study, we will handle the positive and negative sides of word of mouth marketing and argue about WOMM as a marketing opportunity for companies.

I. INTRODUCTION

With the development of technology the transmitting of experiences of customers has become very easy nowadays and this has increased the importance of the concept “buzz marketing”. Buzz marketing or word of mouth marketing is realized by voluntary consumers via the transfer of experiences to other people. In this marketing concept consumers create their purchasing choices with the suggestions of other consumers they trust. Of course a whisper that will create the proper effect concerning the brand has to be transmitted at the proper time, proper place and with the proper people. Providing the buyers that they have an idea of a certain product or service by creating a whisper about a certain product or service, and thus increasing sales rates and developing a positive image of the company constitutes the heart of buzz marketing.

In Word of Mouth Marketing (WOMM) a basic aspect is chosen to attract the attention of consumers to a certain product or service and then transmitted to customers. These customers try to create a marketing atmosphere via dialogues with other people.

II. WORD OF MOUTH MARKETING

WOMM is verbal communication between people related to the product (Arnold, 1967:5-261). Word of mouth expressions have been defined for many years as an important power that affects the customer behaviour, choices, consumption aims and decisions. (Bone,1995:23-213, Charlett, Garland, and Marr 1995:42-50, Bansal and Voyer 2000:77-166, Wangenheim and Bayón 2004:20-211). WOMM is based on the fact of rising acceptance and interest to the product or service via whispers spreading among customers. This situation is realized by sharing with other one’s shopping experiences. If a customer was satisfied with a product or service he/she shares his/her satisfaction. However, if he/she was not satisfied, he/she shares also his/her dissatisfaction. And this is the other side of the medallion. A consumer who was not satisfied with a product or service will be much more effective than a consumer who was satisfied. (Alagöz, 2004:19).

WOMM is an exchange of interpretation, thinking and opinion between two or more people that do not represent any market resources (Bone,1992:3-213, Butle,1998:243). According to another definition, WOMM is a way of communication that is realized face to face, interactively, spontaneously and cannot be turned back (Stern,1994:5-16). The source for the whisper is unknown and bears the feature of messages being transmitted via non official channels (Dubrin,2000:292). However it is very effective in terms of creating an opinion in society. This situation is a result of living in a social environment. In today’s conditions where advertising costs are quite high this method is an important aspect that rises the sales of a business without making any expenses.

Public relation actions are activities related to creating a positive image in the public about the product or service of the company and the company itself, to providing respect to the company and if existing to removing negative images. In buzz marketing public relation actions are carried out through customers. In order to make use of the method one has to know how people gained knowledge about the product, what they ask each other about the product, service or company, what they tell, where these whispers originate from and how they spread. Otherwise it will not be possible to control all these.

The product must have features to create whispers so that buzz marketing can be effective. Knowledge presented about a product or service with a different characteristic should have a news value. These differences that spread from mouth to mouth can be related to the functions, easy-to use feature or to the price. At that point, why customers think that way gains more importance than their negative or positive opinion about the product, service or company. Understanding the reasons of the opinion of the customers, increases the chances of providing suggestions and a positive image about the product, service and company; because creating a rumour that spreads from mouth to mouth can be under the control of the company. This process can sometimes happen spontaneously, and sometimes can be realized by consumers that receive a present or are persuaded. But the spreading of the whisper is never under the control of the company.

Well-known examples of buzz marketing can be seen in companies that base their sales completely on direct sales. Companies like Amway, Avon, Tupperware are some samples. We also see direct marketing companies on television that introduce their products via satisfied customers having used the product. Fitness appliances, slimming products, skin care products, special products for health care (vitamins, hearing aids, methods to give up smoking etc.) are based on buzz marketing strategies. For technological products such as computers, the advice of an expert or someone who has used the item before plays an important role. Word of mouth marketing is realized in virtual and real environments. The spreading of whispers and advices through the internet is meant by virtual environment. Social environments such as mails, mail groups, blogs, youtube, and facebook are quite effective (Carl,2006:604-605). People can easily share their opinions about a product or service in these environments. Face to face communication is meant by real environment. There might be normal people sharing their experiences about a product or service but also a social group that is effective on many people. Furthermore, opinions of experts of certain fields are very important to many people. I have to add also the effect of celebrities on broad masses.

What is important here is to provide the transmitting of the message via proper sources at a proper time by determining the proper message for each different customer group. While introducing the ideal aspects of a product or service, it should be paid attention to use experts or competitors. It is very important to choose the most proper message source for each message in this context.

Experts are reliable and objective people with a broad knowledge in their fields. This objectivity means that they will express both their positive and negative opinion about the certain product or service. This situation is actually a part of word of mouth communication. We may even see that this method may cause the negative aspects rather than the positive aspects put into front. (Wangenheim,2005:67)

Mouth of word marketing should be far from exaggerating the positive aspects of a product. It is even advisable to express both positive and negative aspects. Thus a precaution is taken against customers to look for counter-arguments by transmitting messages from both aspects (Tek, 1997:715). When businesses present only the positive sides of a product or service, some consumer groups will postpone the purchase and research the negative aspects of the product or service; though it is possible to speed up the decision process by expressing the negative aspects of the product or service with two-fold messages. While deciding in this context it should be paid attention to characteristics of the target group such as education etc.

Word of mouth marketing is the sharing of honest opinions about a product or service. In this context, the special value that a product or service presents to the customer should have the attribute of keeping in mind and bringing an interesting feature to the foreground everyone will speak of. However, honesty should never be given up. The ethic aspect of WOMM constitutes of three principles. a) Honesty in relationship; it is necessary to tell who it is talked about. b) Honesty in opinion; this is related to telling frankly what the belief is. c) Honesty in identity; the people transmitting the message should never hide their identity.

In word of mouth marketing the product should present the aspects it has promised and should go even further. One of the most important advantages of word of mouth marketing is that it is interactive. Thus a feedback is provided and the aspects that customers are not satisfied with will be removed. The wishes and needs of customers will be considered along with their differences.

III. RESEARCH RESULTS

With the development of technology the transmitting of experiences of customers has become very easy nowadays and this has increased the importance of the concept "buzz marketing".By this,

Table I: Importance That Customers Give to Purchasing Precedence

	N	Mean	Std. Deviation
Influenced by my own experiences	100	4,5400*	,96839
Advice of the environment	99	3,9697	1,13798
Purchasing by going to stores.	100	3,5800	1,33470
The place and the image of the store	100	3,0200	1,45630
I buy from companies who is familiar	100	2,8900	1,49000**
According to the information which I obtain from advertising	100	2,8600	1,26347
After I saw on some one	100	2,6700	1,29533
Advices of sales personel	100	2,2400	1,18168

According to Table 1 the consumers, who are within the context of the research, are influenced by their own experiences. Second comes the advice of the environment. In the third place people prefer purchasing by going to stores. Consumers participating in the research find the advices of sales personel not important at all.

Table II: Importance That Customers Give to be Effectted by Environment

	N	Mean	Std. Deviation
Advices of My Family Members	100	4,0500*	1,27426
Advices of Experts	100	3,9900	1,05883
Advices of My Friend	100	3,8300	1,15518
According to Information Gained from the Internet	100	2,9500	1,44512**
Advices of My Neighbour	100	2,7900	1,24961
Advices of Celebrities and Their Usage of the Ítem.	99	1,8485	1,27266

According to Table 2 consumers are influenced mostly by the advices of family members followed by experts and friends within the framework of the advices of the close environment. The factor consumers, participating in the research, are the least influenced by are the advices of celebrities and their usage of the item.

Table III : Group Statistics According to Gender

	GENDER	N	Mean	Std. Deviation
Advice of the Environment	Female	52	4,3269*	,90144
	Male	47	3,5745	1,24664**
Advices of My Family Members	Female	53	4,2642	1,11201
	Male	47	3,8085	1,40864
Advices of My Friend	Female	53	3,9623	1,17608
	Male	47	3,6809	1,12494
Advices of My Neighbour	Female	53	2,9057	1,33394
	Male	47	2,6596	1,14733
According to Information Gained from the Internet	Female	53	2,6604	1,47991
	Male	47	3,2766*	1,34653
Advices of Experts	Female	53	4,1132	1,04992
	Male	47	3,8511	1,06278
Advices of Celebrities and Their Usage of the Ítem.	Female	53	1,6792	1,05199
	Male	46	2,0435	1,05199

*p<0.05

When looked at Table 3 it can be seen that female consumers are more impressed by the suggestions of the environment than male consumers. However male consumers attach more importance to information gained from the internet than female consumers do.

Table IV : Group Statistics According to Education Level

	EDUCATION	N	Mean	Std. Deviat
Advice of the Environment	High school	12	4,4167	,79296
	Undergraduate	51	3,7059	1,30068**
Advices of My Family Members	High school	12	3,5000	1,50756
	Undergraduate	52	4,0385	1,20394
Advices of My Friend	High school	12	3,9167	1,16450
	Undergraduate	52	3,6923	1,12961
Advices of My Neighbour	High school	12	2,7500	1,21543
	Undergraduate	52	2,5385	1,29041
According to Information Gained from the Internet	High school	12	1,7500	1,05529
	Undergraduate	52	3,1154*	1,45054
Advices of Experts	High school	12	3,8333	1,46680
	Undergraduate	52	4,0769	,94653
Advices of Celebrities and Their Usage of the Item.	High school	12	1,9167	1,24011
	Undergraduate	52	1,8431	1,18950

*p<0.05

Accordin to Table 4 consumers who did not have education after highschool consider advices from the environment more important than people with a BA or MA. Besides, consumers with a BA or Ma degree find information obtained from the internet more significant than consumers with a highschool degree.

IV. CONCLUSION

The fact that advertisements are usually exaggerated leads to an increase of expectancy of the customers from the product and thus a disappointment in the comsumers who did not obtain what they expected. Family members, close friends, neighbours and reliable experts avoid exaggeration and even deception. In this context consumers are to trust the experiences of other people with similar values and habits. Word of mouth marketing is one of the most effective methods for marketing products or services. When customers transmit positive messages about a product or service, they give reliable and free marketing messages. These views spread from mouth to mouth. George Silverman, one of the authorities in WOMM, puts it like this: "When one person tells an information to 25 people, and these 25 people tell to other 25 people, the information is spread to 625 people. In the next round this number exceeds 15 thousand people." In WOMM customers are not the targets of the message, but its medium, and because it provides a positive image for the product being advertised, it also supports traditional media. Silverman furthermore states: "WOMM is a thousand times more effective than traditional media. Previous marketing methods are expiring. Let's sent them home. We can see that old marketing methods are focussed on deceiving customers. The new marketing, whereas, means that the customer has the control; we do not sell to people any more, they buy themselves. We assist them while purchasing." However, we see that mouth of word marketing dialogues are mainly announced via other media sources. Television, radio and printed announcements take a basic place in the exchange of opinion between people. Furthermore, we can observe that traditional marketing struggles to provide a better service, does not try to deceive people and remains within marketing ethics. Therefore, a rational marketing strategy does not send traditional marketing away but support it with the word of mouth marketing strategy.

In order to make use of mouth to word marketing, businesses need to give various messages related to their products and services. Certainly, it is not enough when only whispers spread related to the products and services. These whispers should also make people move to purchase the product or service. Furthermore, it is necessary to reach the proper people by presenting the correct information. Providing the aspects one has promised and presenting even more to people with the correct message will be extremely effective.

According to the results of the research consumers find their own experiences more important during the process of purchasing. Furthermore, advices from the close environment are extremely significant for the consumers within the research context. This shows the importance and effect of word of mouth marketing. Many reference sources can be made use of within the framework of word of mouth marketing. However, it is observed that consumers within the context of the research find suggestions of family members most important. Certainly, it is natural that one trusts his family most. Purchasing behaviour is a learnt behaviour and starts for everyone in the family. The second trustworthy group are experts after family members. Consumers find experts independent from the company, well informed about the matter and reliable. Thus, it is advisable to use experts in WOMM strategies. For many consumers advice from their friends is very important. Again, according to the outcomes of the research female consumers are more influenced from advice of their environment than male consumers do. This situation is a significant data for companies using word of mouth marketing strategies. While applying their strategies, focussing on women will speed up the process. If products and services for men is to be launched via word of mouth marketing, it is advisable to know that information obtained from the internet is much more valid for them. Especially information obtained from sites such as blogs, facebook, youtube and shared experience via these are found much more important by men. Information obtained from the internet is also notable for consumers with higher educational degrees. The internet seems also to be a great opportunity when it is planned by marketing experts to reach market sections with higher educational levels.

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TOWARD AN UNDERSTANDING of E- MARKETING ATTITUDES IN TURKISH AND GREEK SMEs AGAINST GLOBAL COMPETITION

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ABSTRACT

Supported by the growth of communication technology based on the internet, e-marketing attracts an increasing attention in global marketplace. It is especially important for SMEs operating with major difficulties due to lack of resources. The purpose of this study is to examine the attitudes of SMEs towards e-marketing, and the possible determinants such as entrepreneurial vision and marketing philosophy on their attitudes. This study is based on a cross-cultural research conducted in Turkey and Greece, simultaneously. The data were collected from 116 Turkish and 82 Greek SMEs. A conceptual model with seven postulated hypotheses is proposed and verified by empirical data.

INTRODUCTION

The pressure of global competition on every type of business, regardless of their size, forces them to explore new markets and new ways of doing market operations. All players in the market face to face with the risk of get weak in their positions due to devastating effect of intensive competition. Larger businesses are known to have several capabilities as financial, technical, expertise, etc. in order to take measure against competitors' attacks. However, small and medium sized enterprises (SMEs) must confront this challenge in severe limitations and lack of resources. Competitive market environment dictates that SMEs should develop their competencies for marketing as well as production standards. It is essential to note that marketing competency is a pioneered to activate production processes. Such a capability can result in new customers from both foreign and domestic markets. In this context, the questions appear as to what marketing capabilities in hand can be improved and which options are available to develop new ones?

Existing methods and advantages should be revised continuously to be able to sustain them in turbulent environment of market. Beyond this, the capability to develop new sources of competitive advantages will determine prospective positions of SMEs in the marketplace as well as larger businesses. SMEs have been often described as feeble and frail players due to their important managerial and financial limitations (Drew, 2003; Chaston, 2001; Webb and Sayer, 1998). In the process of pursuit the new ways of doing business, therefore, SMEs need to use the limited resources confining their capabilities more carefully. On the other hand, brand-new technologies seem to transform the traditional ways of doing business. The internet phenomenon represents one of the greatest advances in the history of humanity. It directly influences the way of thinking and behaviors of people through its specific advantages for lasting and effective communication. The internet-specific advantages

can also be employed by businesses since communication is at the heart of marketing management as an antecedent to persuading the customers.

While the internet has become a major event in the world, businesses can use it as an instrument for market activities. The international market, especially, will be no longer the preserve of only larger businesses if SMEs adapt the advantages of the internet into their processes. The internet introduces SMEs to global opportunities by creating an ability to announce their names, brands and products to much broader market areas. This option seems to be consistent with the need of SMEs to utilize their inadequate resources carefully. It is not, otherwise, affordable to reach wider markets for SMEs both in domestic and international context, and to design special promotion programs to persuade consumers. Web-based marketing activities, shortly e-marketing, by internet has an apparent facility for this type of businesses working with limited managerial and financial resources to meet new opportunities for profitable growth.

It is therefore worthwhile to understand the extent to which the entrepreneurship vision and marketing philosophy are determinant on e-marketing strategy of businesses especially in the SMEs where such strategy is typically harder to realize than in larger businesses. In particular it is important to examine how these variables are functional in employing the internet as a marketing instrument by SMEs. While we recognize the critical importance of marketing competency for SMEs, we examine the existence of strategic focus in SMEs' viewpoints towards e-marketing as an innovative strategy. The main emphasis of this study is on the attitudes and behaviors of SMEs directed at e-marketing in relation to their marketing operations. To this end, their vision and marketing philosophies were examined as the influential factors at the background of their evaluations and behaviors. In so doing, a theoretical frame for this study is based on the effects of entrepreneurship vision and marketing philosophy in order to explain the attitudes and behaviors of SMEs in a competitive environment. While studies have considered how SMEs acted in response to the internet phenomenon as a business process such as e-commerce, few studies have considered why these firms approach the option of e-marketing as they do. In responding to this gap, this study tries to develop the model of more basic concepts that motivate the use of e-marketing strategy.

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

A vast body of knowledge exists on the characteristics, activities and performances of SMEs in terms of different aspects such as management, finance, R&D, and marketing. In marketing literature, studies have proposed that the owners or top managers of SMEs need to be aware of the factors generating competitiveness to them, and search for what options are available in order to build a competitive firm against larger-sized competitors (Menon and Varadarajan, 1992). The movement of globalization and improvements in communication technologies create new opportunities for all types of firms. Intensive competition, that is the most leading feature of today's markets, forces market players to announce themselves to target people in more effective ways. Communication abilities and its effectiveness is core for firms in building a distinctive position in the minds of customers especially. As a new communication platform, the internet provides for firms the possibility to announce to and introduce millions of customers easily since "...the internet's core advantage lies in its great capacity of fast, efficient, integrated, and interactive exchange of information" (Avlonitis and Karayanni, 2000: 441). More specifically, the internet brings an economical way of contacting and attracting customers all around the world, and offers new markets by removing the traditional entry barriers (OECD, 1998). Through adopting the internet into traditional business processes firms can conduct marketing research more efficiently, serve customers better and distribute products faster (Honeycutt, Fluherty and Benassi, 1998). However, the adoption of the internet appears limited in SMEs compared to larger firms although it offers many competitive advantages. According to OECD (1998), decision-makers of SMEs are generally unfamiliar with the internet and its potential functions for market operations. Using the internet and the World Wide Web (www) in business courses of action has emerged new concepts that have been used widely as e-commerce and e-marketing. Ngai and Wat (2002) define e-commerce as a process of buying and selling the offerings using electronic data transmission via the internet and the www. It should be noted that e-commerce is transactional in nature (Krishnamurthy, 2006) whereas e-marketing refers to the use of the internet primarily for publicity and announcement through flowing detailed

information about the firm and its offerings, and thus for building demand (Fortin, Dholakia and Dholakia, 2002; Krishnamurthy, 2006).

SMEs are visible part of entrepreneurial spirit exhibiting the thinking ways of the owners and top managers. By definition, entrepreneurship requires being courage, and courageness also entails an ability to see and comment the photograph as a whole. This ability can be called as vision (Strange and Mumford, 2005). In the literature, vision has been defined as “what you want to create of yourself and the world around you” (Senge, 1990:211). In general, there is a consensus among leading authors such as Senge (1990), Covey (2004) that vision means having a long view to the conditions for the present and future. It shapes the purposes and creates a mental picture to walk in a way (Bird and Brush, 2003).

Vision, by its own nature, has a power to help organizations as well as individuals achieve something, and also can arouse the organizations to develop their own ways of solutions. SMEs operating with important limitations have faced more difficult environment due to intensified competition in all markets. They have to overcome the problems both coming from their specific limitations and from competition in order to have competitive identity. It is a requirement to have a broader viewpoint related to environmental conditions in present and future. This means that market players should have a comprehensive understanding with the ability to predict market environment of the future, and what features will be needed for competitiveness in the future. The vision of SME, therefore, can be a significant determinant on behaviors of SMEs and on the identity an SME aims. Vision of SMEs means the vision of owners or top managers of SMEs because of their strong influence on the organization. Therefore, vision in the context of SMEs can be assessed as entrepreneurial vision. Entrepreneurial vision is associated with the evaluations about new markets, new technologies, process improvements, competition, and its potential direction (Lieberman and Montgomery, 1988). What is essential is to recognize that entrepreneurial vision is related to precognition for future, the potential problems and the ways to approach to the problems and opportunities in the near and far future.

Specific behaviors of SMEs in the process of perception to market opportunities, threats and problems, and their responses reflect directly the thinking ways of the firms towards market dynamics. This also makes marketing philosophy a current issue. A number approaches have been posited for explaining firms’ marketing philosophies (Morgan, 1996; Kimery and Rinehart, 1998; Bartels, 1998; Tosun, Okumus and Fyall, 2008). Marketing literature emphasizes the nature of marketing philosophy by proposing the typologies of focus points revealed by firms (Lamb, Hair and McDaniel, 2004). A review of the literature indicates that as the socio-cultural level of consumers and technology improves, marketing thought takes form by giving importance to various attentions such as manufacturing, product, selling, and customer. Each attention area with its own specific focus is described as marketing philosophy. Firms’ perceptible marketing activities, therefore, include a philosophy towards the concepts of consumer, competition, and competitiveness to achieve organization’s goals. More specifically, based on different thinking ways some firms may consider a specific market event as important whereas some others view it as unimportant. In this regard, marketing activities are visible parts of a philosophy that maneuvers the allocation of resources and formulation of strategies for an organization (Kohli and Javorski, 1990). A widely accepted view in marketing literature namely market orientation states the importance of organization-wide marketing approach (Kohli and Javorski, 1990; Narver and Slater, 1990; Slater and Narver, 1994) to struggle in competitive environment. According to this, the primacy of customers is the core in determining specific marketing strategies. This view requires developing competitive strategies in order to persuade consumers against competitors. In this context it is essential to build close relationships with them and announce continuously the name of the firm to market. Thus, the activities of contacting, announcement, explanation, and reminding are emphasized as the core dimensions of market orientation in avioding threats and taking opportunities.

Like Covey (2004) and Bird and Brush (2003) we suggest that the different values and viewpoints of decision-makers who are generally the owners or top managers in SMEs may be characterized by the concept of vision. It is very complicated to describe and measure a complete vision profile, we propose a concentration on one specific aspect that is related to marketing operations and attitudes towards e-marketing option specifically as a

type of marketing strategy. Researchers studying vision emphasize that the way of view to the happenings determines the comments about the environment and thus the activities being designed (Strange and Mumford, 2005; Brush, 2008). More specifically, the way to see the facts in the environment can be expected to influence the thinking ways of any individual about them. Moreover, according to Davis (1989) and many other researchers (Adams, Nelson, Todd, 1992; Hendrickson, Massey and Cronan, 1993; Subramanian, 1998) perceptions on 'ease of use' and 'usefulness' are leading factors determining the direction of attitude in positive or negative way, as suggested in a specific model namely Technology Acceptance Model (TAM). We explore the effect of vision on marketing philosophy which we expect to be particularly relevant for understanding e-marketing attitudes of SMEs. Therefore, we suggest that:

H1: Marketing philosophy of SMEs is positively related with their entrepreneurial vision. That is, as the entrepreneurial vision of SMEs becomes broader so does the marketing philosophy.

H2: SMEs' perceived usefulness of e-marketing is positively related with their entrepreneurial vision. That is, as entrepreneurial vision of SMEs becomes broader so does perceived usefulness of e-marketing.

H3: SMEs' perceived ease of use of e-marketing is positively related with their marketing philosophy. That is, as their marketing philosophy incline towards market-orientation so does perceived ease of use positively by SMEs.

Understanding the essential determinants of behavior has been a supreme aim for many academicians and practitioners in social sciences. The underlying psychological postulation driving the connection between internal/psychological processes and behavior is that most human behavior is under volitional control (Ryan, 1970). This study, therefore, needs to involve an attitudinal dimension in the attempt to understand the behaviors of policymakers of SMEs towards e-marketing. In other words, it is important to understand the SMEs' attitude toward e-marketing in order to understand their e-marketing activities. Attitude to e-marketing reflects an individual's, who is generally the owner or top manager in SMEs, belief in the ability of e-marketing process to solve the firm's market problems or generate new opportunities (Bredahl, 2001). In behavioral science literature (Ajzen and Fishbein, 1980; Wilkie, 1994; Grunert et al. 2003), attitudes are accepted as stemming from beliefs that individuals hold about an object or a phenomenon. A widely accepted theory for the formation of attitude is the model developed by Fishbein (1963), known as Fishbein Multi-attribute Model. According to this view, an attitude towards an object or a phenomenon will occur as a result of knowledge and comprehension about that object. Attitudes can be seen as positive or negative tendencies. It should be noted that attitude does not depend only on one specific belief but on a handful of them (Costa-Font et al., 2008).

Since attitude signifies a learned predisposition to respond to an incident or object (Lee, 2007), it will be affected by viewpoints to and thinking ways about happenings. In other words, whether to have a broader perspective or not can determine the form of evaluations and beliefs about a specific phenomenon or object. Similarly, the way of thinking an individual has can able to change perceptions, and thus the direction of evaluations and beliefs from negative to positive. Based on the above reasoning we propose that:

H4 : The attitude of SMEs towards e-marketing is positively related with their entrepreneurial vision. That is, as the entrepreneurial vision of SMEs increase positively so does the attitude.

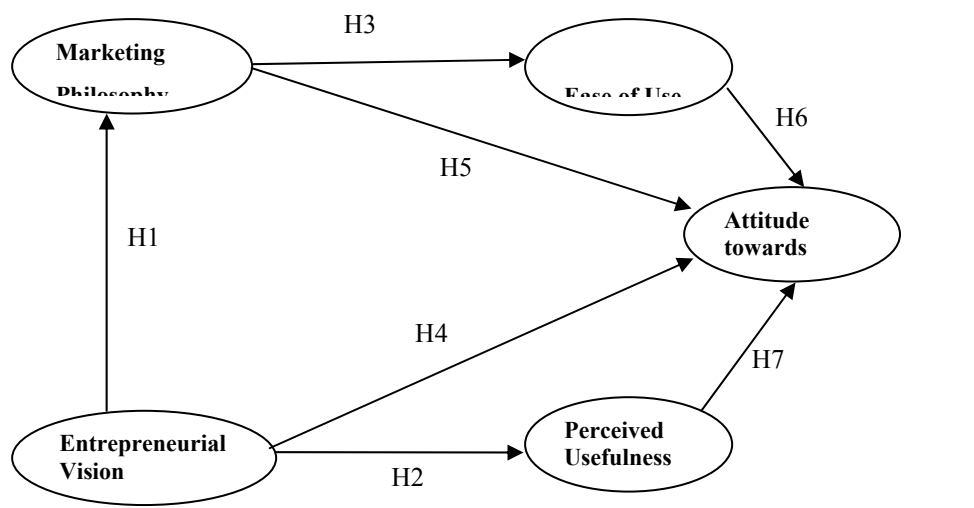
H5: The attitude of SMEs towards e-marketing is positively related with their marketing philosophy. That is, as the marketing philosophy of SMEs turns to market orientation so does the attitude towards e-marketing more positive.

H6: SMEs' perceived ease of use of e-marketing has a positive effect on the attitude towards e-marketing.

H7: SMEs' perceived usefulness has a positive effect on the attitude towards e-marketing.

From a theoretical point of view we benefited from a conceptual model known as 'technology acceptance model (TAM), with some modifications, developed by Davis (1989) as a part of the research model of this study examining the attitudes towards e-marketing and the influential factors on attitude. The construct of perceived usefulness (PU) and perceived ease of use (PEU) were adopted from TAM. Based on our hypotheses, the research model of this study is provided in Fig. 1.

Figure 1. Research Model of the Study:



RESEARCH METHODOLOGY

The Measuring Instrument

Data on SMEs' attitude towards e-marketing are not available from published sources. Therefore, based on extant literature, we generated a questionnaire to measure our constructs. The questionnaire, in four sections, was designed to measure Turkish and Greek SMEs' attitudes towards e-marketing, their entrepreneurial vision, marketing philosophy, and perceptions on usefulness and ease of use. The first part involved basic demographic and background data on the informants. This section comprised 7 questions in total. The second part was based on vision and philosophy questioning with 16 items. The third component of the instrument involved 13 items on perceived usefulness and perceived ease of use towards e-marketing. A five-point Likert type scale (strongly agree/strongly disagree) was used in the second and third parts. The reason for using a Likert-type scale was that, both vision, philosophy and perceptions are multidimensional. The fourth part was on the attitudes of SMEs with 6 scales using a seven-point semantic bi-polar item (e.g. reliable-not reliable, useful-not useful, profitable-not profitable, necessary-not necessary, convincing-not convincing, convenience-not convenience) developed by authors through adaptation from Stayman and Batra (1991). The reliability of measure in the proposed model was tested. Cronbach's alpha was used as an internal consistency measure (Hair, 2000). Cronbach's alpha for all items and the coefficient of all the indicators together are greater than 0.87. This suggests that the scale scores are highly reliable.

The Sample and Procedures

The population for this study consisted of all the SMEs located in Turkey and Greece. Turkey and Greece are neighbouring countries with relatively similar socio-cultures. However, Greece is a member of the European Union whereas Turkey endeavors to be a member. It is known that the EU gives a special attention to SMEs in order to make them more competitive. To this end, the EU designs particular programs such as education and consultancy. In this study, therefore, the SMEs in the two neighboring countries were regarded as investigation area. Since the population of the study too large, we used probability sampling in order to access to data. In Turkey, the region of Bursa was selected as field of survey due to its feature to be a leading area of SMEs in Turkey. KOSGEB that has been working since 1990 for the development of Turkish SMEs was the main contributor of this research to conduct a survey. In Greece, enterprises employing 50 persons and below form about 99,55% of the total number of enterprises and they employ 74% of the work force of the private sector (<http://www.eommex.gr>). Through EOMMEX that is a non-profit, public organization operating under the auspices of the Greek Ministry of Development for more than 30 years on the development of Greek SMEs, the SMEs located in Athens were reached.

In quantitative research, in order to minimize the sampling error and maximize the accuracy of the survey the sample should be larger (Lewis, 1984). The literature shows the state of a positive relationship between the number of items and the sample size, representing a ratio of at least 1:4 or 1:5 (Tinsley & Tinsley, 1987; Hinkin, Tracey, & Enz, 1997). Therefore, the sample population for each group was aimed at a total sample size of 384 which permits an allowable error rate less than 5 % at the 95 % confidence level. Prior studies based on data collected from SMEs reported some important problems with very low response rates (Merit, 1998) and the difficulties of respondents in interpreting the questions (Smith and Kemp, 1998). Consequently, we distributed 700 self-administered questionnaires with close-ended questions in each country. In order to implement the survey in Greece, the form of questionnaire was written in English and translated to Greek, and controlled through 'back translation' method.

The collected data were analyzed by employing the Statistical Package for the Social Sciences (SPSS) computer program. First, a series of independent t-tests were used to determine if differences existed between Turkish and Greek SMEs' entrepreneurial vision, marketing philosophy, and attitudes towards e-marketing. Second, regression analysis was used to measure the validity of the research model developed in this study that estimates the unique effect of entrepreneurial vision, marketing philosophy, and perceptions on SMEs' attitude towards e-marketing.

Demographic Characteristics of the Sample

In total, 209 usable questionnaires were collected from the owners or top managers of SMEs over the period of four weeks in April 2008 in Turkey and Greece. Response rate was 14.9 %. Of those returned, eleven questionnaires were eliminated (5.2 %). These questionnaires were incomplete or had an excessive amount of missing data. After elimination, 198 questionnaires were coded for data analysis. The distribution of questionnaires analyzed by nationality is as follows: Turkish SMEs 116 (58.6 %) and Greek SMEs 82 (41.4 %). The data were collected from 137 manufacturing (69.2 %) and 61 (30.8 %) commerce firms as total. In two age groups (less than 10 years old, and 20 years and over) there were 61.1 % (121 firms) and 38.9 % (77 firms) of the sampled firms, respectively. In terms of total employment in the sampled firms, the largest group (80.8 %) was the group of the firms in which the number of employees was below 50. The other option for total employment (50 and over) was pointed out as 19.2 %. Of these sampled firms, 76 SMEs (38.3 %) reported their activities in foreign markets while others (61.7 %) stated their position as local firm.

THE RESULTS

An independent sample t-test was carried out on the mean scores of each individual item in order to understand whether significant differences existed between the mean scores assigned to the items by those in Greece versus those in Turkey. Table 1 reports that the viewpoint of Greek SMEs to '*taking risk for market success*' appears to be more courageously ($p < 0.01$). In comparison with those of Greek SMEs, Turkish SMEs' look to '*having a website to improve the market activities*' was relatively negative ($p < 0.05$). The mean score of Turkish group in this item (3.76) shows that an important part of the group has not just a strong view about a possible function of the internet for market process. However, it should be noted that 'the necessity of very close relationship with customers for firms' success' was ranked as the highest (4.20) by Turkish SMEs. These two rankings point out the situation of Turkish SMEs as having a tendency for traditional methods to maintain the relations with market although the internet offers a platform to build and manage close relationships with both prospective and available customers. There was no statistically significant difference between the groups in remaining items. However, the mean scores of Greek SMEs for entrepreneurial vision appear to be more consistent although they somewhat agree with the item of 'internet will be one of the most significant instrument of business' (3.57).

Table 1: The Differences Between Turkish and Greek SMEs for Entrepreneurial Vision and Marketing Philosophy

	Turkish SMEs	Greek SMEs		
Entrepreneurial Vision	Mean	Mean	t	Sig.
Necessary to develop new processes for market success	4.05	4.12	-.525	0.600
Availability of regular meetings to predict future rather than being a follower	3.40	3.57	-1.00	0.315
very close relationships with customers for firms' success	4.20	4.07	0.954	0.341
The internet as one of the most significant instrument of business	3.66	3.57	0.467	0.641
Traditional business methods with lower failure risk compared to new methods	3.13	3.10	0.188	0.851
Inevitability of taking risk for market success	3.21	3.71	-2.923	0.004
Having a website to improve the market activities	3.76	4.10	-2.121	0.035
Not worth designing a website to reach market success	2.52	2.22	1.461	0.146
Marketing Philosophy	Mean	Mean	t	Sig.
Not necessary to contact with customer from the 'globe' due to our limited resources	2.83	2.62	1.049	0.295
Not need a special effort to explain our quality to customers due to proved quality	2.45	2.32	0.750	0.454
Essential to design better programs than competitors for customer satisfaction	4.28	3.82	3.543	0.000
Prior to create a superior image in markets and customers' mind	3.86	3.90	-0.264	0.792
Customers from the 'globe' should access easily to our information	3.84	3.78	0.348	0.728
Necessary to open to new methods related to marketing activities	3.76	4.01	-1.622	0.106
Prior task to improve and maintain the relationships with customers	4.21	4.29	-0.736	0.463
Our website is an instrument that supports our marketing strategies	3.85	4.36	-2.899	0.004

Note: The negative t-values mean that Grek SMEs have higher mean scores than Turkish SMEs for the related items. The criteria were based on a five-point scale, ranging from 1= *strongly disagree* to 5= *strongly agree*.

The findings of the comparison between Turkish and Greek SMEs stating their marketing philosophy are presented in the second part of table 1. The largest difference was found in the statement of ‘designing better programs than competitors for customer satisfaction is essential for us’ ($p < 0.001$). Turkish SMEs exhibited more positive tendency than Greek SMEs in stating the thinking way to be essential. However, Greek SMEs had higher mean scores clearly than did Turkish SMEs for the item of ‘*our website is an instrument that supports our marketing strategies*’ ($p < 0.01$). Although it is possible to evaluate that having a website supporting marketing strategies means the availability of efforts to design better activities, Turkish SMEs reflected less positive thought for this item.

The first part of Table 2 shows comparisons between the mean scores of Turkish and Greek SMEs based on their perceived ease of use for e-marketing activities. Based on t-test results, the two groups were not significantly different in the perceptions towards ease of use of e-marketing activities, except only one namely ‘it is easy to begin e-marketing’ ($p < 0.01$). It should be noted that overall measures for ‘perceived ease of use’ reported Turkish SMEs with more positive perceptions, compared to Greek SMEs, that can be seen as a signal for more positive attitudes for e-marketing.

Perceived usefulness by the sampled firms on e-marketing’s contributions throughout the firm processes was reported in the second part of Table 2. The only significant difference was found in the perception towards a possible function of e-marketing ‘to strengthen the image of the firm in marketplace’ ($p < 0.05$). Perceived usefulness by Greek SMEs appeared clearly stronger than Turkish group in terms of its reinforcing role on firm’s image. The mean scores of remaining eight items did not show any significant difference ($p > 0.05$). This means that both SME groups had similar perceptions towards usefulness of e-marketing with positive tendencies although it is a fact that the possible function ‘to decrease the cost of operations’ was ranked as the lowest in both groups (3.30 and 3.23, respectively).

The comparisons between the mean scores of the sampled groups for attitude are reported in the third part of Table 2. According to findings the group of Greek SMEs obviously exhibited more positive tendency in reporting their evaluations. There are significant differences between Turkish and Greek SMEs, the former had less scores than the latter in overall measures except two items (Profitable -Not profitable; Convenient –Not convenient, $p > 0.05$).

In order to assess the validity of the hypotheses developed in this study we used regression analysis. Separate regression analyses were run to exhibit the explanatory level of entrepreneurial vision, marketing philosophy and perceptions of SMEs for attitude towards e-marketing. Before doing the regression analyses we determined that no violations of the assumptions of regression were observed. Prior to running the regression analyses, a correlation test was applied to look for possible signs of multicollinearity. Correlations of variables were not high enough to be of concern for regression analysis. Although not reported here in a table, the greatest variance inflation factor (VIF) statistic in the model was 3.0, substantially less than the conservative cut-off of 10 suggested by Hair et al. (1998).

The results of the regression analyses for how predictive the constructs of entrepreneurial vision and marketing philosophy were are shown in Table 4. According to data in table 4, the regression coefficients for marketing philosophy in both groups are statistically significant when $p < 0.001$. This result supports our H1 hypothesis for both Turkish and Greek SMEs. The R square scores were 0.45 and 0.42 for Turkish and Greek SMEs respectively; about 45 and 42 percent of the variance in predicting the marketing philosophy could be explained by the items in this questionnaire. The beta values indicate that the dimension of entrepreneurial vision (0.67, 0.65 respectively) made statistically positive and significant contribution on marketing philosophy. Thus, it is possible to state that marketing philosophy of SMEs is positively related to their entrepreneurial vision. In other words, when SMEs’ entrepreneurial vision becomes broader, a tendency in their marketing philosophy will occur to market orientation that requires focusing on opportunities and threats for competitiveness. E-marketing activities can also be evaluated by SMEs in the context of new opportunities and challenges in marketplace. Then, marketing philosophy or thinking broader on market events will be shaped based on entrepreneurial vision of SMEs.

Table 2: The Differences Between Turkish and Greek SMEs for Perceived Ease of Use, Perceived Usefulness, and Attitude

	Turkish SMEs	Greek SMEs		
Ease of Use				
	Mean	Mean	t	Sig.
Easy to begin e-marketing activities	3.91	3.39	2.966	0.004
Easy to learn how to operate e-marketing activities	3.73	3.33	1.933	0.055
Easy to operate e-marketing activities	3.35	3.28	0.314	0.754
Easy to become skillful on e-marketing	3.27	3.05	1.102	0.272
Attitude				
	Mean	Mean	t	Sig.
Reliable- Not reliable	4,50	5,09	-2.464	0.015
Useful- Not useful	5,86	6,27	-2.307	0.022
Profitable -Not profitable	4,91	4,95	-0.146	0.884
Convincing – Not convincing	4,75	5,59	-3.522	0.001
Necessary – Not necessary	5,35	6,17	-3.525	0.001
Convenient –Not convenient	5,47	5,37	0.401	0.689
Perceived Usefulness				
	Mean	Mean	t	Sig.
Decreases the cost of operations	3.30	3.23	0.327	0.744
Strengthens the ability to compete	4.09	4.13	-0.277	0.782
Improves the relationships with customers and suppliers	3.94	4.15	-1.309	0.192
Increases the effectiveness of distribution activities	3.40	3.39	0.030	0.976
Creates "time utility"	3.85	3.99	-0.825	0.410
Permanent flow of information between the firm and market	4.17	4.15	0.236	0.814
Makes the efforts to win a reliable identity for the firm easier	3.76	3.50	1.500	0.135
Srengthens the image of the firm in marketplace	3.67	4.06	-2.176	0.031
Makes penetrating the new markets easier	4.12	4.15	-0.177	0.860

Note 1: The negative t-values mean that Grek SMEs have higher mean scores than Turkish SMEs for the related items. The criteria were based on a five-point scale, ranging from 1= *strongly disagree* to 5= *strongly agree*.

Note 2: The negative t-values mean that Grek SMEs have higher mean scores than Turkish SMEs for the related items. The criteria were based on semantic bipolar items, ranging from 1= reliable, useful , to 7= not reliable, not useful

Table 4 – The Results of Regression Analyses for H1 (Vision- Philosophy), H2 (Vision-Perceived Usefulness), H3 (Philosophy-Perceived Ease of Use)

Hypothesis 1 (Vision- Philosophy)

Variable Model	in	B Turkish	B Greek	Std. Error Turkish	Std. Error Greek	Beta Turkish	Beta Greek	t Turkish	t Greek
(Constant)		1.331	1.959	0.302	1.735				
Vision		0.656	0.479	0.085	0.514	0.675	0.655	8.435	8.011
Multiple R		0.675	0.545						
R Square		0.456	0.297						
Adjusted R2		0.449	0.292						
Std. Error		0.330	0.315						
F-Value		71,143*	64.170*						
Observations		116	82						

Note: * significance at the 0.001 level.

Hypothesis 2 (Vision - Perceived Usefulness)

Variable Model	in	B Turkish	B Greek	Std. Error Turkish	Std. Error Greek	Beta Turkish	Beta Greek	t Turkish	t Greek
(Constant)		-0.160	-0.207	0.302	0.357				
Vision		1.415	1.131	0.085	0.098	0.842	0.790	5.202	11.527
Multiple R		0.842	0.790						
R Square		0.710	0.624						
Adjusted R2		0.707	0.619						
Std. Error		0.516	0.471						
F-Value		278,668*	132.867*						
Observations		116	82						

Note: * significance at the 0.001 level.

Hypothesis 3 (Philosophy-Perceived Ease of Use)

Variable Model	in	B		Std. Error		Beta		t	
		Turkish	Greek	Turkish	Greek	Turkish	Greek	Turkish	Greek
(Constant)		3.159	-2,454	1.057	2.454				
Philosophy		0.180	1,532	0.275	1.532	0.487	0.346	4.798	2.970
Multiple R		0.487	0.346						
R Square		0.237	0.119						
Adjusted R2		0.227	0.106						
Std. Error		0.809	1.094						
F-Value		23.022*	8.821*						
Observations		116	82						

Note: * represents significance at the 0.001 level.

The second hypothesis (H2), which tested the association between entrepreneurial vision and perceived usefulness of e-marketing was also supported by our data for both groups. The higher scores of R square in each group (0.71 and 0.62, respectively) show the strong influence of entrepreneurial vision on the perceptions of SMEs towards usefulness of e-marketing. The beta values (0.84 and 0.79, respectively) indicate that the vision made more positive and significant contribution on perceived usefulness in the sample of Turkish SMEs.

Our third hypothesis (H3) predicted that SMEs' perceived ease of use of e-marketing is positively related with their marketing philosophy. The data collected in this research supported the hypothesis in each group of SMEs separately although R squares were relatively lower (0.23 and 0.12, respectively). As in the first two hypotheses, the beta value of Turkish group was higher than those of Greek (0.48 and 0.34, respectively). According to the result of this hypothesis, when SMEs are enthusiastic to seek opportunities and become more competitive their perceived ease of use for e-marketing activities will change positively. That is, the more positive perceptions towards ease of use of e-marketing, the less difficulties to use e-marketing their evaluations.

Table 5: The Results of Regression Analyses for H4 (Vision- Attitude), H5 (Philosophy - Attitude), H6

Hypothesis 4	B	B	Std.	Std.	Beta	Beta	t	t
	Turkish	Greek	Error	Error	Turkish	Greek	Turkish	Greek
(Constant)	-2.403	0.015	0.536	0.535				
Vision	2.147	1.545	0.151	0.147	0.800	0.761	14.260	10.500
Multiple R	0.800	0.761						
R Square	0.641	0.579						
Adjusted R2	0.638	0.574						
Std. Error	0.916	0.706						
F-Value	203.353*	110.246*						
Observations	116	82						

Hypothesis 5	B	B	Std.	Std.	Beta	Beta	t	t
	Turkish	Greek	Error	Error	Turkish	Greek	Turkish	Greek
(Constant)	-0.349	1.741	0.851	0.316				
Philosophy	1.608	0.666	0.227	0.083	0.609	0.569	7.082	7.986
Multiple R	0.609	0.569						
R Square	0.371	0.324						
Adjusted R2	0.364	0.319						
Std. Error	0.937	0.368						
F-Value	50.155*	63.769*						
Observations	116	82						

(Perceived Ease of Use- Attitude) and H7 (Perceived Usefulness-Attitude)

Hypothesis 6	B	B	Std.	Std.	Beta	Beta	t	t
	Turkish	Greek	Error	Error	Turkish	Greek	Turkish	Greek
(Constant)	3.223	5.602	0.259	5.602				
Ease of Use	0.733	0.129	0.067	0.129	0.785	0.307	10.883	2.604
Multiple R	0.785	0.307						
R Square	0.615	0.094						
Adjusted R2	0.610	0.081						
Std. Error	0.537	0.466						
F-Value	118.441*	6.782**						
Observations	116	82						

Hypothesis 7	B	B	Std.	Std.	Beta	Beta	t	t
	Turkish	Greek	Error	Error	Turkish	Greek	Turkish	Greek
(Constant)	-0.393	0.637	0.245	0.270				
Perceived Usefulness	1.452	1.278	0.062	0.069	0.909	0.901	23.313	18.614
Multiple R	0.909	0.901						
R Square	0.827	0.812						
Adjusted R2	0.825	0.810						
Std. Error	0.636	0.472						
F-Value	543.482*	346.485*						
Observations	116	82						

Note: * represents significance at the 0.001 level ** represents significance at the 0.05 level

The four constructs (entrepreneurial vision, marketing philosophy, perceived ease of use, and perceived usefulness) conceived in the model to explain the attitudes of SMEs to e-marketing were analyzed for how predictive they were of the construct of attitude. The results of a series of regression analyses are presented in table 5.

The fourth hypothesis of the research expected a positive relationship between entrepreneurial vision and SMEs' attitudes towards e-marketing. This hypothesis was supported by our data. It was expected that as the SMEs have a broader vision they will build more positive attitude to e-marketing due to its possible function to create new market opportunities as well as utilize the existing ones. In line with our expectation the regression model was significant in each group (*F*-value: 203.35 and 110.24 respectively, $p < 0.001$).

Our next hypothesis (H5) was also supported by the data. The variable marketing philosophy had a positive and significant ($p < 0.001$ and 0.05, respectively) coefficient. We expected in the context of this hypothesis that as the marketing philosophy of SMEs turns to market orientation so does the attitude towards e-marketing more positive. As argued in the conceptual section, market orientation of SMEs can make them more sensitive to competitiveness that requires being interested in new opportunities and challenges in market environment. However, the value of R square in both Turkish and Greek SMEs was relatively lower (37.1 and 32.4, respectively) among this group of hypotheses.

The sixth hypothesis (H6), which tested the association between perceived ease of use by SMEs and attitude towards e-marketing, was supported in each group although the significance level of the regression models for Turkish and Greek SMEs was different (F -value: 118.44, $p < 0.001$; F -value: 6.78, $p < 0.05$, respectively). Indeed, the R square of Greek SMEs was 0.09 as the lowest value in this group of hypotheses; about only 9 percent of the variance in predicting the construct of attitude could be explained by perceived ease of use in terms of Greek SMEs. However, in the sample of Turkish SMEs the value of R square (0.61) appeared to be satisfactory. Moreover the analysis showed that perceived ease of use (β : 0.78) was an important determinant in Turkish SMEs on the attitude unlike Greek SMEs (β : 0.30).

In our final hypothesis (H7), we had expected that perceived usefulness has a positive effect on the attitude towards e-marketing. The coefficient for perceived usefulness signed as predicted in our hypothesis with statistically significant ($p < 0.001$) providing very strong support for H7. Indeed, the beta values in each sampled group (0.91 and 0.90, respectively) indicate that perceived usefulness made the most statistically positive and significant contribution among the constructs of the model.

CONCLUSION

Improvements in communication technologies, especially the internet, provide many opportunities to both larger-sized and also small and medium-sized enterprises (SMEs) alike. SMEs are widely known as less competitive than those of larger-sized firms in market environment surrounded by severe competition. Reaching to competitive identity, therefore, is critically important for SMEs as well as larger firms. SMEs traditionally have lack of adequate resources for effective market operations such as not having a satisfactory budget to announcement what they do and what their unique features are. Hence, they have to limit their activities only to some accessible markets due to the main disadvantage in announcement, explanation and reaching to target markets. However, the progress of the internet means for SMEs a valuable instrument to remove these traditional disadvantages. By using the instrument effectively, SMEs can easily reach to millions of customers representing many opportunities in competitive market environment. In order for SMEs to realize the potential of the internet in market processes, the owners or top managers who are decision-makers in SMEs should primarily be aware of the advantages suggested by e-marketing. More specifically, the decision-makers of SMEs should have positive attitudes towards e-marketing initially. It is possible to mention that perceiving the opportunities is closely related to the vision SMEs have since the vision is defined as broader viewpoint to the happenings. Also, marketing philosophy can be expected to influence the way of thinking on market opportunities and threats.

In this cross-cultural study, we analyzed attitudes of SMEs towards e-marketing. At the same time the possible determinants, that are suggested in the literature, on attitude were also examined since a general attitude is similar to values in that it is embedded in our minds to influence our thoughts of a specific object or phenomenon (Bredahl, 2001). Thus, the direction of attitude can be an important indicator to understand behaviors. More specifically, attitude or internal view can be expected to play a leading role in behaviors, since feelings, beliefs and evaluations can also influence subsequent processing. We examined the data in a comparison of Turkish and Greek SMEs to determine the similarities and differences between SMEs from the two neighbouring countries. Statistical analyses executed in this study showed that both of the groups exhibited similarities in most of the constructs. Nevertheless, Greek SMEs have appeared with more positive attitudes towards e-marketing than Turkish SMEs while the proposed determinants influenced the attitude for the group of Turkish SMEs in a relatively stronger way.

While there are many academical attempts on SMEs' reactions to the internet, there exist a research gap on the attitudes of SMEs directly. And also there appears a lack of cross-cultural study examining this aspect. By providing empirical data concerning Turkish and Greek SMEs' attitudes towards e-marketing, this study tries to contribute to filling the mentioned research gap. While findings of this study are limited to a small group of Turkish and Greek SMEs, they could also have relevance for the other huge group of SMEs with similar characteristics.

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MEASUREMENT OF BRAND EQUITY AND A SURVEY IN THE BANKING SECTOR

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ABSTRACT

This study explores how consumers evaluate brand names of a selected group of banks using the consumer-based brand equity measurement. We conceptualise brand equity as a four dimensional construct comprising consumer awareness, brand image, perceived product/service attributes and customer relationship and communication characteristics. The perceptions of customers about social responsibility activities of banks have also been included. The findings indicate that brand image characteristics have been found to be more important than product/service attributes for the selected sample of banks. Brand image characteristics such as prestige and a good reputation is likely to be most influential in building brand equity followed by product/service quality which has been ranked second by respondents.

Keywords: Brand equity, brand awareness, banking industry, measurement, customer perception.

INTRODUCTION

In recent years, firms have invested substantial resources to develop names with a favorable image. The brand name is regarded as an essential part of the brand and the foundation for marketing communication efforts (Aaker, 1992). Consumers attach additional value to products because of brand name carried by the product. This added value endowed by a brand name to a product is called brand equity (Pappu and Quester, 2006). Product introductions with the same brand name are able to leverage the brand image, brand awareness, and on the whole, brand equity obtained in the established markets (Milberg et al, 1997; Salinas and Perez, 2008). Almost every marketing activity works to build, manage, and exploit brand equity (You and Donthu, 2001). Brand equity provides value to the firm by enhancing efficiency of marketing programs, prices, and profits, trade leverage, brand extension and competitive advantage (Aaker, 1990). Brands succeed by getting, keeping, and growing customers. The consumer-brand relationship, as an important research topic, will regard to acquiring new customers, customer retention and brand equity (Smith et al, 2007).

Several conceptualizations of brand equity exist, and these conceptualizations have offered valuable insight into the processes that consumers evaluate brands within a given product category (Netemeyer et al, 2004). This paper, first, briefly reviews the conceptualizations and measurements of brand equity. Then, the results of a survey conducted in the banking sector are given. Finally, a discussion with implications for future research is presented.

Conceptual Background

Brand equity (BE) has been used as a barometer of brand strength through the use of its logo, symbol, or name (Morgan, 2000; Lee and Back, 2008). Aaker (1996) views brand equity as a set of assets linked to a brand's name and symbol that adds the value provided by a product/service to the customer. Brand equity is a function of several facets, the core facets are the primary predictors of brand purchase intent and behavior. Core BE facets include perceived quality, perceived value for the cost, uniqueness and the willingness to pay a price premium (Aaker, 1996; Netemeyer et al, 2004) that are the strongest predictor of purchase intent. Five related brand associations that are viewed as related to the core BE facets in brand equity frameworks are given as brand awareness, brand familiarity, brand popularity, organizational associations and brand-image consistency (Aaker, 1996; Keller, 1993).

Brand awareness is viewed as the degree to which consumers automatically think of a brand when a given product category is mentioned. Brand familiarity is defined as the degree to which consumers are familiar with the brand name. Organizational associations are those beliefs held by the consumer that the company is honest and trustworthy. Brand-image consistency is viewed as the degree to which consumers feel the brand has a rich heritage (Netemeyer et al, 2004). These brand associations are important and their correlates of the core facets are examined in empirical studies. To a large extent, researchers conceptualized brand associations into four major dimensions: product or service quality, brand image, brand awareness and brand attitude (Kwun and Oh, 2007). These associations are regarded as the category of a brand's assets and liabilities that include anything "linked" in memory to a brand (Aaker, 1990).

Another conceptualization, based on Berry's study (2000) presents the principal components of a services organization brand: organization's presented brand, external brand communication, and customer experience with the organization. The presented brand is the organization-controlled communication of a desired brand image and it directly impacts brand awareness which is a customer's ability to recognise and recall a brand. External brand communication is the organization-influenced communication about the brand. Publicity and word-of-mouth are its main forms. Customer experience with the organization is customer's cumulative experience interacting with the organization (Berry and Seltman, 2007).

As can be seen, multidimensional constructs of brand associations are very similar to each other which makes understanding consumers' perceptions of brands complex. One important consensus among the approaches is that brand equity is the incremental value of a product due to the brand name (Yoo and Donthu, 2001).

Measurement of Brand Equity

Marketers desire to demonstrate that they are allocating marketing investments as efficiently as possible. One of the first endeavors to measure intangible assets specific to marketing is brand equity. Cultivating strong brands with high equity improves the profitability of brand choice, brand performance, cash flow, willingness to pay a premium, marketing productivity, product positioning and brand knowledge in consumers' minds (Kapferer, 2004; Lee and Back, 2008). One question here is whether brands truly are assets that enable the business to generate superior returns over time. Brand equity needs to be measured in a way that captures the source and scale of emotional augmentation that the brand provides underlying functionality of the product or service (Knowles, 2008).

Although most marketers are unsure how to measure brand equity and there is no universally agreed upon measure, they recognise that a brand's equity consists of different components which should be studied separately. There are two different approaches to measure the brand equity (Knowles, 2008). The first approach measures equity in terms of "outcomes" such as recommending the brand to others, the price premium they are prepared to pay. The second type of approach measures equity in terms of the scale and nature of the utility that the brand offers to customers. The second approach tries to quantify the extent of brand equity that a brand

enjoys by measuring the degree of “relevant differentiation” provided. It measures two goals achieved- maximization of the perceived fit between your brand and your customer’s need and the maximization of perceived differentiation of your brand versus its competitors.

Another conceptualization of measurement considers three main aspects of brand equity; the financial perspective, the customer-based perspective and the combined perspective. The operationalizations of customer-based brand equity can be divided into customer perception (e.g. brand awareness, perceived quality) and customer behavior (e.g. brand loyalty, willingness to pay a high price) (Keller,1993; Chen and Chang, 2008).

Of the different streams of research in brand equity, the consumer psychology and the financial approach have dominated. (Seggie et al, 2007). According to Aaker(1996) the measurement of brand equity can be undertaken using loyalty measures, perceived quality measures, associations/differentiation measures, and awareness measures (Seggie et al, 2007). The consumer psychology perspective acknowledges micro-level data as the measures are aggregated from individual customers, although the final measure itself is an aggregate brand-level measure. The financial approach to measuring brand equity pays more attention to objective measures such as profits stemming from the brand and thus estimating the firm’s overall brand equity (Simon and Sullivan, 1993; Seggie et al, 2007).

Research Model and Aim of the Study

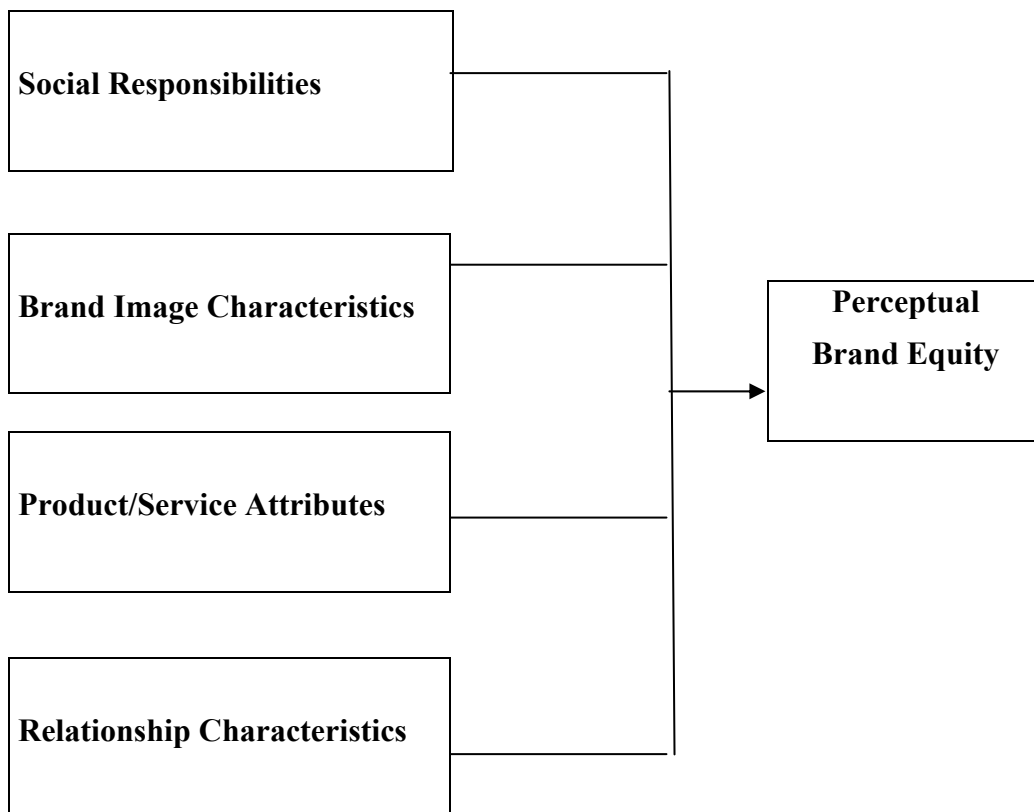


Figure 1. Theoretical Model

The aim of the study is to measure brand equity values of a sample of Turkish banks by using consumer perception model. In the survey, firstly, the recognition rates of brands in the banking sector have been analyzed.

The framework used in the measurement was designed in three categories, “the top-of-the-mind awareness” brands, “unaided brand recognition” brands, and lastly “aided brand recognition” brands.

The second phase of the survey included expectation-performance analysis which is a perceptual brand evaluation technique. The findings demonstrated perceptual brand equity values according to performance levels of brands in comparison with each other. It is proposed that highly valued brands by consumers are considered to be offering preferred services/products that may imply successful future results.

The respondents were firstly asked how important the items of institutional image characteristics, social responsibilities, product/service quality attributes and relationship management to them on a rating scale from 1 to 5 indicating importance level of each item. Then, the extent to which each bank has been found successful for each item was analyzed.

The survey results were presented by using expectation-performance maps designed both for each main dimension and for each item of dimensions separately. Considering the “brand equity as the net present value of future cash inflows” (Doyle, 2003), perception maps will be helpful in identifying what products/services and characteristics of which brands will be preferred today and in future. The analysis also determines the sectoral average and the place of each brand in the sector.

Research Framework and Measures

The current study aims to examine how consumers evaluate brands and how individual member brands are perceived by the consumers. Some researchers have suggested the use of a relative measure for the measurement of brand equity (Pappu and Quester, 2006). One of the methods proposed under this approach involved the use of consumer preference ratings for a well-known branded product versus a less-known branded product (Aaker, 1996). Given the current branding conceptualizations, brand-specific association which is an attribute or benefit that differentiates a brand from competing brands is used in the current study. Brand associations facilitate consumers to process, organize, and retrieve information to assist them in making purchase decisions (Kwun and Oh, 2007). In the study, brand associations namely product/service quality, image, awareness and brand communication are used consistently with the literature.

Aaker (1996) asserts that perceived quality is a bottom-line measure of the impact of a brand identity and reflects a measure of goodness of the brand. For the purpose of the current study overall service/product quality is measured by using a scale of nine items. A favorable reputation or image reflecting the overall perception of a bank brand has been considered a valuable competitive advantage for a firm, communicating effectively to its target groups about the quality of its services and products in a meaningful way. Consistent with the institutional view, corporate image can be defined as an overall evaluation reflecting the extent to which a firm is substantially ‘good’ or ‘bad’ (Weiss et al., 1999; Keh and Xie, 2008). Brand reputation is a stable construct that represents the distillation of multiple images over time (Kwun and Oh, 2007). Brand image is measured by a three items scale focusing on overall reputation and another three items scale for the evaluation of social responsibilities that maintains the brand image. Brand awareness is recognized as an important concept in consumer behavior, especially in terms of its implication to brand equity. One basic approach assessing brand awareness is brand recognition that relates to consumers’ ability to recognize the brand when given the product category (Keller, 1993). This study focuses on the brand recognition aspect of brand awareness which is important in understanding the consumer decision-making process. The last dimension we included in the survey is customer relationship management. The focus has been on the customer and the external communication and a measurement scale of four-items is used.

Consumer perceptual brand evaluation technique is used in the analysis for the four dimensions of brand equity mentioned above. Expected and real performance levels of brands are mapped in comparison with each other. In the evaluation, expectation values are given on the horizontal axis and real performance levels on the vertical

axis. A Likert-type scale of 1-5 was adopted for all measures using the anchors ‘strongly disagree’(1) and ‘strongly agree’(5). Within the framework of the analysis, four or five brands are considered one of which being the well-known and the other being the smaller but still a known brand which is consistent with the Aaker’s study (1996).

Methodology and Data

The data were gathered through a questionnaire form. The questions have been asked to people between age of 15 and 54 who have been involved in at least one individual banking transaction within the last month. Respondants were randomly selected with quotations of gender, age and education within the largest ten provinces of Istanbul. A sample of 272 respondents answering the questionnaire fully has been considered in the research. The questionnaire form includes the names (brands) of banks and their recognition immediately, spontaneously, by aid, and lastly in relative with benchmark banks.

In this study, expectation-performance analysis is used in order to evaluate customers’ expected ideal value for the characteristics of brand perception in return to how these expectations are met with real performance of firms working in banking sector. When the shifts in product/service differences occur in invisible attributes rather than visible ones, the effectiveness of perceptual brand evaluation techniques will increase. The research has been conducted in banking sector where implementing a differentiation strategy in products/services seems to be highly difficult.

Four brands have been included as benchmarks in the analysis with the aim of making a comparison with the competitors and calculating brand value of the firm by considering its position in the sector and obtaining a sectoral average for brand value. Selection criteria will vary from one sector to another depending on the brands to be compared. One of the common methods is to choose the leading brand in the sector and the relatively smaller one which is known in the market only to some extent.

The sector leader, Türkiye İş Bankası with its 883 branches in Turkey, Finansbank whose 46 % shares belonged to National Bank of Greece with a foreign partnership, Garanti Bankası, one of the top banks with its 354 branches nationwide and lastly, Oyakbank which is relatively smaller than other banks have been included in the research.

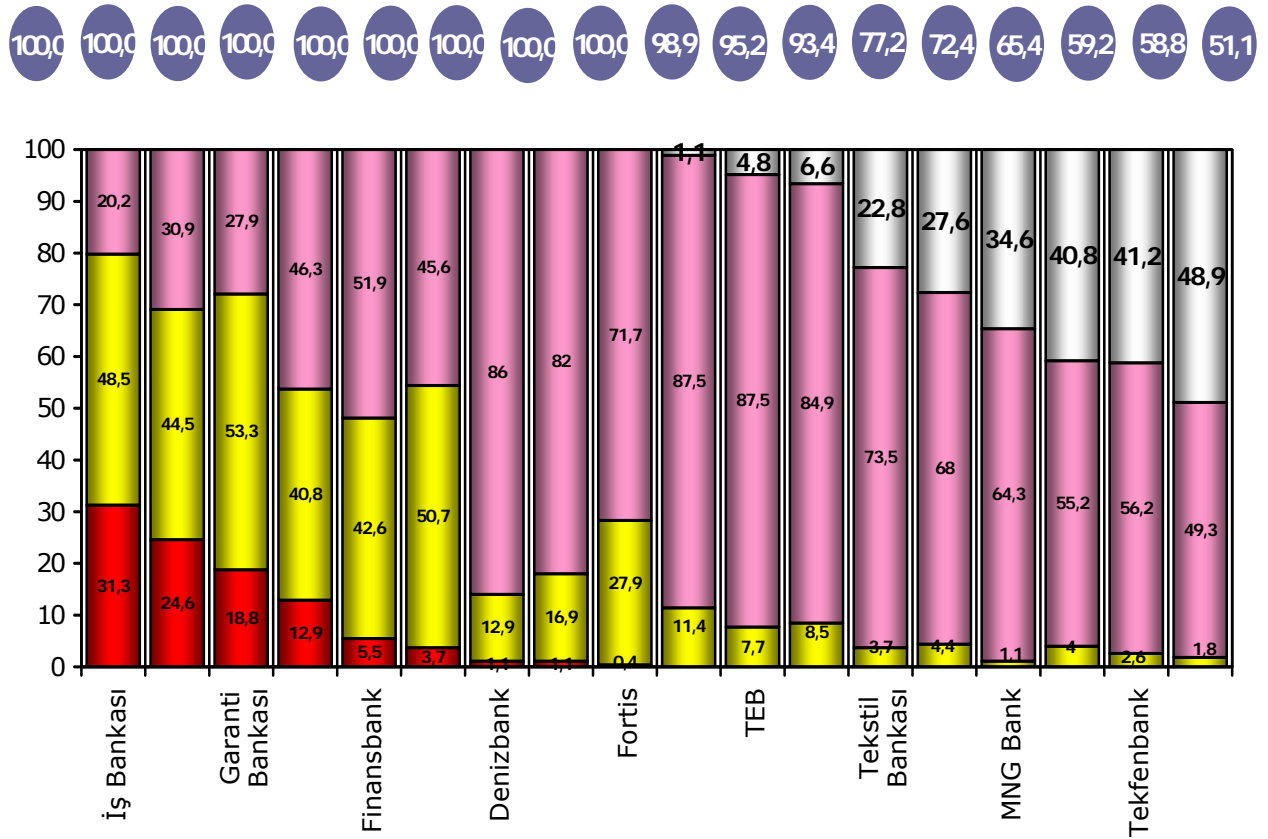
Findings

The first recognised brand name has been found to be Türkiye İş Bankası with 79.8 % without any aid. When recognition with aid is included, the total percentage of respondents who recognise the brand name increases to 100 %. In terms of first remembrance, İş Bankası is followed by Garanti Bankası, Akbank and Yapı Kredi Bankası with 53.3 %, 24.6% and 12.9 % respectively. When we consider other benchmark banks in the evaluation, the recognition rates of respondents have been found to be 5.5% for Finansbank and only 1.1% for Oyakbank.

The survey results indicated that spontaneous recognition rates of brand names of banks have been to be 53.3% for Garanti Bankası, 42.6% for Finansbank, and 16.9% for Oyakbank without any aid. Total unaided brand recognition of all these four brands has been found to be 100%.

The results of expectation-performance evaluation results indicate that the highest expectation of respondents has been on “institutional image characteristics”(4.59) which is partly a surprising result for the banking sector. This is followed by product/service attributes (4.41), customer relationships (4.24) and social responsibilities (4.08) respectively.

Table 1: Recognition Rates in the Banking Firms



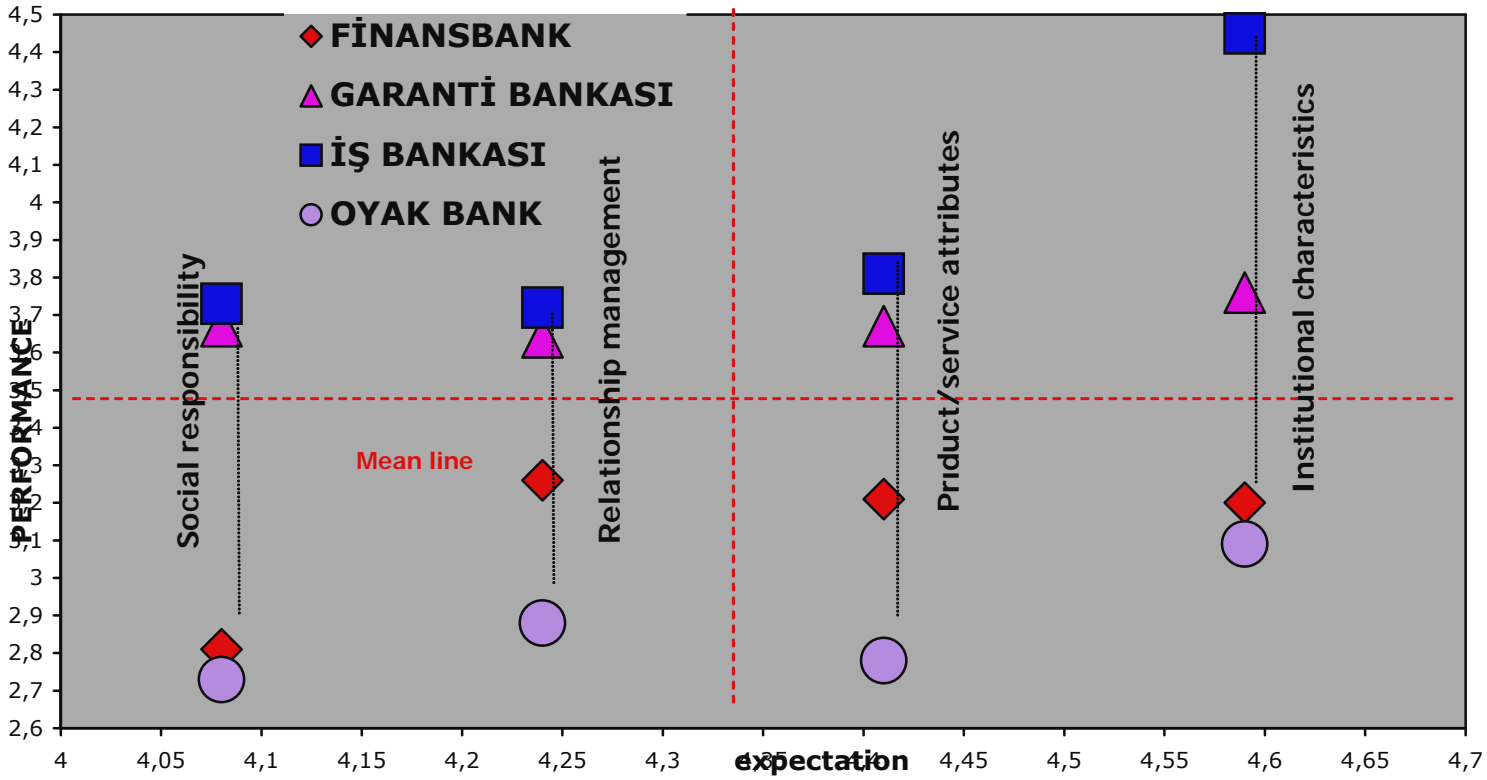
>Top recognized	>Aided remembrance
>Spontaneous remembrance	>Never heard

‘Institutional image characteristics’ dimension including items such as “a highly-regarded and prestigious bank”, “a well-established and stable bank”, “a trustful bank” has been given a higher importance than ‘service/product quality’ dimension which might be interesting for the banking sector by consumers. İş Bankası has been found the most successful bank for “Institutional image characteristics” with 4.45 out of five followed by Garanti Bankası with 3.76.

For the four main measurement dimensions consisting of 19 items, İş Bankası has been to have the highest overall perceptual brand value(3,93), being the first, Garanti Bankası the second (3,69), Finansbank the third (3,12), and Oyakbank the fourth (2,87).

Table 2: Expectation-Perceived Performance Results for Main Dimensions

	EXPECTED	FİNANSBANK	GARANTİ BANKASI	İŞ BANKASI	OYAK BANK
Institutional Characteristics	4,59	3,20	3,76	4,45	3,09
Social Responsibility	4,08	2,81	3,67	3,73	2,73
Product/Service Attributes	4,41	3,21	3,67	3,81	2,78
Relationship Management	4,24	3,26	3,64	3,72	2,88
Average	4,33	3,12	3,69	3,93	2,87



The data obtained from the research also gives the opportunity to make improvements in the poor performance high expectation service areas of banks. None of the banks has been able to meet the expectations of consumers fully in all 19 service items. The gap between the perceived actual performance and expected performance will give an idea of the field in which the banks should improve themselves.

For the product/quality dimension, 'having a wide network of ATM and branch offices' had the highest expected value(4,75) followed very closely by 'giving fast and correct service'by consumers. İş Bankası and Garanti Bankası have been ranked as the first two banks for the product/service characteristics dimension with 3,81 and 3,67 respectively.

As for the items of bank image, consumer expectations focused mostly on how much the bank was trustable (4,73). This item was followed by how much the bank was highly-regarded and prestigious(4,55). Once more Is Bankası has been ranked the first for these two items.

Support for social activities such as environment, art and sports has been ranked first as expected social responsibility activities by consumers (4,16). Among the consumer relations and communication items, the biggest expected value has been put on customer satisfaction and implementing solutions to customer problems with ratings of 4,65 and 4,60 respectively.

CONCLUSIONS

In the analysis, expectation/performance analysis which is one of the perceptual brand equity evaluation methods was used. This method seems to be an effective technique in determining the place of a brand in the industry and the positions of brands comparatively to each other. Although there is a tendency toward differentiation in products occurring more in the invisible and intangible characteristics of products/services than tangible ones, visible and tangible differentiations seem still to have greater influence in buying decisions of consumers. In the banking sector, for example, interest rates would give the opportunity to make differentiation in services/products, if the interest rates had not been determined by the Central Bank of Turkey.

Survey results indicate that among the banks in the analysis, İş Bankası obtained the highest recognition rate. 79.8% of respondents recognised İş Bankası spontaneously and unaided. When aided recognition is added, 100% of respondents remembered İş Bankası. It was followed by Garanti Bankası and Akbank with the remembrance rates of 53.3% and 24.6% respectively.

Another finding is that “Institutional Characteristics” measured with three items such as reliability, stability, and prestige have been found to be more important than “product/service attributes” which might be a surprising result for the banking sector. This result may support the view that it is difficult to differentiate products/services in the banking sector whereas institutional characteristics such as prestige and a good reputation which are more invisible in nature, will create the value for the consumers. Customer perception of brand equity relies more on reputational characteristics than other dimensions such as service quality. This may stem from the rationale that banks require to establish effective product differentiation strategies and perceived quality should be managed carefully.

This study simply focused on consumer perceptions of brands in the banking sector. The link between brand equity and corporate performance was not included as a research question that should be surmounted in future research. Another limitation of the study is the sampling framework. This study was constrained to respondents from a single city, and this may limit generalizations. Also, the results of this study would be more representative if the research were conducted for a larger sample size.

APPENDIX

Table 3. Expected and Perceived Performance Results for Institutional Image Characteristics

	EXPECTED	FİNANSBA NK	GARANTİ BANKASI	İŞ BANKASI	OYAK BANK
A highly-regarded prestigious Bank	4,55	3,25	3,81	4,35	3,05
Well-established and Stable	4,49	3,03	3,67	4,45	2,98
Trustable	4,73	3,33	3,80	4,53	3,26
Average	4,59	3,20	3,76	4,45	3,09

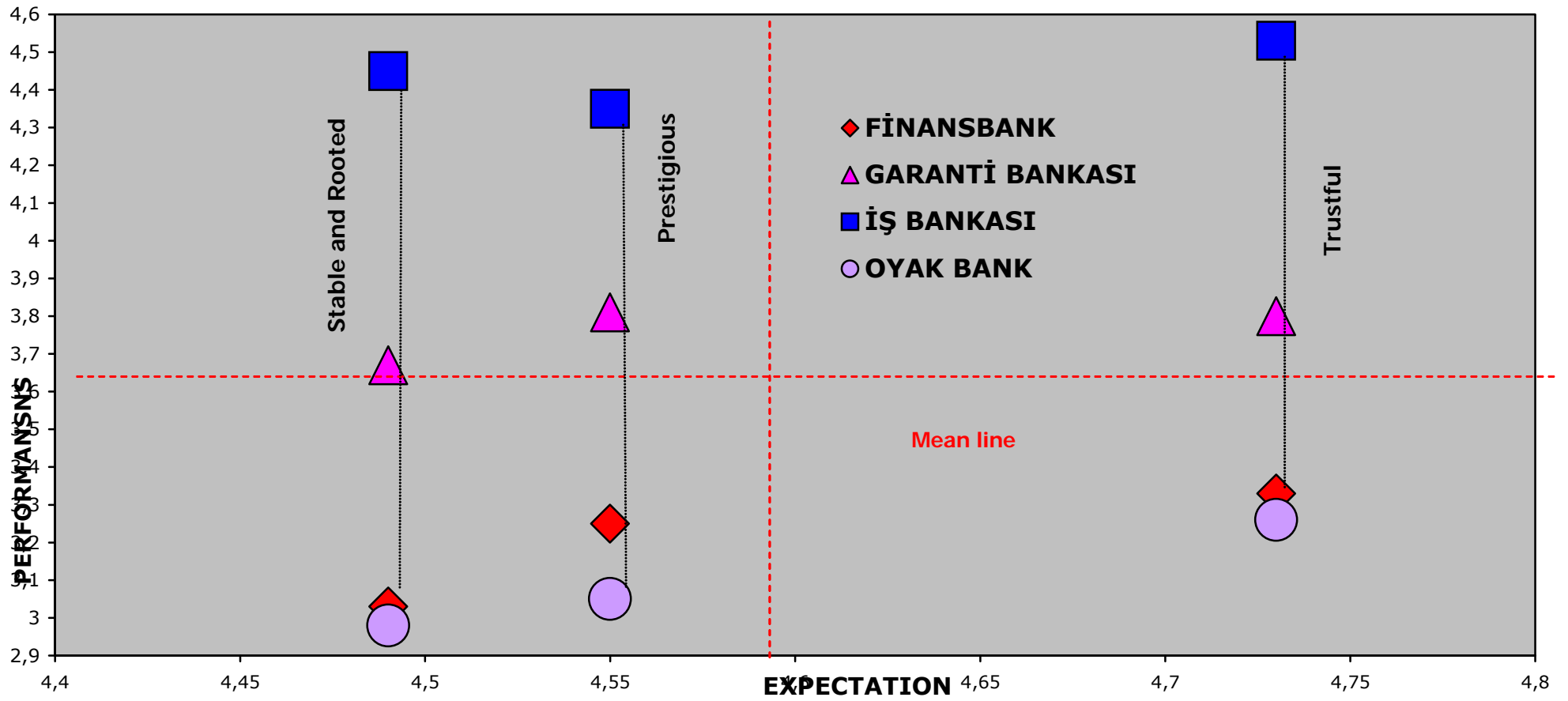


Figure 2. Institutional İmage Characteristics

Table 4. Figures for Social Responsibility Characteristics

	EXPECTED	FİNANSBANK	GARANTI BANKASI	İŞ BANKASI	OYAK BANK
Supports social activities	4.16	2.57	3.76	3.79	2.63
Involves in non-profit organizations for public purposes	4,11	2,62	3,42	3,48	2,65
Contributes to the sectoral development	3.96	3.24	3.82	3.91	2.91
Average	4.08	2.81	3.67	3.73	2.73

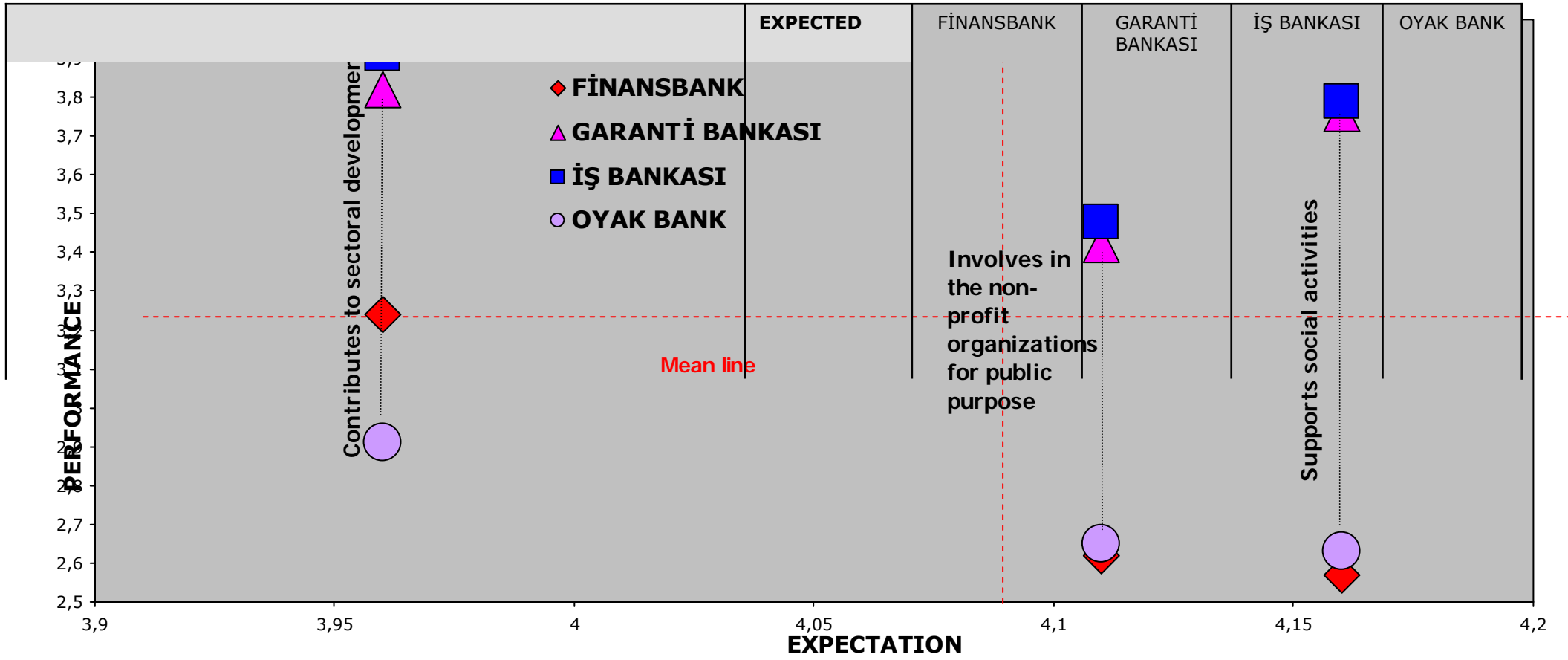


Table 5 .Figures for Product/Service Characteristics

Keeping world standards in services	4.37	3.32	3.70	3.80	2.72
Fast and correct services	4.74	3.37	3.71	3.86	3.04
Differentiated and creative services for various segments	4.26	3.24	3.66	3.89	2.69
A network of ATM and branch offices	4.75	3.11	3.85	4.29	2.67
Reasonable transaction costs	4.58	2.99	3.20	3.44	2.72
Reasonable credit terms and interest rates	4.46	3.02	3.21	3.52	2.74
Effectiveness of telephone banking	4.19	3.17	3.96	3.76	2.77
Effectiveness of internet banking	3.91	3.41	4.03	3.90	2.84
Effectiveness of branch banking	4.47	3.28	3.70	3.85	2.7
Average	4.41	3.21	3.67	3.81	2.78

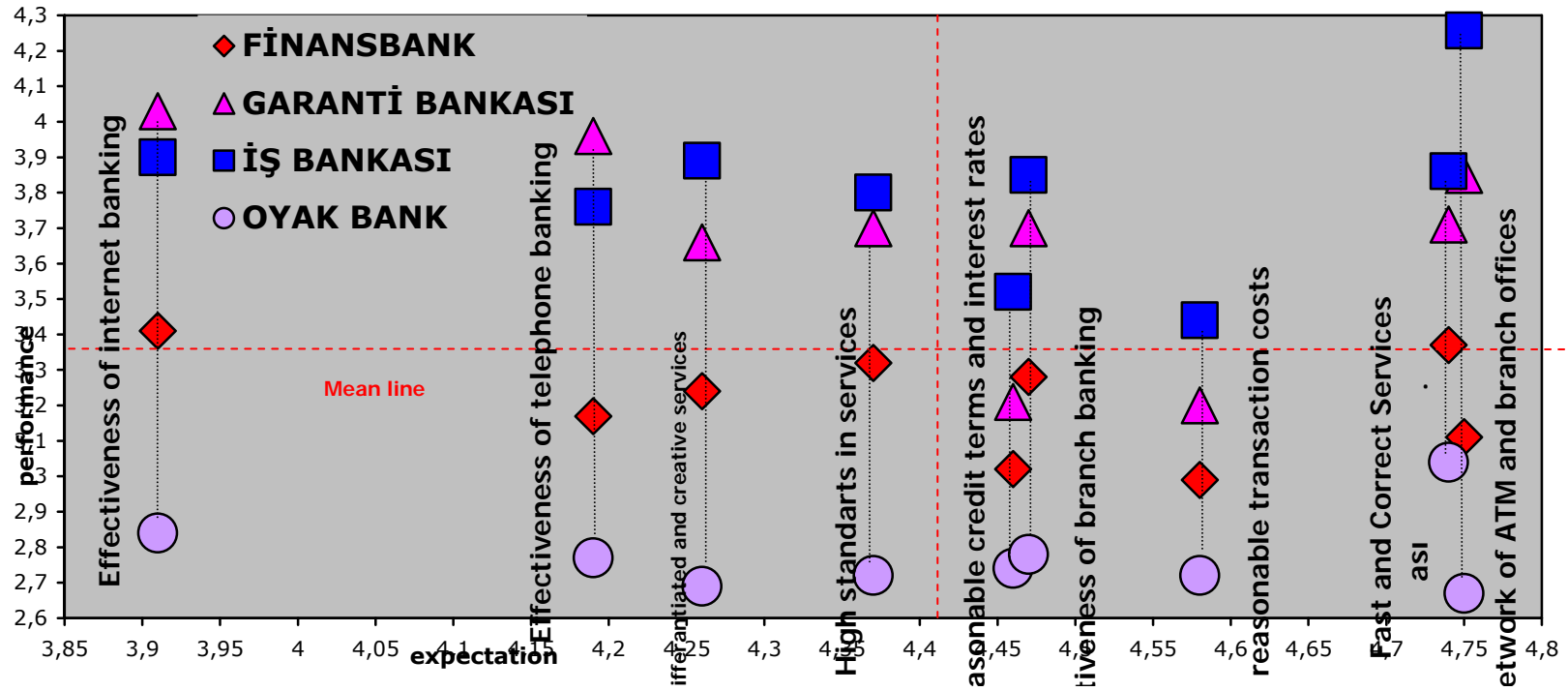
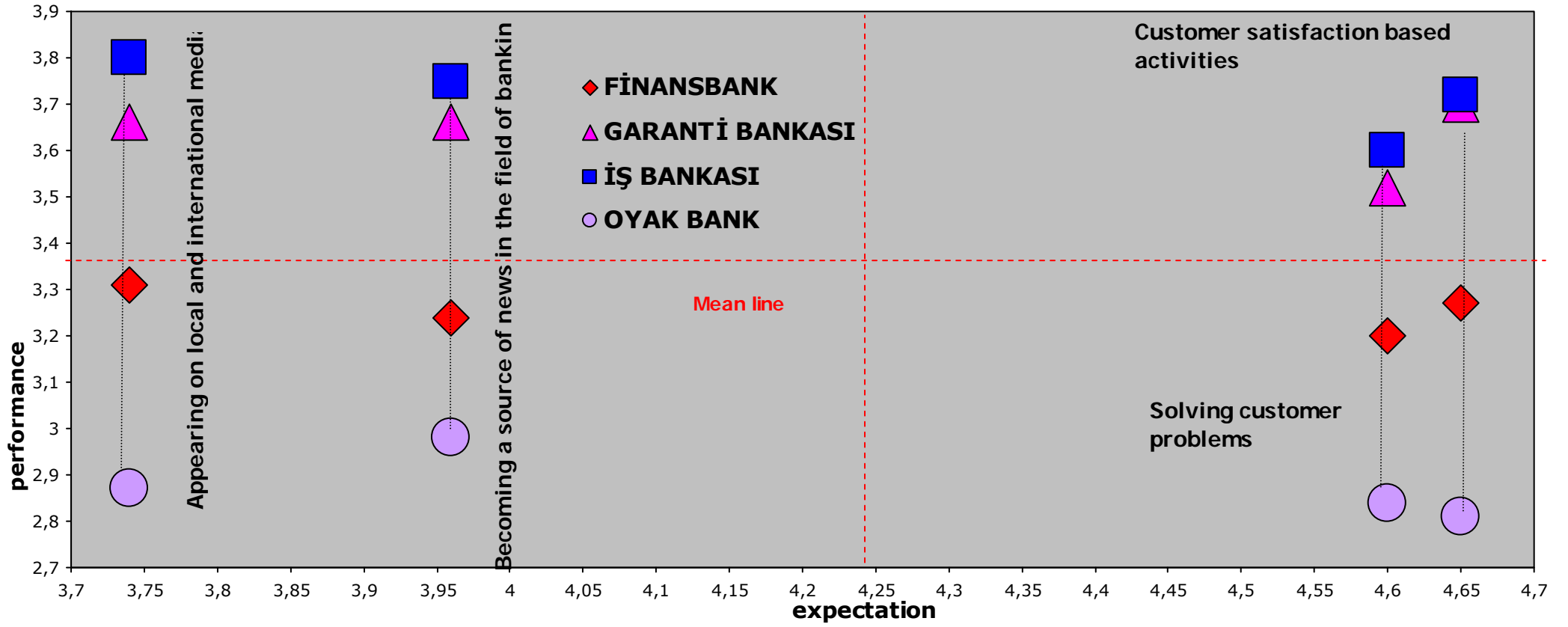


Table 6. Figures for Customer Relationship and Communication

	EXPECTED	FİNANSBANK	GARANTİ BANKASI	İŞ BANKASI	OYAK BANK
Customer satisfaction based activities	4,65	3,27	3,70	3,72	2,81
Solving customer problems	4,60	3,20	3,52	3,60	2,84
Appearing on local and international media	3,74	3,31	3,66	3,80	2,87
Becoming a source of news in the field of banking	3,96	3,24	3,66	3,75	2,98
Average	4,24	3,26	3,64	3,72	2,88



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USING MARKETING MIX FOR THE COMPETITIVE MARKETING STRATEGY:

The Effect of Marketing Mix on Consumer Buying Behavior

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ABSTRACT

The purpose of this research is to investigate the effect of marketing mix elements on consumer buying behavior. Also, this study tries to understand the importance level of each instrument in terms of gender. An empirical study was conducted in the city of Van with 552 respondents. The data were analyzed through mean scores and t- test. Findings indicate that marketing mix elements have different levels of effect on product and service preferences and the importance level of marketing mix shows differences in terms of gender.

INTRODUCTION

Firms make their decisions under ambiguous conditions and in an environment that is complicated and out of control. Generally this environment can be divided into two sections, namely outside or external and inside or internal. Although both environments are crucial but external environmental factors play a more effective role in the success of firms. Because external environment is out of the control of the firms and therefore cannot be controlled. Success of a firm depends on its capability to combine the controllable variables concordantly with the ones that cannot be controlled. Controllable variables of a firm include marketing mix elements and called 4Ps (product, price, promotion, place).

Product, which is a crucial instrument of 4Ps, can be described as a sum of tangible and intangible qualifications. It is obvious that the fundamental task of the firms is to plan and develop the product and service. The issues such as changes in the current product line, new product development, brand, quality, design, packaging, after-sales services and guarantee have a vital importance for the firms in the context of product- related decisions.

Price, which is another element of marketing mix, is defined as the amount of money charged for a product or service. Firms need to develop effective pricing strategies to cover the costs, provide the cash flow and to increase the sales volume and market share.

Products are arrived at buyer via various ways beginning from the production point. These ways through which products are passed from the manufacturer to the consumer are called distribution channels. Firms try to deliver the product to the consumers in the right time, right place and by relevant amounts by choosing the most appropriate distribution channel within the available distribution structure. The topics relating to being available in the right time and place are considered as place of marketing mix elements.

A fourth element of the marketing mix is known as promotion. A company's total marketing communication program –called its promotion mix- consists of the tools of specific blend of advertising, personal selling, sales promotion and public relations that a company uses to pursue its marketing objectives. Firms should inform its target audience about the product and activate convenient promotion strategies that will convince consumers.

When marketing mix elements have been applied to services sector, these elements were come out as insufficient. Magrath (1986:44-50) has defended that the concept of an additional 3Ps (people, physical evidence and process management) should be included in the traditional marketing mix, when it comes to services sector.

As one of the 3Ps, personnel who gives the service, provides crucial constitutions in perception of the service and gives hints to the consumer about the structure of the service. Behaviors, apparels and accents of firms' employees can be deemed as some of these hints.

Physical evidence covers all physical elements that represent the service. These cover the environment, internal design and arrangement of the firms, physical state of the equipments used and temperature of the environment.

Process management that is the third instrument of the enhanced marketing mix elements is about the speed and availability of the service.

As specified above, firms can able to achieve to their market goals when they adapt their marketing mix, analyze external environment related to target market and have a contingency approach based on analyses for strategy development process. Within this framework this research examines the influence of marketing mix in preferences of consumers for product and service, and analyzes the importance level attributed to these instruments based on gender factor.

CONCEPTUAL FRAME

The concept of marketing mix that is taken into consideration when organizing the marketing activities of firms and qualified as a significant weapon intended to effect uncontrollable external environmental factors by firms was first defined in a book titled "The Management of Marketing Cost" by James Culliton in 1948. (Sümer and Eser, 2006: 165-186). In 1964 Neil Borden, notwithstanding the fact that he used the concept of marketing mix in his article called the "Concept of Marketing Mix" which was published in Journal of Advertising Research Magazine, he did not organize them so well that they could be easy to remember and use (Kotler: 2000). Those divided the Borden marketing mix into twelve elements; product planning, pricing, branding, distribution channel, personal sales, advertising, presentations, packaging, show, service, people and analysis (Rafiq and Ahmed, 1995: 4-15).

Today, by the widespread use, the elements of marketing mix was first sorted in 4 Ps of their English initials (product, price, place, promotion) by Jerry MacCarthy in his book titled Basic Marketing which was published in 1960. 4 Ps classifications that provide practicability in education has continued to be used, yet the inadequacy of the concepts has also been discussed until today (Cemalcılar, 1987: 23-24; Grönross, 1994, 4-20; Grant, 2007: 30-35; Reis, 2007: 36-41).

The marketing mix model that has been suggested by McCarthy is quiet a simplified form of mix that were sorted by Borden and by McCharty' evaluating the marketing mix that are approved to be product, price, place and promotion as unchanging under any conditions, led to various discussions. McCharty mentioned that it was necessary to make integrations between existing and new Ps that may appear in accordance with the changing conditions and approved those instruments as unchanging (Eser and Sümer, 2006:165-186).

Various authors made contributions to the marketing mix which have been brought to into their present form by McCharty. Judd (1987: 241) added the fifth P to the marketing mix and called it "people". Kotler (2000: 135) had included public relations and Power in the mix that were arranged in 4 Ps.

Berry (1990: 10) mentioned that customer services that took place in the after-sales services would have a great importance on customer satisfaction and added costumer sensitivity as well as costumer convenience to these tools. Together with the development of today's mega shopping centers and big food chains, Asher (1987:21) suggested that packaging directed consumers to the product and shaped the formation of positive and negative opinions on product as the fifth Ps of marketing. Patty (1994:6) Sorted marketing mix with different mix titles as paradox, perspective, paradigm, persuasion and passion. Also Lauterborn pointed out the necessity to replace 4 Ps with 4 Cs. According to him, product should be considered and designed as customer value, price as cost to the customer, place as convenience and promotion as communication (Lauterborn: 1990: 1).

When the marketing mix elements were discussed in terms of service marketing, many authors defended that services had different characteristics than products; therefore the formation of marketing mix would be different in respect of product. The main reason of this is either inadequacy or inconvenience of conventional marketing mix in part. In terms of market success, primary objective of the decision-makers who determine the marketing strategies is to conflate the tools of conventional marketing mix (product, price, place and

promotion) within the framework of firms targets most efficiently. The same case is also applicable to service strategies. However, authors who work on this case have the same opinion about improving the concept of service mix further (Cemalcilar, 1987:23-24; Booms and Bitner 1981: 47-51; Zeithaml and Bitner, 1996: 285).

Magrath (1986) argued that 4 Ps could only be valid for products, but due to the specific characteristics of services, same marketing mix would remain insufficient. They raised the mix number to 7 in service marketing, which were *product, price, place, promotion, participants, physical evidence and process management*. Lovelock and Wright (2000) expanded the marketing mix to 9 by including 5Ps in service presentation. Newly included marketing mix are *process, productivity, quality, people and physical evidence*.

METHODOLOGY

The Aim of the Research

.The aim of this research is to determine which marketing mix elements are effective on consumer's preference for products and services also, these study tries to understand the importance level of each instruments in terms of gender.

Sample and Measures

The data were collected by face-to-face survey method in January-February 2008 and collected by the 10 students graduate from the Department of Economics. The sample group of 552 respondents who are Van residents. During the research, 573 questionnaires were conducted. After the evaluations and eliminations 552 usable questionnaires were obtained. Research form consists of three sections. First section that is designed in accordance with the 5-point Likert scale (strongly disagreestrongly agree) for the product "*cell phone*" contains 19 statements, second section that is also designed according to the 5-point Likert scale (strongly disagreestrongly agree) for service "*hairdressing services*" contains 24 statements. Some parts of the questionnaire were developed by the author, and some other parts were adopted from the literature (Kotler 1999: 135; Öztürk, 2007:25; Cemalcilar, 1987: 23-24; Magrath, 1986: 44-50). The third section of the survey includes questions that examine the demographic properties of the respondents.

FINDINGS

Demographic Characteristics of Respondents

Table 1 shows the demographic characteristics of respondents. As can be seen from the table 1 the gender distribution of the respondents was quite even, with 52.9 % male respondents and 47.1 % female respondents. The dominant age group of the sample was 31 to 40 years (45.3 %), followed by 21 to 30 years (30.8 %).

Table: 1- Sample Characteristics

Demographic Variables		F	%	
Gender	Female	260	47.1	
	Male	292	52.9	
	20 +	42	7.6	
	21-30	170	30.8	
	31-40	250	45.3	
	41-50	72	13.0	
	50 +	18	3.3	
	Income	500-1000 YTL	296	53.6
		1001- 1500 YTL	150	27.2
1501-2000 YTL		60	10.9	
2001 +		46	8.3	
Occupation	Primary school	24	4.3	
	Middle School	132	23.9	
	High school	320	58.0	
	Graduate	76	13.8	

From the point of income, it can be seen that most of the respondents (53 %) have an income of 500-1000 YTL. In the meantime, 58 % of respondents are graduated from high school. Secondary school graduates constitutes % 24 of the respondents.

Consumers' Decisions Towards the Marketing Mix

Importance levels of marketing mix elements are shown in Table 2. According to the results obtained, guarantee period included in product mix (mean:4.37, sd: 1.02). Tally system in price mix (mean: 4.38, sd: 1.04). Efforts to increase sales included in promotion mix (mean: 4.24, sd: 0.99) and being able to sell the product in every channel included in place mix (mean: 3.20, sd: 1.09) are the mix elements that have the highest averages.

Price discounts included in price mix (mean: 4.11, sd: 1.19) and reasonable prices of the cell phone (mean:4.10, sd:1.16) are crucial factors in buying preferences. Moreover, easy usage of the cell phone (mean:4.04, sd:1.17) and durability (mean: 4.05, sd: 1.08) are included in product mix and they are importance for the consumers. The factors that have the least importance in buying decisions are the packaging of the cell phone (mean:2.62, sd:1.10), character of the store (mean:2.78, sd:1.22) and width of the sales network (mean:2.89, sd:1.17).

When we look at the general averages of each mix in Table 2, price has been the most important marketing instrument (mean:4.20) that effects the buying decisions of consumers in cell phone preferences. The second important marketing mix element is product (mean: 3.69). Promotion activities (mean 3.57) have been specified as an important mix element as a factor for consumers. On the other hand, place element, is the least important factor that effects consumer preferences. Consequently, marketing mix elements that effect consumer preferences in buying cell phones are in the order of price, product, promotion and place.

Table: 2- The Effect of Marketing Mix on Buying Behavior

(1. strongly disagree..... 5. strongly agree)

Averages for marketing mix elements that effect buying behaviors of consumers in hairdresser services are given in Table 3. According to the results obtained, the most important factor that effects consumers` buying behavior is the variety of services which lies in service mix (mean 4.12 sd: 1.03). Reasonable prices placed in price mix is the factor that has the highest effect on consumers (mean: 4.07, sd: 0.82).

	Mean	Std. Dev.
Cell Phone		
	3.69	
Product		
Brand name of the cell phone is a trust element	3.74	1.01
Having a phone with various models increases the possibility of buying	3.82	1.14
Guarantee period of the phone is important reason for buying	4.37	1.02
Different properties of the phone attracts consumer	3.56	1.15
Phone`s packaging shows the quality	2.62	1.10
Design of the phone draw attention	3.60	1.06
Easy usage of phone`s menu is an important feature	4.04	1.17
Durability is crucial feature for cell phone	4.05	1.08
Maintenance and repair services are crucial factors cell phone preference	3.48	1.23
Price	4.20	
The price of the cell phone should be reasonable	4.10	1.16
Campaigns like tally system draws consumer`s attention	4.38	1.04
The price discounts is incentive factor	4.11	1.19
	3.57	
Promotion		
Advertisements provide positive impressions on the brand	3.88	1.17
Sales promotions increase the buying possibility	4.24	0.99
Positive company news, makes positive attitudes towards the brand	3.22	1.24
Company`s sponsorships provides positive impressions	2.94	1.10
	2.96	
Place		
Cell phone that sold in every distribution channel increases the possibility of buying	3.20	1.09
Conditions of the store that sells the phone show the phone quality	2.78	1.22
Having the phone selling in various numbers of stores increases its buying rate	2.89	1.17

Table:3 -The Effect of Enhanced Marketing Mix on Buying Services

(1. strongly disagree..... 5. strongly agree)

Hairdresser Services	Mean	Std Dev.
Service	3.54	
Variety of services gives convenience (full service with manicure, skin and hair care, etc.)	4.12	1.03
A hairdresser that is up to date with fashion is an innovator and a good hairdresser	3.05	1.36
A popular hairdresser gives confidence	3.27	1.26
Having a waiting room in the hairdresser is an important incentive factor (children playground, Internet room, library, etc.)	3.67	1.31
Alternatives in hairdresser services are important (determining hair type or color thru computer, etc.)	3.58	1.32
Price	3.37	
Hairdresser's price should be reasonable	4.07	0.82
Price discounts may result in changing hairdresser	2.92	0.92
Seasonal pricing attracts consumer (cheaper haircut at specific days or hours. etc.)	3.12	1.17
Promotion	2.80	
Advertisement is important factor for preferences	2.80	1.07
Sponsorship activities of the hairdresser result in positive impressions	2.41	1.08
Sales promotions effect of consumers preferences (free haircut free face care)	3.17	1.33
Place	3.49	
Working hours of hairdresser are important reason for choice	3.41	1.05
Hairdresser must be close to the center	3.19	1.20
Hairdresser must be close to home or work place	3.86	1.28
People (participant)	3.91	
Cheerful staff will cover many of the faults	3.86	1.21
Staff must be well-cared and well-clothed	4.02	1.20
The profile of costumer gives important hints about the firms' quality	3.84	1.10
Physical Evidence	3.99	
Cleanliness of the place results in positive impressions	4.35	0.75
Product being used must be quality (hair dye, shampoo, etc)	3.75	1.19
Equipments being used must be hygienic	3.91	1.10
Temperature of the environment is important (winter and summer, heat-cold)	3.93	0.90
Process Management	3.41	
Service must be performed quickly	3.46	1.26
Appointment system save the time	3.56	1.25
Higher number of staff makes the services faster	3.19	1.17

The highest average in promotion has been the sales promotion (mean:3.17, sd: 1.33). The highest average in place is the hairdresser being close to home or work place (mean: 3.86, sd: 1.28). The most important factors in people (participant) that effect consumer preferences are well-cared and well-clothed staff (mean:4.02, sd: 1.20). Cleanliness of the place has the highest average in physical evidence instrument (mean: 4.35, sd: 0.75) Hairdresser that works through appointment has the highest average in process management (mean: 3.56, sd: 1.25).

When we look at the general averages of each instruments in Table 3, the elements that effect buying decisions of consumers getting hairdresser services are physical evidence (mean: 3.99), People (mean 3.91), service (mean: 3.54), Process (mean: 3.41), price, (mean: 3.37), promotion (2.80) and place (mean: 3.49).

Effect of Marketing Mix According to Gender Factor in Product and Services Preferences

According to table 4 in two statement indicate meaningful differences between women and men. Women consider cell phone design (female:3.79- male:3.49) and easy usage (female:4.26- male:3.91) as important

selection criteria in their cell phone preferences and they differentiate from the men regarding to these two selection criteria.

Table: 4 –The Role of Gender Factor in Marketing Mix Decisions (Cellular Phone)

Cell Phone	Female	Std.D	Male	Std. D	<i>t-value</i>
	Mean		Mean		
Product					
Brand name of the cell phone is a trust element	3.75	0.98	3.74	1.03	0.075***
Having a phone with various models increases the possibility of buying	3.70	1.09	3.90	1.16	- 1.419***
Guarantee period of the phone is an important reason for buying	4.30	1.10	4.41	0.98	- 0.835***
Different properties of the phone attracts consumer	3.58	1.13	3.55	1.17	0.226***
Phone's packaging shows the quality	2.55	1.09	2.66	1.11	- 0.773***
<i>Design of the phone draw attention</i>	3.79	0.95	3.49	1.10	2.434**
<i>Easy usage of phone's menu is an important feature</i>	4.26	1.08	3.91	1.20	2.467**
Durability is crucial feature for cell telephone	4.14	0.83	4.01	1.19	1.073***
Maintenance and repair services are crucial factors cell phone preference	3.29	1.27	3.59	1.20	- 1.919***
Price					
The price of the cell phone should be reasonable	4.07	1.20	4.12	1.18	- 0.351***
Campaigns like tally system draws consumer's attention	4.32	1.02	4.40	1.05	- 0.652***
The price discounts is incentive factor	4.07	1.24	4.13	1.16	- 0.427***
Promotion					
Advertisements provide positive impressions on the brand	3.94	1.04	3.84	1.24	0.732***
Sales promotions increase the buying possibility	4.11	1.04	4.31	0.96	- 1.639***
Positive company news makes positive attitudes towards the brand	3.11	1.11	3.29	1.30	- 1.217***
Company's sponsorships provides positive impressions	2.92	1.08	2.95	1.12	- 0.236***
Place					
Cell phone that sold in every distribution channel increases the possibility of buying	3.06	1.15	3.28	1.05	- 1.605***
Conditions of the store that sells the phone show the phone quality	2.94	1.12	2.68	1.28	1.791***
Having the phone selling in various numbers of stores increases its buying possibility	2.74	1.12	2.98	1.19	- 1.669***

Note : The negative t-values mean that male group has higher mean scores than female group for the related items. The criteria were based on a five-point scale, ranging from 1= *strongly disagree* to 5= *strongly agree* ** $p < 0.05$ *** $p > 0.05$

Table 4 shows, which elements in marketing mix are effective in both consumer groups. The results indicate that guarantee period of the cell phone (female: 4.30- male: 4.41) tally system (female: 4.32- male: 4.40), sales promotions (female: 4.11- male: 4.31) durability of the cell phone (female: 4.14- male: 4.01) and reasonable price of the cell phone (female: 4.07- male: 4.12) effects of women and men. Place instrument has a low effect on buying decisions of women and men consumers. Both groups do not take this criterion as an importance factor that effects buying behavior within their purchasing decision processes.

Table 5 shows the results the effect of gender on marketing mix decisions for hairdresser selection. According to this, there is a significance difference between women and men preferences in hairdresser services. Variety of services (female: 4.34- male: 3.99), hairdresser being up to date with the fashion (female: 3.89- male: 2.56), hairdresser having a waiting room or children playground (female: 3.98- male: 3.34), using technology for haircut (female: 4.66- male: 3.10). sales promotion activities (female: 3.79- male: 2.80), hairdresser close to home or work place (female: 4.13- male: 3.70).

Table: 5- The Role of Gender Factor in Marketing Mix Decisions (Hairdressing Services)

Hairdressing Services	Female Mean	Std. Dv	Male Mean	Std.Dv	t-value
Service					
Variety of services is a convenience (full service with manicure, skin and hair care)	4.34	0,88	3,99	0.97	2.789*
A hairdresser that is up to date with fashion is an innovator and a good hairdresser	3.89	0.97	2.56	1.31	9641*
A popular hairdresser gives confidence	3.44	1.24	3.17	1.27	1.713***
Having a waiting room in the hairdresser is an important incentive factor (children playground, Internet room, library, etc.)	3.98	1.09	3.34	1.37	4.242*
Alternatives in hairdresser services are important (determining hair type or color thru computer, etc.)	4.66	0.68	3.10	1.16	14.051*
Price					
Hairdresser's price should be reasonable	4.15	0.55	4.02	0.95	1.439***
Price discounts may result in changing hairdresser	3.04	0.74	2.86	1.01	1.725***
Seasonal pricing attracts consumer (cheaper haircut at specific days or hours. etc.)	3.20	1.20	3.07	1.15	0.831***
Promotion					
Advertisement is important factor for preferences	2.86	1.06	2.76	1.07	0.780***
Sponsorship activities of the hairdresser result in positive impressions	2.36	1.11	2.44	1.06	-0.551***
Sales promotions effect of consumers preferences (free haircut free face care)	3.79	1.21	2.80	1.27	6.411*
Place					
Working hours of hairdresser is important reason for choice	3.43	0.83	3.40	1.16	0.242***
Hairdresser must be close to the center	2.41	0.72	3.65	1.18	-10.850*
Hairdresser must be close to home or work place	4.13	1.06	3.70	1.37	2.884*
People (participant)					
Cheerful staff will cover many of the faults	3.84	0.98	3.87	1.24	-176***
Staff must be well-cared and well-clothed	4.27	1.09	3.87	1.24	2.747***
The profile of costumer gives important hints about the firms' quality	4.38	0.86	3.53	1.11	7.160*
Physical Evidence					
Cleanliness of the place result in positive impressions	4.47	0.70	4.28	0.77	2.031**
Product being used must be quality (hair dye, shampoo ,etc)	4.07	1.25	3.56	1.12	3.502*
Equipments being used must be hygienic	4.37	0.80	3.64	1.16	6.229*
Temperature of the environment is important (winter and summer, heat-cold)	4.09	0.86	3.83	0.92	2.279**
Process Management					
Service must be performed quickly	2.96	1.12	3.76	1.24	-5.337*
Appointment system save the time	3.69	1.27	3.48	1.23	1.310***
Higher number of staff makes the services faster	3.15	0.95	3.21	1.29	-0.484***

Note : The negative t-values mean that male group has higher mean scores than female group for the related items. The criteria were based on a five-point scale, ranging from 1= *strongly disagree* to 5= *strongly agree* * $p < 0.01$ ** $p < 0.05$ *** $p > 0.05$

profile of consumer (female: 4.38- male: 3.53), cleanliness of the place (female: 4.47- male: 4.28), quality of the tools being used (female: 4.07- male: 3.56), hygienity of the equipments being used (female: 4.37- male: 3.64), temperature of th environment (female: 4.05- male: 3.83) are more important criteria for women consumers compared to men consumers. On the other hand Cheerful staff (female: 4.32- male: 4.40), quicker service (female: 4.32- male: 4.40) and hairdresser being in a central location (female: 4.32- male: 4.40) effect men consumers in their hairdresser selections and these criteria differentiates them from the women consumers.

CONCLUSION

In this study, that was aimed to investigate which marketing mix elements has the most important effect on consumers' buying behavior and also the importance level of these mix elements show difference according to gender factor. It has been determined that these elements have different effect levels on product and service preferences and the importance level to these instruments shows differences according to gender.

In the decision on buying cell phones, which was a subject to our study, consumers' importance order of marketing mix elements is price, product, place and promotion. It has been seen that the consumers are affected mostly by the price instrument in their cell phone decisions. Especially, tally system for products and price discounts are crucial determinants in consumers' buying decisions. Along with these, sales promotion (free units, gifts, etc.), phone's guarantee period, easiness of usage and durability are effective marketing mix in their buying decisions.

Marketing mix elements that consumers give importance in decisions of buying hairdressing services are in the order of physical evidence, people, service, place, period, price and advertisement.

In the duration of the consumers' decision making, physical evidence elements play a crucial role. Cleanliness of the place, temperature of the environment and whether the tools being used (scissors, comb, etc.) are hygienic are important factors that direct the consumers to the service. Reasonable prices, variability of the service, well-cared and cheerful staff are crucial criteria that are determinants in the process of decision making.

When we look at the results about whether the importance level of marketing mix elements shows difference according to gender factor, phone design and easiness of phone's menu properties showed meaningful differences related to gender factor in cell phone preferences. Women give more importance to properties like the design of the phone and easy usage of the phone menu compared to men.

In the selection of a hairdresser, a lot of meaningful differences between women and men were determined. That is to say: women want to get a number of services at the same place, e.g. besides haircut, they want to get the services like skin care, hair care, manicure and pedicure. It is important that the hairdresser up to date with the fashion. Providing alternatives or showing the hair model or color virtually through a computer to the consumer was seen as an important differential regarding to the women consumers, and incentive activities like free skin care besides the haircut are effective in women's selection criteria.

Besides these criteria, women want the hairdressers to be close to their neighborhood. Moreover, they pay attention to the customer profile and this is an important quality criterion for them. Women give more importance to cleanliness of the place, quality of the tools used, hygienic tools like scissors and combs and temperature of the environment compared to men. These elements direct their buying behaviors. Reasons we think that women consumers give importance to more criteria in hairdresser selection and they are different from the men regarding to this include spending more time in the hairdressers than the men and paying more attention to their hair and beauty. Two criteria that men consumers are meaningfully different from the women in hairdresser selection are closeness to the city center and quickness of the service given.

It has been thought that findings obtained from this research will provide crucial constitutions to firms in developing strategies aimed for marketing mix. Because no matter the area of activity is, the fundamental purposes of all organizations are performing changes that provide customer satisfaction and creating happy customers.

It is a dream that firms that cannot blend the marketing mix elements well and cannot analyze the demands and desires of the consumer will be successful in the long run. Being able to accomplish this mission depends on

providing the firms' controllable marketing mix elements to the consumers with suitable formulas. This study, in a way, has provided new formula options for firms in terms of two different sectors that has been studied.

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***INFORMATION
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THE KNOWLEDGE-BASED ECONOMIES IN THE ENLARGED EUROPEAN UNION

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ABSTRACT

Possibilities for the development of new forms of economic, social and technological headway designed to create and further improve economies based on knowledge are analyzed here.

The main emphasis is put on national and regional economic specialization and creation of new networks of clusters in the situation of the development of the European Union. We have found that clusterization oriented towards the increase of efficiency of various national and regional economies is a critical precondition for successful creation of modern economy based on knowledge, both in the whole space of the European Union and particular countries.

Another idea - a concept of creation of regional and cross-regional clusters and their networks also known as „economic oases“ - is suggested here. It is explained in the paper that in the economies based on knowledge development of clusters and their networks will soon become one of the core forms of economic and technological advancement. Further on, the variety of clusters and their networks is defined, and the idea of clusterization generally oriented towards creation and promotion of high technologies is given. In addition, some typical factors of the economic and social development of the European Union are being described here, and it is subsequently proved that these factors reflect on the common context of creation of the knowledge based economies. Understanding of these factors allows us to consequently implement strategies of two types that could create the economies based on knowledge: first, these are the strategies oriented towards integration of the processes of economic and social development, along with the strategies oriented towards the synthesis of the results of the economic endeavours and technology advancement of different origins.

Keywords: knowledge-based economy, European Union, integration – and synthesis oriented strategies, network of clusters and economic „oases“.

INTRODUCTION

The future of the European Union lies in the creation of the knowledge based society and knowledge based economy. This means that key issues that require strategic decisions are to be considered as issues of creation of the knowledge based society and knowledge based economy.

The essence of these issues could be revealed in the following: what should the knowledge based society and knowledge based economy be in the future in the European Union and how should the knowledge based society and economy be created in the European Union?

Striving to find answers to these questions determines the necessity of elaboration and implementation of appropriate strategies for creation of knowledge based society and knowledge based economy.

This publication analyzes a new approach towards the way how long term strategies designed to create knowledge based economy in the European Union should be prepared. This approach is a result of

scientific research the object of which has been creation of the knowledge based economy in the situation of the enlargement of the European Union.

The objective of the completed research has been the proof of the fact that key priorities for creation of the knowledge based economy is the urge of technological advancement and enhancement of compatibility and productivity using such opportunities as specialization of national and regional economies, creation of clusters and their networks, as well as the development of so called economic “oases” and hyper-clusters in the entire economic space of the European Union.

The main result of the completed research is the concept of strategies oriented towards integration and synthesis, the basis for which is the universal principle of „creation of a new quality“: we should utilize this principle in elaborating and implementing the strategies for creation of knowledge based economy in the European Union.

Creation of knowledge based economies in the European union as a complex process of political, social, economic and technological transformation

The development of the European Union is a very complex process of both quantitative and qualitative transformations.

Main problems typical to the European Union as a system which require essential and radical decisions are the following:

Within the territory of the European Union there are very limited sources of energy and raw-materials. In the environment of the development of the economy needs for these resources have been steadily growing which means that the European Union becomes more and more dependent on the possibilities for the increase of these resources: we suggest that prospects of economic development of the European Union, along with economic and energetic security of the European Union has been influenced by various economic and political factors characterizing export of these resources to the European Union;

Within the countries of the European Union very high standards of living are being implemented here including the spheres of social security and social warranties, as well as environmental protection. As a consequence, all economic endeavors within the territory of the European Union require substantial expenditure which subsequently means that the cost price of the products manufactured in the European Union is very high. The increase of the cost price which is disproportionate to the quality of products determines the fact that products manufactured in the European Union become increasingly incompatible;

Key indicator for the well-being in the European Union is the ability to manufacture products to the increasing extent and more massively both in their local and global markets, and sell products of high quality and price. This means that in the European Union the need for more markets in order to sell their own products has increasingly growing (besides, it is of crucial importance that there is an adequately high purchase power). Inadequacy of such markets threatens the development of the economies of the European Union.

Necessity to respond to these problems determines main challenges to the European Union and its development:

Quantitative increase of the European Union is orientated to the following:

European Union could win possibly more markets to sell their production,

European Union could possibly gain better “direct” access to the countries in Eastern Europe, Central Asia and the Near and Central East where huge supply of energy and raw materials is accumulated and where great potential markets for the products manufactured in the European Union;

Qualitative development of the European Union is orientated to the goal to create the knowledge based society and knowledge based economy in the territory of the European Union: This could ensure the following:

ability to create within the European Union the alternative energy sector and other sectors of economy, which could allow strongly decrease the dependence of the economies of the European Union on the import of traditional energy and raw materials,

ability to create and widely distribute brand new products and technologies in the global which could allow the European Union to become a worldly leader in many spheres of economic and social life.

It is worth mentioning that over the last decade greater possibilities to ensure quantitative increase can be observed in the European Union, whereas in the sphere of qualitative development numerous difficulties and unpredicted obstacles can be seen. For this reason qualitative development of the European Union should receive priority consideration: we suggest that prospects of the European Union are basically influenced by creation of the knowledge based society and knowledge based economy.

Theoretical background for the knowledge based economies creation strategies : universal principle of “creation of the new quality“

The concepts of the knowledge-based society and knowledge-based economy can be defined in a number of ways. We suggest one of the most relevant versions.

The knowledge-based society is the society where social, economic and cultural progress is determined by the ability to create and efficiently apply new knowledge, and where creation of new knowledge and promotion of innovations become priority values. The knowledge-based economy is the economy where the development is determined by creation of new knowledge and new technologies, implementation of high technologies in all spheres, along with the priority orientation towards the use of products created by the means of high technologies.

Creation of the knowledge based economy as a key priority of the further enlargement of the European Union could be defined as especially complex process oriented towards formation of the brand new society and the qualitatively new life style. What is more, this process can be described as of “double” complexity as it reflects on orientations towards the striving for the new quality in the following two aspects: the knowledge based economy is being formed, which if compared to the “traditional” economy is by all means considered as qualitatively new; and

forming of the knowledge based economy is completed in the situation of the enlargement of the European Union, which means that qualitative changes have been happening in the entire space of the European Union.

Examining possibilities and prospects for creation of knowledge based economy in the European Union it is recommended to apply the “universal principle of the creation of new quality”. This principle could be applied in various situations of life; it is suitable when examining both processes of the development of the knowledge based economics and common processes typical to the European Union, and its political, social and economic development and enlargement.

Universal principle of “creation of a new quality” could be defined as follows: new quality always develops by the amalgamation when elements of different origin that never had belonged to the same system collide. This principle expresses the idea of the developing and using the synergy effect, and demonstrates that qualitative transformations always require actions and means necessary to join elements of different origin to the common system.

Applying the universal principle of the creation of new quality“, it is important to consider the fact that as a subsequence of amalgamation there is always new quality created. At the same time it is worthwhile mentioning that the processes of amalgamation can be very different and in the most common case can represent two types: processes of integration and processes of synthesis.

Processes of the integration usually prove that in the course of amalgamation elements that collide never lose their major primordial features: this means that the result of the integration marking the new quality can be disintegrated according to previous features of the amalgamated elements.

Processes of synthesis demonstrate that elements colliding in the course of amalgamation miss their major primordial features; this means that that the result of the synthesis possessing new quality cannot be disintegrated according to the previous features of the collided elements. We may state that qualitative

changes within the synthesis are never recurrent, whereas qualitative changes within the integration in some cases may recur.

Understanding the meaning of the processes of integration and synthesis as processes of creation of a new quality allows broadly applying the principle of creation of the universal “new quality”, examining very complex manifestations of the enlargement of the European Union, including creation of knowledge base economy. When analyzing these manifestations, it is critical to assess to what extent the enlargement of the European Union is based on the processes of integration and to what extent the processes of synthesis determine the enlargement of the European Union.

Elaborating and implementing the strategies of creation of the knowledge based economy it is necessary to logically forecast various vehicles designed for expansion and development of the integral economic, social and culture space of the European Union: among these vehicles there should inevitably be the vehicles oriented towards both processes of integration and synthesis.

Strategic alternatives: whether the European union becomes a common space or an integrated system of various spaces?

Processes of the enlargement of the European Union arising currently are very intense.

These processes reflect on two-fold approach towards the European Union and its enlargement.

On one hand, the European Union could be perceived as a multicultural, multi-economic and multi-social space. We suggest that the common cultural space of the European Union is comprised by various ethnic, economic, social and cultural spaces represented by their regional, as well as quantitative and qualitative indicators. It is of crucial importance that the development of common cultural space in the European Union implies both processes of integration and synthesis: this means that integral culture common to the entire society of the European Union inevitably develops in the European Union;

On the other hand, European Union could be perceived as the organization of the states belonging to Europe. This means that it is possible assume that the European Union is generally an organization of organizations because a modern state broadly speaking can be defined as a societal organization of the superior degree of the development. The enlargement of the European Union as an organization of states is going in the way of integration of the new states into this organization, therefore, we suggest that the enlargement of the European Union are followed by the processes of integration. At the same time it is important to notice that the European Union as an organization has gradually started executing functions of the common state of the countries that belong to the European Union and this means that the European Union is gradually turning into the super-state. The development of the European Union as a new super-state simultaneously expresses processes of synthesis typical to the enlargement of the European Union as an organization.

We may conclude that both processes of integration and synthesis develop in the enlargement of the European Union as a multicultural space and as organization of the states. Therefore, the character and condition of the enlargement of the European Union in the future will be determined by what processes of the enlargement will dominate, and whether processes of integration or processes of synthesis will dominate.

Depending on the fact whether in the future the processes of integration or processes of synthesis dominate, it is possible to draft two alternative visions of the future of the European Union:

The first vision – the processes of integration will dominate in the enlargement of the European Union. In this case, multicultural space of the European Union will manifest as a common space comprised by various national cultures and where various nations live. In this case the European Union will continue functioning as the organization of various national states.

The second vision – the processes of synthesis will dominate in the enlargement of the European Union. In this case a new type of common European nation will gradually develop in the space of the European Union, whereas the European Union itself will transform into the integral European super-state. In this case modern national states will become administrative and territorial sub-divisions possessing rather wide autonomy in the future European Union as a super-state. Besides, we may assume that in the future members of the European Union will rather identify themselves with the integral European nation, rather than with current nations of its own.

It is natural that both of these alternative visions are hypothetical. This means that both of these visions as a complex can be considered as a common hypothesis dedicated to the future of the European Union. In this common hypothesis two stages could be emphasized: the first one (the stage of integration processes) and the second one (the stage of the synthesis process).

Creation of the knowledge based society and knowledge base economy in the European Union requires elaboration and implementation of appropriate development strategies. Understanding that processes of the enlargement of the European Union are two-fold (they are processes of integration and synthesis) it is possible to assume that in the situation of the enlargement of the European Union strategies of two types could be implemented:

strategies oriented towards the processes of integration and strategies oriented towards the processes of synthesis.

It is critical to note that strategies oriented towards integration and synthesis can be also designed for the entire European Union as a whole, and particular spheres of social and economic life in the European Union. One of these spheres is development of national and regional economic systems and creation of cluster based economy of a new type.

Priority strategies oriented towards integration and synthesis designed to create knowledge-based economies in the European union

Creation of the knowledge-based economy is possible, provided all subjects of the economy are rationally specialized. Contemporary economic principles and practices confirm that in efficiently operating economic systems their surplus value is created at greater extent. This statement works in all cases where ways to increase efficiency and compatibility on the scale of both particular economic subjects and large national and regional economic systems. The main precondition to ensure high efficiency and compatibility of any economic system is to achieve that any economic system should be properly specialized.

Under the proper specialization we understand the situation where the range of products produced within the economic system guarantees magnification of the surplus value within this system: the economic system should be exceptionally oriented towards the series of products, services and activities, whose structure allows achieving potentially greater surplus value or higher velocity of the increase of this value.

For the sake of the rationalization of the national or regional economic system in the European Union various means may be implemented. These means should create a solid complex, and have to be long-term and consecutive. The idea of the means should ensure that the entire economic system of particular region or country is developed as a large macro-cluster or hyper-cluster. These large macro-or-hyper-clusters may be multi-profiled and oriented towards creation of different and diverse final products, and it is very important to create final products that are compatible in global markets.

It is obvious that large macro – or- hyper- clusters in particular countries or regions should meet the following requirements: large clusters of this kind function as open systems, maintaining both internal and external economic and technological relations in international and global markets; inside of the large clusters of this kind various specialized clusters can be created within incorporated diverse institutions of science, research and education, enterprises of production and services, business incubators, parks of science and technology, centers for innovation, and industrial, trade, transportation and communication companies.

Development of large economic systems in a way of clusterization may be of great variety. A very prospective method to implement this way is creation of regional (territorial) or sectorial “oases”.

In general “oasis” can be explained as an economic system, possessing extremely advantageous political, legal, economic and other conditions for activities and development. These conditions are as a rule exclusive and in their presence the “oasis” as economic system receives various privileges or extremely beneficial environment is created for it. “Oases” can be established on behalf of political will of a state or even a group of states: by the way, the idea of regional “oases” is very viable in the improvement and implementation of regional policy of the European Union, with the intentions of creation of “oases” not only in particular countries, but also regions, comprised of regions of different countries.

Regional “oasis” is one where exceptionally advantageous conditions for economic development are created in a territorially outlined area (region). This area may coincide with systems of administrative territorial division of particular countries or may not. Sectorial “oasis” is one where exceptionally advantageous conditions are created for particular branch of economy, and particular segments of business or public sector.

Considering the fact that when creating the knowledge based economy the key priority should be put on clusterization, networks of clusters, economic “oases” and rational specialization of regional economies we suggest that: for the benefit of creation of knowledge based economy in the European Union it is necessary to prepare and implement a complex of strategies for clusterization and rational specialization of regional economies.

The strategies for clusterization and rational specialization of regional economies should include both the strategies oriented towards integration and the strategies oriented towards synthesis: the strategies oriented towards integration and the strategies oriented towards synthesis are characterized by different purpose and different content.

The idea of the strategies oriented towards integration is to ensure high efficiency and compatibility of different regional economies and different sectors of both in the integral economic space of the European Union and in global markets. These strategies should draw upon the following key decisions:

each national or regional economic system should shape up one or more priorities oriented towards creation of modern state-of-the-art technologies and products based on them: based on such priorities one could define or develop rational specialization of each national or regional economy,

each national or regional economic system according to the regional priorities, should form regional economic “oases” and clusters; whereas general “oases” and clusters can be transformed into macro - or hyper - clusters on the scale of large regions or the entire country (the clusters of this kind can be of a broad scope, multi-scope and limited scope, functioning as specialized clusters in particular sectors of economy),

creation of “oases” and clusterization should ensure that the major role in the grow of economy is to be played by intellectual resources and technological advancement. The idea of the strategies oriented towards synthesis is to achieve that major sectors of economy on the scale of the whole European Union operate as integral undivided systems.

Each sector of this kind as a system should possess a very high level of technological development and should be a leader in the corresponding sphere of economy on the worldly scale. Orientation towards the challenges of this kind requires that within these strategies the following decisions are made:

on the scale of the entire European Union the networks of regional and sector clusters as well as “oases” should be created and mutually developed: each element in the networks of this kind could become rationally specialized which would allow to make sure that the network as a system is of a state-of-the-art level of productivity and technological advancement,

the networks of regional and sectorial clusters as well as “oases” should be specialized: subsequently, the networks of this kind on the scale of economic space of the European Union are mutually complementing and function based on partnership,

the networks of regional and sector clusters as well as “oases” that are created in the European Union can operate outside the European Union: this will ensure the viability of economic structures of the European Union and their compatibility in the global markets,

the networks of regional and sector clusters as well as “oases in the future should be an organizational basis for the economies of the entire European Union: the networks of this kind should be understood as the key structural elements of the economy of the European Union, as well as a key organizational structure of the knowledge based economy (it is obvious that in any of these networks high intellectual, information technical and other potential should be accumulated ensuring rapid and efficient headway of technologies and leadership in the global markets).

Implementation of the strategies explained above is a very important factor to achieve that creation of

knowledge based economy and knowledge based society in the European Union become a reality.

Conclusions and recommendations

Creation of the knowledge based society and knowledge-based economy in the European Union is a very complex, long-term and ambiguous process.

Key *challenges and priorities* that require main attention when creating the knowledge based society and knowledge based economy are the following:

1. The basis for creation of the knowledge based economy in the European Union is the implementation of *the universal principle of "creation of a new quality"* designed to complete the following: development of the society and economy of a new type is going under concurrent *processes of integration and synthesis integral cultural space*; in the European Union should be created; *the strategies oriented towards integration and synthesis* should be created and implemented.
2. In the *strategies* designed to create the knowledge based economy in the European Union main emphasis should be put on the following *priorities: rational specialization* of national and regional economies, ensuring *high compatibility* both in the European Union and in global markets; transformation of national, regional and sectorial economies into the *macro –or hyper –clusters and systems of such clusters*; development of *clusters and networks of economic "oases" in the entire space* of the European Union; further development of *clusters and networks of economic "oases" as key organizational structures* characteristic to the economic system of the European Union.
3. In the situation of the further development of the European Union the following provisions should be implemented: issues of modernization and compatibility increase for the national, regional and sectorial systems should be tackled *in the strategies oriented towards integration*, issues related to creation of the *integral and undivided* knowledge based society and knowledge based economy should be tackled *in the strategies oriented towards synthesis in the entire space of the European Union*.
4. The clusters in various spheres of industries and services, as well as regional and sectorial "oases", should be created in various countries and regions of the European Union. The creation of the clusters and "oases" of this kind should be based upon *strategies oriented towards integration*. The ultimate goal of these strategies should be *the creation and development of the knowledge based economies in various countries and regions in the European Union*. These strategies should be developed and implemented *in every country and sector of the economy of the European Union*, however, *coordination and partnership* should be ensured on the scale of the entire European Union.
5. The *organizational pattern* of the knowledge-based economy created in the European Union should be based on *networks* of clusters and "oases". The creation of the networks of this kind should be based on *strategies oriented towards synthesis*. The goal of these strategies should be *creation and development of the common and undivided knowledge-based economy in the entire space of the European Union*. The preparation and implementation of these strategies should be initiated by the European Union an *integral unit*.

Further scientific research and practice dedicated to creation of strategies for the knowledge based society and knowledge based economy in the European Union are greatly promising and important.

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INFORMATION COMMUNICATION TECHNOLOGIES ADOPTION FOR THE STRATEGIC MANAGEMENT OF THE ALBANIAN TOURISM INDUSTRY

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ABSTRACT

The definitions of tourism innovation (e.g. product, service and technological innovations) remains unclear, with the exception maybe of the internet. New technologies can produce an essential contribution to tourism development.

For tourism businesses, the Internet offers the potential to make information and booking facilities available to large numbers of tourists at relatively low costs. It also provides a tool for communication between tourism suppliers, intermediaries, as well as end – consumers. OECD (2000) revealed that the advent of Internet – based electronic commerce offers considerable opportunities for firms to expand their customer base, enter new product markets and rationalize their business. WTO (2001) also indicated that electronic business offers SMEs the opportunity to undertake their business in new and more cost-effective ways.

According to WTO, the Internet is revolutionizing the distribution of tourism information and sales. An increasing proportion of Internet users are buying on-line and tourism will gain a larger and larger share of the online commerce market. Obviously, the Internet is having a major impact as a source of information for tourism. However, the SMTEs are facing more stringent impediments to the adoption of new information technology, in particular, e-business. Part of the problem relates to the scale and affordability of information technology, as well as the facility of implementation within rapidly growing and changing organizations. In addition, new solutions configured for large, stable, and internationally-oriented firms do not fit well for small, dynamic, and locally-based tourism firms.

Despite these challenges, SMTEs with well developed and innovative Web sites can now have “equal Internet access” to international tourism markets. This implies equal access to telecom infrastructure, as well as to marketing management and education. According to a UN report (2001), “it is not the cost of being there, on the on-line market place, which must be reckoned with, but the cost of not being there.” It is certain that embracing digital communication and information technology is no longer an option, but a necessity. Thus, one of the most important characteristics of electronic commerce is the opportunity and promise it holds for SMTEs to extend their capabilities and grow.

DIFFUSION OF INNOVATION AND ICT/ECOMMERCE DEVELOPMENTS

The theoretical context of diffusion of innovation, as introduced by Rogers (1995, 1976) can explain a whole range of processes experience in the ICT/eCommerce adoption. Diffusion of innovation is the process by which an innovation is communicated through different channels over time among members of a social system. Innovation diffusion includes four main elements. The innovation itself can be idea, object, practice, process that is perceived as new by an individual or other unit of adoption. Communication Channels are used to transfer the messages between individuals by which innovation is communicated and announced. Time is also critical as it determines the time that an innovation – decision process requires, the relative time with which an innovation is adopted by an individual or group, and finally the innovation rate of adoption. The social system provides the set of interrelated units engaged in joint problem solving to accomplish a common goal and includes the cultural elements that can encourage or discourage innovation. Research has shown that society's use of innovations increases, and evolves, over time and the model can be extended to organizations (Damanpour 1991).

Innovation diffusion includes several different stages, which can be summarized in the following points: Firstly knowledge indicates the exposure to the existence of the innovation and the understanding of its function. This can include awareness knowledge that innovation exists; knowledge on how to use the innovation properly and principle knowledge underlying how the innovation works. Secondly, persuasion indicates the forming of a favorable attitude towards innovation and interest in exploring the mechanisms and requirements of adoption. It also demonstrates an element of expected benefits from the adoption. Thirdly, a decision indicates the commitment to adopt innovation and to invest towards its deployment. Fourthly, the implementation stage is concerned with how innovation is put into *use*. Finally a confirmation stage provides a reinforcement of the innovation based on positive outcomes from its usage (Rogers 1995).

Organizations often adopt innovation for a variety of reasons. Sometimes these are not rational and well determined factors but irrational and personal image factors such as fashion, imitation, curiosity, novelty and bandwagon effects (McBride, 1997; Murphy et al. 2003). In addition, the pressure from sales people to adopt a piece meal approach to technology is also evident frequently. As a result, often organizations adopt inappropriate or incomplete set of technologies rather than be seen as laggards and fear of being different (Raymond, 2001; Abrahamson 1991; Wolfe 1994). These irrationalities can lead to an assimilation gap (Fichman 2000). This is often reflected in the tourism industry and the perceived barriers to effectively implementation of Internet technologies (Heung 2003; Wöber, 2003; Peacock 1994).

Innovation characteristics, adopter characteristics and social influences shape the speed of technology adoption by individuals. Innovation Diffusion is faster if potential adopters perceive the innovation to have a perceived relative advantage over the idea, object, practice, process it supersedes. Compatibility with existing values, past experiences and needs can also speed the diffusion speed. Simplicity of the innovation and the ability to understand and use the innovation without having to go through difficult procedures also influences the rate of diffusion. The degree to which innovation can be experimented with on a limited basis and with a limited financial commitment is also another significant factor. Finally, the visibility of expected and perceived benefits in early adopters is a major determinant for the rate of diffusion. Figure 1 illustrates the different types of innovation adopters and their characteristics.

A number of models have emerged in the last few years to explain the gradual development and deployment of ICTs and eCommerce in organizations as illustrated in Figure 2. They demonstrate that organizations are at different levels of eCommerce take-up, often defined as tiers or steps (Cisco, 2000). Although not all organizations follow the same steps, it is argued that these are the major stages of ICT/eCommerce adoption.

eCIC (2003) explains that eCommerce is always evolving and it can be difficult for SMEs to determine just where on the evolutionary path they are. The eCommerce ladder enables SMEs to determine where they are and what they need to do develop their competitiveness. On the eCommerce ladder, SMEs don't need to

progress from 1 step to another. Depending on business needs, certain stages may be jumped as more advanced uses of eCommerce are taken on board.

INFORMATION COMMUNICATION TECHNOLOGIES (ICTS) IN TOURISM

New technologies have been changing the way in which tourism companies conduct their business and how the entire system operates (O'Connor, 1999, Werthner and Klein, 1999, Connell and Reynolds, 1999). The dynamic growth of the use of ICTs results in dramatic changes in the structure and operations of travel and tourism industries. Changes are particularly obvious in the way that tourism organizations communicate with their individual and institutional clients and how they manage their distribution function. These developments present a major opportunity for innovative tourism organizations and destinations to improve their relative position in the international market. By embracing new and innovative business models and electronic commerce (eCommerce) they can extend their distribution channel and expand their value chain dramatically.

eTourism therefore is emerging as a way forward for many destinations and organizations around the world. At the tactical level, it includes eCommerce and ICTs for maximizing the internal efficiency and effectiveness of tourism organizations. At the strategic level eTourism revolutionizes all business processes, the entire value chain as well as the strategic relationships of tourism organizations with all their stakeholders. The Internet allows tourism organizations to interact with all their stakeholders, including potential and loyal customers, local groups and public authorities. By taking advantage of intranets (internal systems that are accessed by employees) organizations can reengineer internal processes, whilst extranets can support the development of close relationships with trusted partners that can lead to on-line transactions, expansion of the distribution channel and extension of the value chain. Hence, eTourism will increasingly determine the competitiveness of the organization (Buhalis, 2003).

The literature on the diffusion of ICTs and eCommerce in the tourism industry is growing (Werthner and Klein, 1999; Sheldon, 1997; O'Connor, 1999). A number of research studies regarding online developments relating to the tourism industry have been conducted world-wide (Countryman, 1999). Most of them predominantly focus on technologically advanced European countries and the United States and mainly reflect the situation in large tourism organizations. However, eCommerce and Internet diffusion varies tremendously between countries and size of organizations (Werthner and Klein, 1999). Most of eTourism literature therefore has failed to research these issues in countries with different development levels.

KEY FACTORS FOR SUCCESSFUL E-COMMERCE FOR SMTEs IN ALBANIA

Research was performed to collect the secondary data regarding e-commerce for the tourism industry. Based on those data, a questionnaire was developed to get information on the challenges and opportunities faced by the tourism industry in Albania. The survey covered e-commerce activities, benefits, barriers and key success factors. It covered essentially the Albanian SMTEs.

Benefits of e-commerce for SMTEs

The main benefits of e-commerce for tourism enterprises are "providing easy access to information on tourism services", "providing better information on tourism services", and "providing convenience for customers". This result implies that respondents are less aware of many other benefits of e-commerce, such as "creating new markets", "improving customer services", "establishing interactive relationship with

customers”, “reducing operating cost”, “interacting with other business partners”, and “founding new business partners”.

Barriers of e-commerce for SMTEs

There are a number of barriers for SMTEs in adopting e-commerce in Albania. These barriers include “limited knowledge of available technology”, “lack of awareness”, “cost of initial investment”, “lack of confidence in the benefits of e-commerce”, and “cost of system maintenance”. These barriers also include “shortage of skilled human resources”, and “resistance to adoption of e-commerce”. In terms of market situation, it is possible also to mention “insufficient e-commerce infrastructure” and “small e-commerce market size”.

Factors for successful SMTEs e-commerce practices

The two main factors for conducting successful e-commerce are “security of the e-commerce system” and “user-friendly Web interface”, thus recognizing that building customer trust and convenience for customers are essential to succeed. “Top management support”, “IT infrastructure” and “customer acceptance” were also considered as important factors. On the other hand, most SMTEs do not recognize the importance of “sharing knowledge and information between SMTEs” and “business partnerships” as e-commerce successful strategies.

e-Commerce strategies for innovation of the Albanian SMTEs

For Rayport and Jaworski (2002), e-commerce strategy should be implemented with the four critical forces: technology, capital, media and public infrastructures. An infrastructure is defined as the foundation of a system. E-commerce strategies refer to these four infrastructures:

- The technology infrastructure means the technological foundation of the Internet, which enables the running of e-commerce enterprises, including the hardware of computers, servers, routers, cables, network technologies, software, and communications. Understanding technology infrastructure – and thus understanding what is and is not achievable – is essential to formulating travel and tourism’s vision and strategy.
- The capital infrastructure relates to how to secure funding for an e-business and subsequently value that business.
- The media infrastructure is an important issue for all e-commerce managers because the Internet is a mass communication platform. Managers who run on line enterprises must learn to manage a staff responsible for design interface, stylistic choices, and editorial policies, and content choices associated with the new communication venue. Therefore, the e-commerce manager is now a publisher of digital content on the Web. He/she should make choices about the types of media employed (e.g. print, audio, video), the nature of the media, and editorial policy, including style, content, and look-and-feel.
- Finally, all the decisions related to technology, capital, media, and strategy are influenced by laws and regulation, that is, public policy decisions. The public policy infrastructure affects not only the specific business but also direct and indirect competitors. E-commerce managers should understand both the current laws and how the laws may affect their business and those around them.

This paper suggests different strategies according to the e-commerce infrastructure of the business and stage of e-business development:

- Internet start – up SMTEs should adopt a business model appropriate for their own e-business objectives and environments. External service providers have great potential for them. Marketing should be done selectively. Earning a good reputation in the local market should be the top-priority.

Internet start-up SMTEs can develop a strategy to access international markets directly to sell their tourism products and services.

- Established SMTEs should focus on two key strategies: 1) expanding the range of services and products and 2) upgrading their quality. They should redesign their Web sites to focus more on “customer retention” than “customer acquisition” to ensure quality of service. The Internet is a useful tool to reach international markets. E-partnerships between SMTEs or large firms are important. They should utilize their resource to build an e-community.

Their e-business strategies should be formulated according to their business environments. Linkage to a site of destination management organization is critical to success. Development of an online booking system is the most important technological aspect. Various measures to overcome lack of trust and confidence of consumers should be taken, such as utilization of “about us”, “frequently asked questions (FAQs)”, and “call center” services. Established SMTEs should consider e-strategy issues, including: 1) target market segments, 2) building trust and confidence of e-consumers, and 3) expanding e-commerce activities.

IMPLICATIONS FOR THE ALBANIAN TOURISM POLICY

The role of government is very important. The key principle is that the private sector leads the market. The government should avoid creating undue obstacles to e-commerce and its aims should be to support and enforce a predictable, minimal, consistent and simple legal environment if governmental involvement is needed. Active government support to foster an entrepreneurial culture is important. Key policy agendas include: 1) improving the legal and regulatory framework, 2) moving government procurement on line, and 3) facilitating e-transformation in industry sectors.

Legal and regulatory issues should consider consumer protection, legal resource mechanisms in disputes (e.g. e-commerce mediation committee), intellectual property protection, and validity and enforcement of contracts. The policies cover issues such as what taxes should apply to Internet transactions, the identification and residence of users, and the problem of tax avoidance. The guidelines of international organizations such as APEC and OECD can be a basis for e-commerce laws and regulations. To support consumer trust and confidence, a program of e-trust certification could be effective. Online government procurement and government participation in e-transformation of industry sectors should be planned and implemented in the medium- and long-term. Government support can be provided in tax reductions, monetary support, and sharing of knowledge and information between industries and research organizations.

Finally, government could help the growth of e-commerce in various ways through planning, creating the legal and regulatory framework, building capacity in information technology infrastructure, skill formation and manpower planning, and also undertaking promotional and incentive measures. The government should function as a facilitator, promoter, educator, and “anchor tenant” for testing and pilot deployment of new applications. Government can also help create markets in emerging areas at the initial stage and help remove regulatory obstacles that may impede the growth of markets and businesses. Again, the ultimate objective of the government remains the promotion of private sector initiatives in e-commerce development (Kahn 2002).

CONCLUSIONS

In conclusion this paper suggests some recommendations for decision makers, entrepreneurs and practitioners in the tourism industry field, particularly for SMTEs.

The government should develop a national vision, a strategic plan and policy guidelines for SMTEs e-commerce activities. The development of e-commerce strategies should involve all tourism stakeholders. The policy makers are also responsible for establishing the appropriate laws, regulations and service standards that will enable to build trust and consumer confidence.

Entrepreneurs need to adopt business models which are tailor-made for their own e-business objectives and the SMTEs environment. SMTEs can combine various e-business models. External service providers have great potential to assist SMTEs.

Stakeholders should also find ways to integrate SMTEs into industry wide associations. This will encourage SMTEs to stop competing at the destination level, and to develop networks for mutual benefit. In line with this cooperation, they need to formulate and implement networking or strategic alliances through partnerships with other SMTEs or large firms, especially in the area of brand management, customer relationship management, and human resources management.

As regards marketing, association with e-shopping will allow SMTEs to conduct Internet-based e-commerce without bearing all the start-up costs, improvements cost, advertising and technical difficulties. Associations of e-shopping will provide SMTEs with the opportunity to take advantage of e-commerce systems e.g. interactivity, mass customization, real time and a database of customers.

In the established stage, SMTEs may need to re-design their website to focus more on “customer retention” than “customer acquisition”. They should also try to develop and manage their own digital brand. Brand power is more important on line than off line because the main stage of e-business is the virtual world where consumers are more dependent on recognized brands.

Finally, both the policy makers and the entrepreneurs should work together to raise awareness of e-commerce through training and education for stakeholders, employees and consumers. E-commerce can not be implemented without empowering and enabling tourism stakeholders to take advantage of new Internet and e-commerce technologies.

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THE IMPACT OF INFORMATION TECHNOLOGY PRACTICES AND ORGANIZATIONAL LEARNING ON FIRM INNOVATION AND PERFORMANCE

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ABSTRACT

The aim of this study is to research the relationship between information technology (IT), organizational learning, firm innovation and firm performance. For this study we developed a research model which includes IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, firm innovation and performance. For this reason, the data was obtained from a sample of 87 people who work in 18 different sectors. Results from our regression analysis were separated for each variable, and we found that IT practices, the internal benefits of IT, organizational learning, dynamic benefits of IT and firm innovation have a statistically significant effect on firm performance. However, with multiple regression analysis we saw that these variables, except firm innovation, do not have a statistically significant effect on the firm performance. So, we discovered that the result of firm innovation has a moderating effect between IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT and firm performance. If the IT practices, internal benefits of IT, organizational learning, and dynamic benefits of IT are positive, firm innovation and performance will also be positive.

Key Words: Firm performance, information technology, innovation, organizational learning.

INTRODUCTION

The fundamental question in the field of strategic management is how firms achieve and sustain competitive advantage (Teece et al., 1997). IT usage, organizational learning and firm innovation have a vital impact on firm performance, which is the most important determinant of competitive advantage. So, the main propose of this article is to investigate how firms maximize their performance and what are the main determinants of firm performance.

This research is especially focused on the reasons behind business performance. In this context, the purpose of this research is to discover the relationship between IT practices, organizational learning, firm innovation and firm performance in the comprehensive competitive environment. It is current practice for firms to rely on information technology, give priority to innovation and provide organizational learning to enhance firm performance.

THEORETICAL BACKGROUND and HYPOTHESES

In this study, we have tried to examine the relationship between firm performance, information technology, innovation and organizational learning. According to this aim, we researched the related literature and after developing a research model and hypotheses, we made numerous analyses.

Information Technology

Information is a concept that changes from topic to topic and could not be provided a consensus on its definition. Information could be defined as data that could be organized to create value to organization, grouped, modelled, activated (Özgener, 2003). The role of information systems has changed dramatically over the last three decades, from a passive automation or augmentation tool to a strategic, competitive device for transforming organizational structures. Today, business operations and information systems are so tightly integrated with each other that it would be almost impossible to improve business processes unless corresponding information systems effectively supported the change (Lee and Kim, 1996).

In numerous studies, the impact of IT is investigated as a whole. In our research we divided IT into three parts to obtain better understanding about the impact of IT on firm innovation and performance. These are IT practices, internal benefits of IT, and dynamic benefits of IT.

Information technology (IT) has become the most potent weapon for managers to formulate and implement business strategies. Without the support of information systems, most business strategies cannot be carried out. The real power of IT can be realized in an organization only when it is aligned properly to support the organization's core business strategies (Lee and Kim, 1996). WWW.Amazon.com is the Internet web page address of the currently largest virtual bookstore in the world. More than one million titles are available. None of these is on store, but can be searched for and ordered interactively by remote Internet users located as far away as Herrenberg, Germany. The Amazon Company made sure though to locate near Seattle, Washington, to have easy access to the largest physical book warehouses in the U.S. Their web site even offers an alert function, which automatically sends an electronic mail (e-mail), whenever a new book has been published; whose profile (author, title, subject, etc.) the customer is interested in. This Amazon selection and ordering process would not be possible without the Internet technology (Schumacher, 1997).

H₁: Information technology practices have direct and positive effect on firm innovation.

During the past two decades, both business managers and academic researchers have shown considerable interest in understanding how information technologies (IT) help to create competitive advantage for a firm (Bhatt and Grover, 2005). The Hewlett-Packard micro-economy, called Netcard, is just one way in which the organization is using its intranet to manage knowledge. A Web-based directory, for example, offers a searchable, relational database featuring profiles of thousands of employees' expertise, interests, and geographic locations. And for the company's sales force, the Electronic Sales Partner offers a repository of product and customer information. (Greco, 1999).

The managerial decision for IT infrastructures is generally not whether to invest in IT, but rather how to obtain needed capabilities at lowest cost. When new levels of service to existing customers require that incremental power or features be added to the base structure, companies try to compare the net incremental costs and benefits of each feature, in financial terms if possible (Quinn and Bialy, 1994). Over the past eight years, the service sector has put nearly all of its incremental capital endowment into information technology. In fact, the service sector now owns more than 85% of America's installed base of information technology. Not surprisingly, the service sector has a far greater proportion of its total capital committed to information technology than manufacturing does. In 1982, services invested \$6,000 in information technology for each white-collar worker. Since then, the capital per white-collar worker has essentially doubled. (Roach, 1999). But some researchers claim that there is no correlation between IT investment and organizational success. Many investigators still think that the benefits of IT are inadequate and they claim that expenses of IT do not attain their object in productivity (Weill, 1992; Strassman, 1990). On the other hand, some researchers claim that expenses paid for IT are beneficial for increased productivity (Brynjolfsson and Hitt, 1993; Osterman, 1986).

H₂: Information technology practices have a direct and positive effect on firm performance.

Information technology lets people work together more closely. Traditional mainframe-oriented Information Processing was revolutionized in the 1980's by the Personal Computer (PC). Today, PC's are commonplace

and mostly part of Local Area Networks (LAN), or even Wide Area Networks (WAN), which electronically link teams, to allow non-physical collaborative work. Special software systems, like E-mail, groupware, workflow-management, teleconferencing, etc. are elements of this pervasive role, Information Technology is taking (Schumacher, 1997). Information technology is fast becoming an integral part of management. Most management decisions cannot be implemented effectively without responsive information systems. Information systems are becoming a primary enabler of strategic or managerial changes. Without the appropriate support of IT, it would be virtually impossible to transform a traditional organization into a world-class organization (Lee and Kim, 1996).

H₃: Internal benefits of IT have a direct and positive effect on firm innovation.

With IT it is generally possible to take advantage by increasing system productivity, providing higher quality goods and services, minimizing costs, developing new information-based products and raising competitive power. Also, a competitive advantage may be realized by an organization using IT in all management process as the inevitable path to success (Kazan et al., 2002).

H₄: Internal benefits of IT have direct and positive effect on firm performance.

This finding suggests that heavy IT users paid greater attention to and spent more time on the roles they performed best with the technology (information-related activities) and may in fact have been embarking on an over-specialization trajectory (Pinsonneault and Suzanne, 1998). The role of it in shaping tomorrow's business operations is a distinctive one. It has become a fundamental enabler in creating and maintaining a flexible business network (Venkatnathan, 1994). They are all too aware that information technology is vital to strategic success (Dempsey et al., 1997).

H₅: The dynamic benefits of IT have a direct and positive effect on firm innovation.

In the present day, when information is an instrument of power, developed countries and huge organizations contribute a large part of their investment in information and communication technologies (Göker, 1995). An information technology (IT) infrastructure is vitally important to companies, particularly those in industries going through dynamic change, those reengineering their business Processes, and those with widely dispersed operations. IT infrastructure investment are long-term commitments that account for more than 58 percent of the total IT budget of large firms and about 4 percent of revenues; they have increased at about 11 percent annually (Broadbent and Weil, 1997).

H₆: The dynamic benefits of IT have a direct and positive effect on firm performance.

Organizational Learning

Learning comes into being with different mechanisms at a very wide range, and as a result, causes a change on behaviour (Ceylan, 1998). Some definitions which provide important contributions to individual learning processes are presented below; Corsini (1987) sees individual learning as involving five kinds of learned capabilities. Verbal knowledge (declarative knowledge) ranges from isolated 'facts' to bodies of organized information. Intellectual skills (procedural knowledge) enable the individual to demonstrate the application of concepts and rules to specific instances. Cognitive strategies involve a number of processes such as perceiving, encoding, retrieving and thinking; they can be problem-solving, and can control and modify other cognitive processes of learning and memory such as attention, encoding and retrieval. Attitudes are 'learned states that influence the choices of personal action the individual makes towards persons, objects or events'. Motor skills are smoothly timed muscular movements enabling procedures to be undertaken precisely (Dodgson, 1993). The dictionary definition states that learning is "the acquiring of knowledge or skill." Thus learning encompasses two meanings: (1) the acquisition of skill or know-how, which implies the physical

ability to produce some action and (2) the acquisition of know-why, which implies the ability to articulate a conceptual understanding of an experience (Kim, 1993). Argyris and Schön (1996) are even less restricting in their definition declaring that organizational learning emerges when organizations acquire information (knowledge, understandings, know-how, techniques and procedures) of any kind by any means (Dimovski and Škerlavaj, 2005).

Concepts of organizational learning revealed in the mid 1970s, were primarily defined as “catching and correcting the mistakes”. According to Huber (1991) Further, learning does not always increase the learner's effectiveness, or even potential effectiveness. Learning does not always lead to veridical knowledge. Sample data are not always representative and new findings sometimes overturn what was previously "known to be true." Entities can incorrectly learn, and they can correctly learn that which is incorrect. Finally, learning need not result in observable changes in behaviour. The traditional definition of learning as a shift in performance when the stimulus situation remains essentially the same implies a set of conditions that occur rarely in organizations. Thus, either organizational learning is an infrequent event, or it occurs frequently but takes a non-traditional form (Weick, 1991).

The concept of organizational learning with institutional application was first used in "The Fifth Discipline" published by Peter Senge in 1990. Senge emphasizes that the five disciplines must develop as an ensemble. Concerning e.g. system thinking Senge (1992) writes: «... system thinking [also] needs the disciplines of building shared vision, mental models, team learning, and personal mastery to realize its potential. Building shared vision fosters a commitment to the long term. Mental models focuses on the openness needed to unearth shortcomings in our present ways of seeing the world. Team learning develops the skills of groups of people to look for the larger picture that lies beyond individual perspectives. And personal mastery fosters the personal motivation to continually learn how our actions affect our world.» (Senge, 1992).

Although the meaning of the term “learning” remains essentially the same as in the individual case, the learning process is fundamentally different at the organizational level. In the early stage of an organization's existence, organizational learning is often synonymous with individual learning because the organization consists of a small group of people and has minimal structure. As an organization grows, however, a distinction between individual and organizational learning emerges, and a system for capturing the learning of its individual members evolves (Kim, 1993). To be a learning organization, individual learning followed by organizational learning are necessary. Organizational learning is defined as “to transfer individual learning to the working space” (Dinçer, 1994).

Understanding what contributes to learning capacity, and what factors differentiate good organizational learners from poor organizational learners, is important because: 1) There is general agreement among learning theorists that organizational learning promises to contribute to understanding performance variations across organizations. 2) Performance variations, studies suggest, can generally be explained as differences in the rates at which organizations learn, the ease with which they innovate, and differences in the effectiveness of the processes and mechanisms by which new knowledge is applied to decision making in organizations (Berta et al., 2005).

H₇: Organizational Learning has a direct and positive effect on firm innovation.

Organizational theorists have studied learning for a long time; the accompanying quotations suggest that there is still considerable disagreement. Most scholars view organizational learning as a process that unfolds over time and link it with knowledge acquisition and improved performance. (Garvin, David, 1993). In today's competitive climate, where the only certainty is uncertainty, organizational learning is considered a key factor of business success and is seen as the foundation of competitive advantage. In knowledge-based societies, knowledge has become the most important strategic asset. Organizations need to use knowledge to realize competitive advantages in the changing business environment (Sohal et al., 2004). We have to be aware of the fact that various aspects of organizational learning contribute to performance. Companies that will manage to develop organizational learning of higher level will gain in terms of higher profits and value added per employee relative to its competitors. Besides that, relationships with their main groups of

stakeholders will improve. Besides improved financial picture of the company, higher level organizational learning endorses better relationships with employees, customers and suppliers (Dimovski and Škerlavaj, 2005).

H₈: Organizational Learning has a direct and positive effect on firm performance.

Firm Innovation

Innovations vary in complexity and can range from minor changes to existing products, processes, or services to breakthrough products, and processes or services that introduce first-time features or exceptional performance. Process definition of innovation proponents concern themselves mainly with how the interplay between events and people at each stage of the process influences events in subsequent stages, determining whether the adoption process will continue (Cooper, 1998). Organizational innovation is defined as “engaging in and supporting new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological Processes” (Lumpkin and Dess, 1996).

Most significantly, organizations that adopt an innovation strategy in pursuit of developing new products and/or processes have the potential to outperform their competitors. In fact Hill and Jones (1998) state that innovation is perhaps the single most important building block of competitive advantage (Richard et al., 2003). For an organization to develop the capacity for sustained innovation as a meaningful component of strategy, it must make resources available for new products and provide collaborative structures and process to solve problems creatively and connect innovations with existing business (Bhaskaran, 2006). Three types of impacts are measured in innovation studies: total factor productivity, which focuses on the differences in productive efficiency with the increase of the market power obtained through innovation (e.g., a product that is new for the market); and exports, which are related to knowledge-based comparative advantages. All these effects, along with public policies, help explain the funding of research expenditures. Innovation is associated with higher performance but the relationship between performances and innovation remains complex (Duguet, 2003).

These results are obtained when we evaluate innovation according to size of the organizations; in smaller organizations, top management is one person who is in sole charge of technological innovation. In large organizations, innovation is provided through buying patents and licenses. According to this, there are two sources of innovation; resources in the organization and resources external to the organization. Information Technologies, human resources and organizational factors are quite influential on innovation in the organization, and innovation has a significant role on stimulating the firm performance.

H₉: Firm innovation has a direct and positive effect on firm performance.

Firm Performance

The simplest definition of performance is to measure productivity. Performance is generally stated as a doing business, implementing successfully. Performance, the main criteria of measuring success, could be defined as quite a wide concept that evaluates the ability to successfully achieve the organization’s targets (Akal, 1994). It is necessary that the criteria chosen to measure performance are objective and clear. The performance measures that are analyzed correctly are one of the components that provide a big contribution to an organization’s operations and success.

Evaluating organizational performance cannot be done without taking into consideration organizational goals (Dimovski and Škerlavaj, 2005). Firm performance is enhanced when there are synergies among the elements of system. Complementary factors of a system of mutually enhancing elements operate in such a way that doing more of one thing increases the return of doing more of another (Huang and Liu, 2005). Beside financial performance (FP) also non-financial performance (NFP) must be assessed in order to

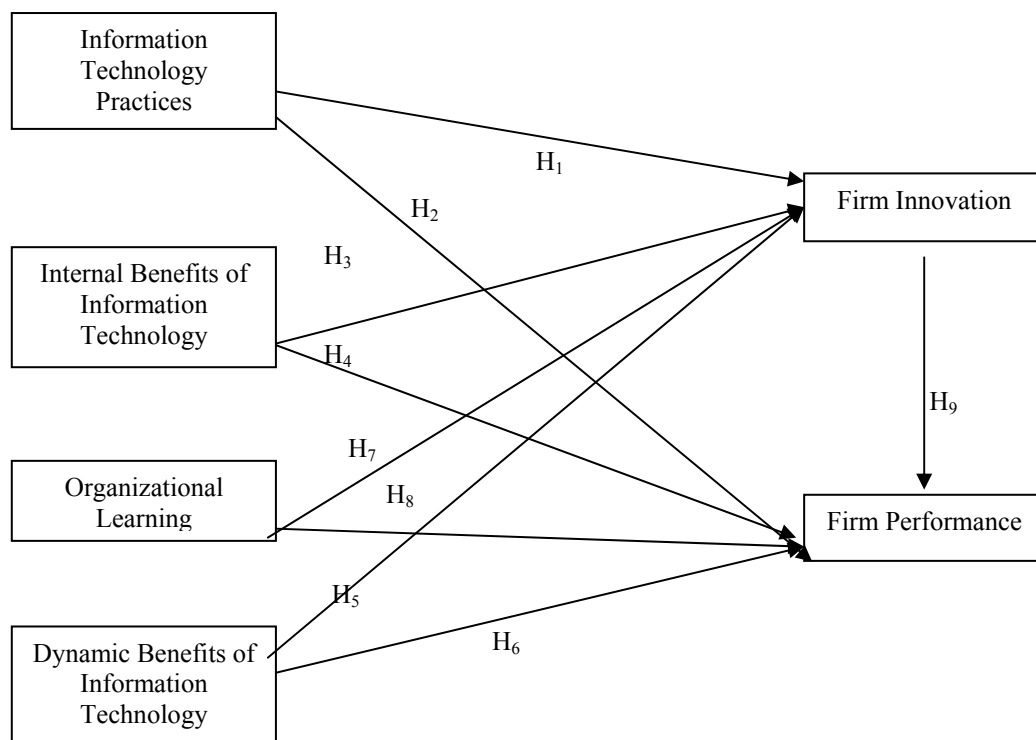
evaluate overall organizational performance of a modern company. There are two main reasons for such a requirement. First, several interest groups are involved in business and they all have their particular goals and expectations related to the company. They will remain in the coalition as long as their goals are satisfied in sufficient manner. Second, strategic business areas are not necessarily financial in their nature. Several approaches to non-financial indicators selection exist, of which the most established is Balanced Scorecard – BSC (Kaplan and Norton, 1993).

However, many classic measures still maintain validity to evaluate performance. In the present day, they are inefficient for conditions of specialization and competition. Reconstructing performance management systems do not only bring innovation to measuring the organization’s performance, but may also be used to develop similar measures, evaluate and apply to the conditions that organization faces. Today’s managers recognize the impact that measures have on performance. But they rarely think of measurement as an essential part of their strategy. For example, executives may introduce new strategies and innovative operating processes intended to achieve breakthrough performance, and then continue to use the same short-term financial indicators they have used for decades, measures like return-on-investment, sales growth, and operating income. These managers fail not only to introduce new measures to monitor new goals and processes but also to question whether or not their old measures are relevant to the new initiatives (Kaplan and Norton, 1993).

For this reason, effective performance management systems that harmonize an organization’s strategic objectives and targets should be constructed. Companies should establish performance measurement systems that support their strategies. Performance measurement systems should contain many nonfinancial indicators to complement financial ones, particularly with respect to customer perceptions and performance of internal processes. The company's overall performance measurement system should be broken down into sets of local measurements for lower-level units to translate (cascade) the firm's objectives into more manageable subsets (Epstein and Manzoni, 1997).

In our research, with the guidelines of literature review and previous empirical research, a research model has been developed to predict the effects of the IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation on firm performance. The research model is presented below:

EXIHIBIT 1: RESEARCH MODEL



METHODOLOGY AND RESULTS

Sample and Data Collection

In this study, we gathered data from a sample of 87 people who work in 18 different sectors in and around Istanbul. We gathered the questionnaires by meeting with the people face to face and we reached some accountants via the Internet Technology in accordance with our study. For this process we used the website that is designed in PHP program and data is saved in a MYSQL database. We tested the data with the help of regression analysis and all items included in the questionnaire were measured on a 5-point Likert-type scale. The items that we used were mostly tested in previous research and are proven to be theoretically strong.

Measures

In our study we have used the scale of 35 items to measure the variables. All the scales are empirically tested in previous research and they are generally accepted in the literature.

Factor Analysis

We used SPSS software, version 10.00 for the evaluation of our data. Factor analysis, correlation, reliability tests, the means of the variables and regression analysis are used to analyze the relationship between variables of the research model.

Since the scales that are used have been generally tested in previous research, they are theoretically strong. However, varimax rotational, exploratory factor analysis in SPSS software has been used to evaluate factor structure for the variables. The scales were submitted to principle component analysis with varimax rotation and six-factor solution was obtained as expected. We used the Cronbach's Alpha to estimate reliability for scales. These items and factor loadings are presented in Table 1.

TABLE 1: FACTOR LOADINGS OF RESEARCH DIMENSIONS

Factors and Scales	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
1. Dynamic Benefits of IT (Crombach α: 0,9359)						
Customer relationship gets better through IT.	0.809					
Our IT System is beneficial to improve communication and solidarity among the organization's departments.	0.799					
Our IT System is beneficial to improve our external relationship with components such as our supplier, customer and supply chain members.	0.799					
Our IT System is beneficial to improve our internal relationship that is implemented among the different departments and hierarchical levels.	0.793					
Thanks to IT, mutual trust with sellers is enhanced.	0.780					
Our IT system helps us to new products and service development projects.	0.744					
Our IT system helps us to improve our technological information.	0.716					
Thanks to IT system the effectiveness of resource management is improved.	0.707					
Thanks to IT, contribution is provided to not duplicating strategic value.	0.629					

2. Organizational Learning (Cronbach α : 0,9126)

Learning is seen as a key value that is necessary to ensure the continuation of an organization's presence.	0.808
Learning of employees is not evaluated as a cost; it is evaluated as an investment.	0.799
There is purpose togetherness in organization.	0,778
Employees see themselves like partners of the organization in planning its direction.	0.766
All employees commit to the organization's targets.	0.738
There is a collective consensus of opinion relating to organizational vision at all levels, function and departments.	0.708
The basic values of this organization cover learning as a key of development.	0.673
We don't abstain to think critically on common predictions related to our customer.	0.645

3. Firm Performance (Cronbach α : 0,8866)

Waste products and cost of reprocessing is decreasing as a percentage of sales.	0.827
The delivery time of material purchases is shortening.	0.793
Customer complaints are decreasing.	0.725
Product/Services quality corresponds or exceeds the demands of customer.	0.689
The level of customer satisfaction is increasing.	0.687
The delivery time of uncompleted products and services is decreasing.	0.679

4. IT Practices (Cronbach α : 0,8578)

In our organization, institutional portal practices are used.	0.724
In our organization, teleconference systems are used.	0.723
Our organization benefits from out sourcing and consulting service in IT.	0.722
The main works in our organization are done on the online workflow systems.	0.720
In our organization, supply chain management systems are used effectively.	0.694
In our organization, customer relation management systems are used.	0.594

5. Firm Innovation (Cronbach α : 0,8491)

Our organization research ideas of new technologies, processes, techniques and products/services.	0.691
Technical innovations that are based on research results find acceptance very quickly.	0.686
In our organization, innovative ideas and practices are perceived as quite risky and received with resistance.	0.625
In our organization, to practice new ideas, appropriate plans and programs are composed.	0.592

6. Internal Benefits of IT (Cronbach α : 0,8083)

IT reduces uncertainty of information loss.	0.789
IT is used comprehensively by the members of organization.	0.732

Cronbach's α coefficient was used to measure the reliability and internal validity. All cronbach's α values are over 0.70 for our variables. Because of this, Cronbach's α values for the variables are greater than the correlation values among the variables, it could be stated that discriminant validity is provided (Gaski, 1984).

Correlations and Associations between Variables of the Study

Correlation analysis is conducted to research the relationship between IT dynamic benefits, organizational learning, IT practices, IT internal benefits, firm innovation and firm performance. As seen in Table 2, a positive and strong correlation is attracted attention at a significant level of $p < 0,01$ between the variables. As can be seen from the correlation table (Table 2) below, all dimensions are correlated.

TABLE 2: MEAN, STANDARD DEVIATION and CORRELATION COEFFICIENTS

VARIABLES	Means	Standard Deviation	Dynamic Benefits of IT	Organizational Learning	Firm Performance	IT Practices	Firm Innovation	Internal Benefits of IT
	Dynamic Benefits of IT	3,74	1,02	1				
Organizational Learning	3,48	,93	,360**	1				
Firm Performance	3,30	1,04	,435**	,347**	1			
IT Practices	3,33	1,10	,575**	,286**	,410**	1		
Firm Innovation	3,47	,97	,402**	,670**	,496**	,345**	1	
Internal Benefits of IT	3,89	1,03	,524**	,423**	,410**	,405**	,429**	1

** Pearson Correlation, It is significant at $p < 0.01$ level

Correlation analysis results have demonstrated that the independent relationships of all the variables in this study are significantly and positively correlated to each other. However, the effects of IT dynamic benefits, organizational learning, IT practices, IT internal benefits, firm innovation on business performance were our research questions. Thus, we have also conducted multiple regression analysis to investigate our hypothesis.

Test of the Hypotheses

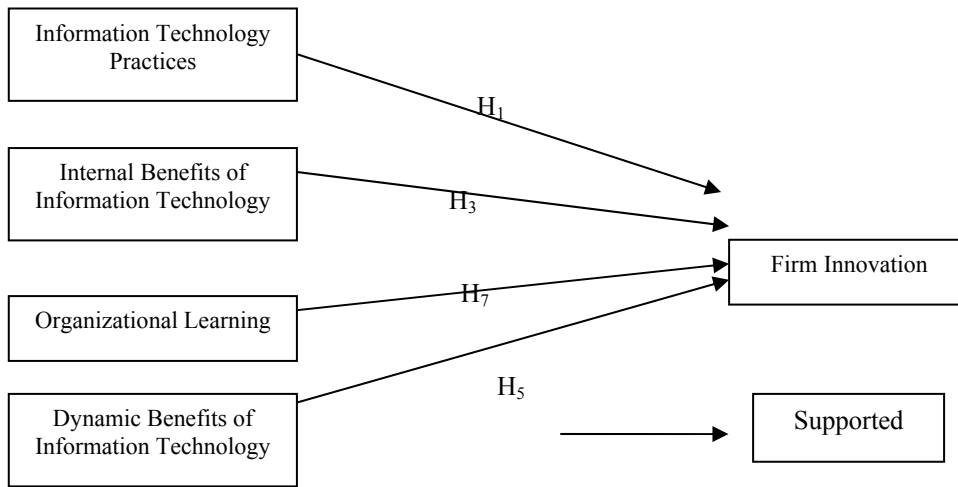
Firstly, to understand if IT dynamic benefits, organizational learning, IT practices, IT internal benefits have an impact on firm innovation. According to this analysis (Table 3); H_1 , H_3 , H_5 , H_7 hypotheses are statistically significant. When IT dynamic benefits, organizational learning, IT practices, IT internal benefits are investigated separately, it is shown that all these variables have a positive effect on the firm innovation.

TABLE 3: 1st REGRESSION ANALYSIS RESULTS

1. Regression Independent Variables	Dependent Variable (Firm Innovation)			
	β	Sig	R^2	F
Dynamic Benefits of IT	,402**	,000	,152	16,414
Organizational Learning	,670**	,000	,442	69,251
IT Practices	,345**	,001	,109	11,503
Internal Benefits of IT	,429**	,000	,174	19,141

** Pearson Correlation, It is significant at $p < 0.01$ level

EXIHIBIT 2: 1. REGRESSION MODEL



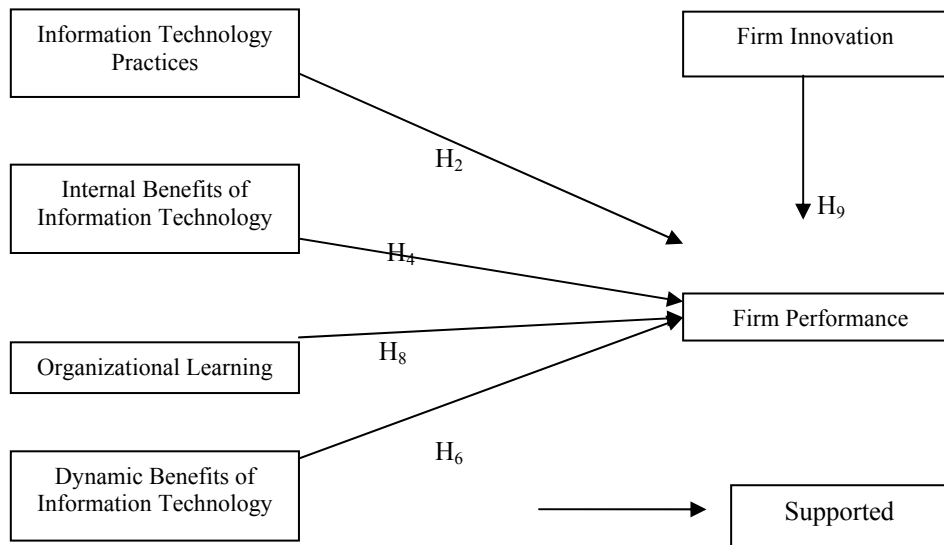
First, we made regression analyses between every variable with the firm performance separately. According to these regression analyses, it is found that H₂, H₄, H₆, H₈, H₉ hypotheses are statistically significant at the p<0.01 significance level and all the variables have a positive impact on firm performance.

TABLE 4: 2nd REGRESSION ANALYSIS RESULTS

2. Regression Independent Variables	Dependent Variable (Firm Performance)			
	β	Sig	R ²	F
Dynamic Benefits of IT	,435**	,000	,180	19,821
Organizational Learning	,347**	,001	,110	11,663
IT Practices	,410**	,000	,159	17,215
Firm Innovation	,496**	,000	,237	27,680
Internal Benefits of IT	,410**	,000	,158	17,152

** Pearson Correlation, It is significant at p<0.01 level

EXIHIBIT 3: 2nd REGRESSION MODEL



After the second regression analysis, we would like to learn what kind of relationship will be between the firm performance and other variables if they are all analysed one-to-one. So, we have also conducted multiple regression analyses to investigate our hypotheses.

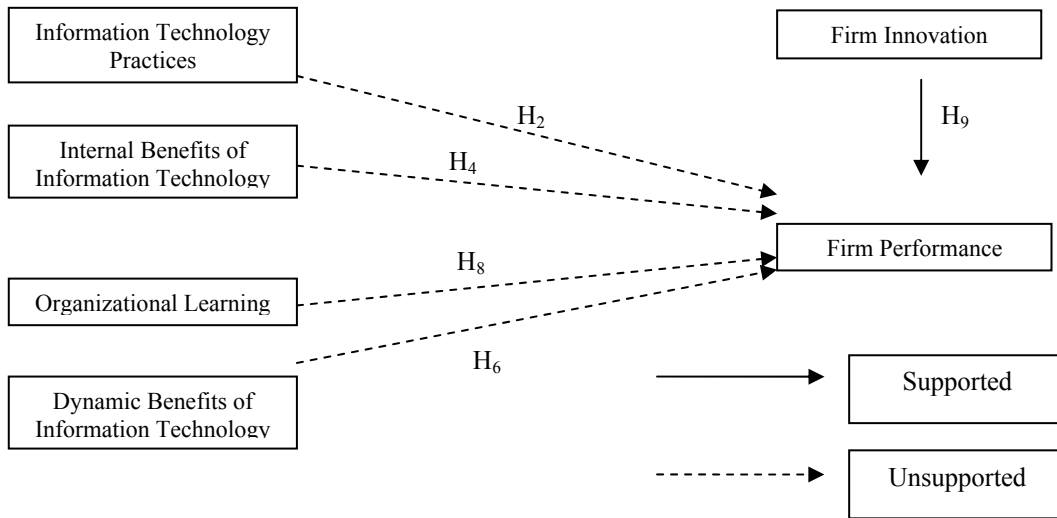
For the multiple regression analysis that is made via SPSS 10.0 for Windows Statistical Analysis Program, firm performance is selected as a dependent variable and all the other variables selected as independent variables. The results of the analysis are shown in Table 5. When we look at the result of the analysis, we saw that only firm innovation (at the significance level of $p < 0.05$) has a statistically significant effect on the firm performance and other variables do not have a statistically significant effect on firm performance.

TABLE 5: 3th REGRESSION ANALYSIS RESULTS

Independent Variables	β	Sig
Dynamic Benefits of IT	,144	,239
Organizational Learning	-,046	,714
IT Practices	,164	,148
Firm Innovation	,354	,006
Internal Benefits of IT	,136	,230
F	8,522	
R²	0.304	
Dependent Variable	Firm Performance	

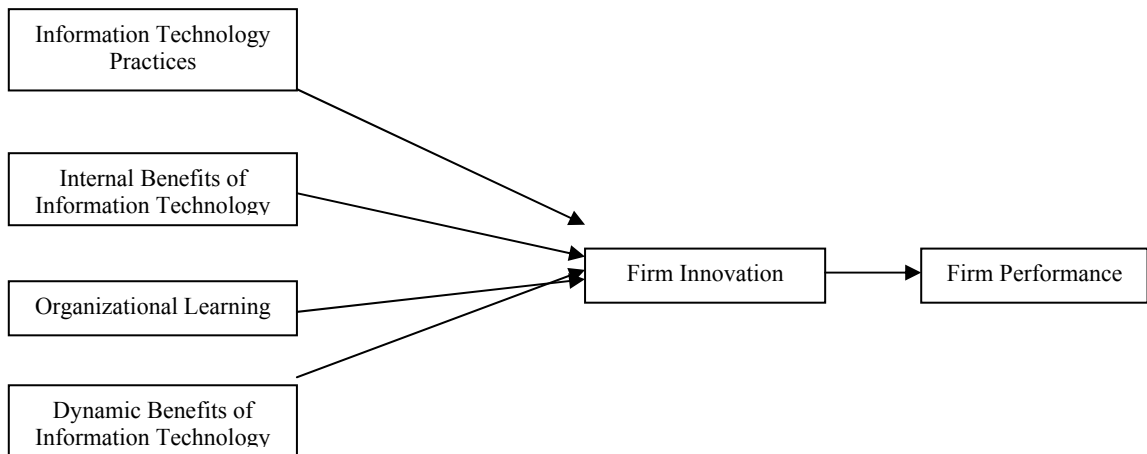
** Pearson Correlation, It is significant at $p < 0.01$ level

EXIHIBIT 4: 3th REGRESSION MODEL



According to third regression analysis; H₂, H₄, H₆, H₈ hypotheses are not supported but at the second regression analysis (Table 4) these hypotheses are supported at p<0.01 significance level. In the present case, we could say that variables overshadow each other and we learned that firm innovation has a moderating effect between other variables and firm performance. Firm innovation is a moderating variable between the other variables and firm performance. So we could reformulate our research model according to the regression analyses like below.

EXIHIBIT 5: The RESULTS of the ANALYSES



DISCUSSION and CONCLUSION

The findings of this study extend the IT, organizational learning, innovation and firm performance literature. And it builds a foundation for further understanding the link between innovation and IT and performance outcomes. First, the impact of innovation (both product and process) on performance (both profitability and growth) is primarily indirect and is instead fuelled by IT (Dibrell et al., 2008). No industry, no firm can hope to be at the top forever – unless it keeps innovating. Therefore, reducing costs may not be a reliable universal

key any more; at the very least, this strategy should be employed concurrently with innovation when trying to improve competitiveness. Instead of strategies aiming at cost reductions, we should focus on innovation in our business strategy. Organizational learning is one of the processes of innovation within a firm, and as such, should be further studied (Yang et al., 2007). In this study, first of all, variables that are used for analysis are explained. After this step, hypotheses are developed and a research model is formed to test relationships between variables. Finally, using the data collected from a sample of 87 people who work in Turkish firms from 18 different sectors, we examined the potential effects of IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation on business performance via one-to-one regression analyses and multiple regression analysis.

The results of regression analysis have shown that all the variables (IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation) have a statistically significant and positive effect separately, but if we use multiple regression analyses, it is shown that IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT have significant effects on firm performance by firm innovation, even though this effect is not direct. Only firm innovation has statistically significant and direct effect on firm performance. However, the correlation analysis results among all variables correlate with each other. All of the one-to-one relations between all variables and firm performance have significant and positive correlations with each other.

The fact that IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation have effects on firm performance is supported by the results of research. In the light of these results, the companies that have willingness to grow should concentrate on information technology, organizational learning and firm innovation that provide high firm performance.

Another important point is that information technology and organizational learning lead to firm innovation. By this logic we could say that information technology and organizational learning are part of firm innovation. Today we should not disregard rapid changes in information technology, and all departments in the firm are effected by these changes. To reach sufficient financial results, and efficient performance, firms should implement these changes as quickly as possible.

According to the results of our analysis, the impact of IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation on firm performance, it may be inferred that firm innovation has positive and significant effects on firm performance directly. Also firm innovation has a moderating effect between IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT and firm performance. Therefore, IT practices, internal benefits of IT, organizational learning and dynamic benefits of IT are effective on firm performance by firm innovation and all these variables have a statistically significant and positive effect on firm innovation.

These results show that IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT and firm innovation are vital components of firm performance. If it is taught that firms have to achieve a positive financial performance and every kind of firm performance in the recent competitive business environment; Firms have to give importance to IT practices, internal benefits of IT, organizational learning, dynamic benefits of IT, and firm innovation.

In further research, these variables may be applied to different sized firms and industries to research firm performance. Another important point for future research, competitive strategies could include the analysis. Thanks to this research, firms may develop new competitive strategies and gain an advantage against their rivals.

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PATENT AS A NEW COMPETITIVE TOOL IN COMPANY'S OVERALL BUSINESS STRATEGIES

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ABSTRACT

In today's fast growing global marketplace, patent protection becomes an important part of a company's overall business strategies. Under the WTO/TRIPs Agreement, the patent system has spread increasingly worldwide. In today's technology industries, competitors are likely to use patents both offensively and defensively, and there is a need to anticipate their strategies and take effective action. Why? The right patents provide barriers against competition, enhancing profit margins, market share, and name recognition. Thus, patent is a useful strategic business tool.

INTRODUCTION

"AstraZeneca has announced that it has filed a lawsuit against India's Ranbaxy Laboratories for "willful infringement" of patents protecting the company's heartburn and ulcer medication, Nexium". (2005)

"Apple Settles Patent Infringement Case for \$10 Mil" (Gardiner, 2007)

"Philips Wins US Patent Infringement Case" (2007)

Patent infringement has been said when a person or an entity makes, uses, offers to sell, or sells a patented technology in a country where the patent is protected, without the permission of the patent owner. If the patent holder's suit is successful, the court will either force the infringer to stop using the patent, or work out an agreement whereby the infringer pays royalties to the patent holder. Therefore, it is essential that patent infringement is such a dangerous issue for companies.

Vermeulen (2003;1) mentions that some people involved in business strategy have an unclear idea regarding what a patent is; why a patent is wanted; why a patent costs so much; and what alternatives there are for paying the high cost of hiring a patent attorney to write a patent for you. As a result, some companies do not use the patent laws effectively as part of their business strategy however, patents can be a very powerful strategic tool and do not have to be unaffordable as shown in the example cases mentioned above.

This study explains in a simple and practical way using patents as effective business tools for all types of enterprises. This paper addresses how patent information can be used as a competitive edge for competitors, assessment of potential sources for the external generation of technological knowledge and R&D activities, alternative revenue source.

WHAT IS PATENT AND PATENT RIGHTS?

For Poltorak (2003; 1) patent means it is an exclusive right granted by the national or regional patent office for an invention that is new, involves an inventive step (or is non-obvious) and is capable of industrial application.

According to the Patent Law Treaty (2000) a patent is an exclusive right granted for an invention, which is a product or a process that provides, in general, a new way of doing something, or offers a new technical solution to a problem. It is valid for a limited period of time, generally for 20 years from the filing date (or priority date) of the patent application, provided the renewal (or maintenance) fees are paid to keep the patent in force.

Patent Law Treaty (2000) points out that a patent grants its owner the right to prevent or stop others from making, using, selling, offering for sale or importing the patented invention without the owner's prior permission for the period in which the invention is protected. Once a patent expires, the protection ends, and an invention enters the public domain, that is, the owner no longer holds exclusive rights to the invention, which becomes available to commercial exploitation by others. WIPO studies (2005) show that it is important to note that a patent does not grant the "freedom to use" the technology covered by the patent, but the right to exclude others from the use of the technology.

Jorda (1999; 1) mentions that, in patent's history there is The GATT/WTO Agreement on Trade Related Aspects of Intellectual Property (TRIPS), concluded on April 15, 1994 and entered into force on January 1, 1995, is to be implemented by most countries of the world as of January 1, 2000. In addition, Carlos and Musungu (2001: 1) indicate that prior to the entry into force of the TRIPS Agreement, most intellectual property negotiations and standard setting took place at WIPO. The World Intellectual Property Organization (WIPO) is an international organization dedicated to ensuring that the rights of creators and owners of intellectual property are protected worldwide. The WIPO patent system has been based on two main treaties, namely, the Paris Convention for the Protection of Industrial Property (Paris Convention) and the Patent Cooperation Treaty (PCT). The Paris Convention established substantive standards in various areas of intellectual property including patents while the PCT established procedural standards.

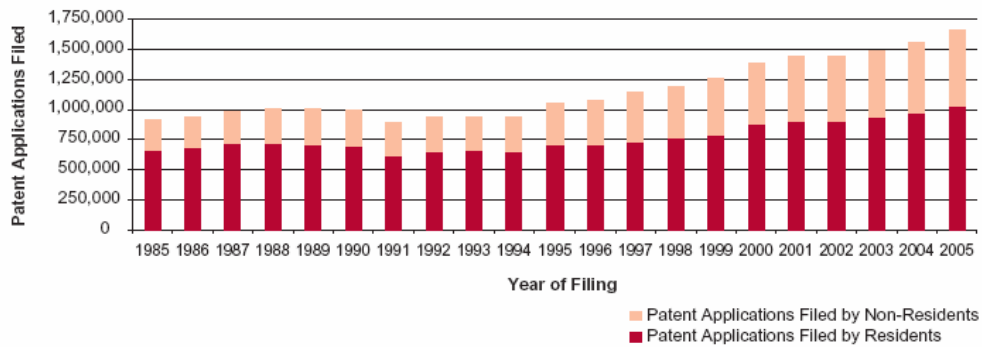
Patent Applications in Worldwide

World Intellectual Property Organization (WIPO) patent report (2007) presents that trends in patent activity are a reflection of the transition currently occurring in worldwide industrial activity. According to the report (2007) very high growth rates in the use of the patent system can be observed in North East Asian countries, particularly the Republic of Korea and China. This growth is from patent filings by applicants from those countries and, at the same time, from foreign patent applicants, reflecting the increasing integration of those countries into worldwide industrial activity.

Statistics (2007;10) published by the World Intellectual Property Organization (WIPO) show that the number of patent applications filed worldwide has grown significantly in recent years. Table 1 compares, the number of worldwide patent filings increased by an average of 4.7 % per year between 1995 and 2005, reaching a total of more than 1.6 million patent applications in 2005.

Table1: Worldwide Patent Filings by Year of Filing

The chart shows the total number of patent filings from 1985 to 2005.

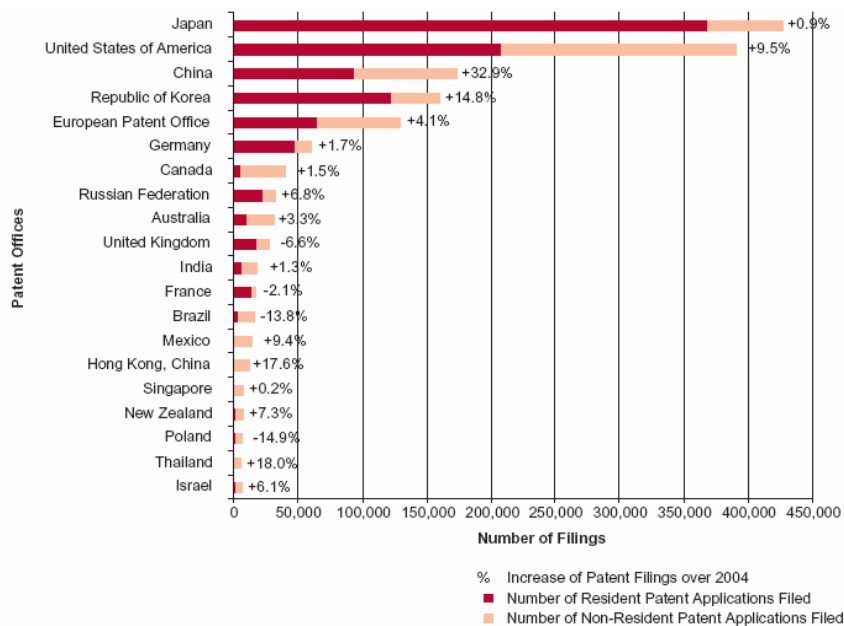


Source: WIPO Patent Report: Statistics on Worldwide Patent Activity, 2007 edition, page 10

On the other hand, if the countries are compared regarding to the number of patent applications, as it is seen in Table 2, the patent offices of Japan and the United States of America are the largest recipients of patent filings followed by China, the Republic of Korea and the European Patent Office. The Republic of Korea and China recorded the highest growth in application numbers and the northeast Asian region continues to increase its share of worldwide patenting.

Table 2: Top 20 Offices of Filing

The chart shows the top 20 patent offices according to the total number of patent filings in 2005.



Source: WIPO Patent Report: Statistics on Worldwide Patent Activity, 2007 edition, page 12

HOW CAN PATENT BE USED AS A BENEFIT OF THE COMPANY?

The Relation of Patent to Company’s Business Strategy

Samson (2005; 2) claims that an organisation’s business strategy involves setting overall direction of the company, its goals and performance metrics and arranging for the resources with which to achieve that

strategy. Likewise Caulder (2003;13) mentions that generally, a business's strategic objectives include the types of products or services on which the company intends to focus its resources, the markets it intends to serve, and the return on investment it requires in order to satisfy shareholders. According to their business aims and objectives, Patel and Maloney, (2007;1) argue that companies list the business, technology, and the product goals for the company, identify key business industry players, technology directions, determine whether a patent portfolio be used offensively, defensively for marketing purposes or a combination of these in their business plan. It might be said that the evaluation process begins with evaluating company assets, intellectual assets within the company such as its products, services, technologies, brands, processes all intellectual assets must be mined and analyzed. In this case, why patent must be analysed or considered or done many patent analytics?

It is clear that patent is a tool that enhances a company's capacity to benefit from its inventions. In order to provide a tangible benefit to a company, a patent needs to be exploited effectively and will generally make money only if the product based on the patent is successful in the market or boosts the firm's reputation and bargaining power. Patent protect company's products and services, generate cash by selling or licensing patent rights, obtain a legitimate monopoly for future exploitation, protect research and development investments, and create bargaining chips to be prepared for attacks by competitors.

It might be claimed that patent can be used as a source of technical information, which companies may find of great value in their research and development and strategic business planning. Most inventions are disclosed to the public for the first time when the patent is published by the patent office. Thus, patents are a valuable source of information about current research and innovations.

Patent as a source of technical information provide companies; to avoid unnecessary expenses in researching and developing, to identify and evaluate technology for licensing and technology transfer, to find solutions to technical problems, to monitor activities of real and potential competitors. Having a good understanding of your own and your competitors' patent portfolios through the use of patent data is a business advantage. Bradley (2002; 1-2) indicates that monitoring competitors' patent information will allow companies to see what technologies they are producing and to identify possibly ascertain a relative level in R&D investment, or who their competitors are in a given technology, how their competitors are diversifying, what the overall trends in specific industry are, what new products their competitors are planning to introduce. In a short way, patent data provides information regarding to industry analysis, market outlook, new business opportunities and strategic insight.

Besides, sometimes, an idea or technology which can not be used at the time of the invention may be developed, because other technologies are not mature enough but needed for a product. The market is not ready to adopt the technology, or laws and regulations must be changed to introduce or sell a new product. In this case, a patent can be filed to protect the business for the future. As Buermeyer (2005; 4) implies that if the circumstances change or the product is launched, a legitimate monopoly from your old patent will be had.

Above all, a technology which does not fit in your business strategy is developed, it can be sold and got a return on the investment. By licensing patented technology instead of assigning it, it is possible to obtain the benefit of royalties for the remainder of the life of the patent. It is significant that licensing can be a very financially rewarding strategy for that reason. It could be said that licensing is particularly useful if the company that owns the invention is not in a position to make the product at all or in sufficient quantity to meet a given market need, or to cover a given geographical area. Bhatia and Carey (2007; 15) as follows that IBM earns more than \$1 billion a year in licensing revenues from its vast patent portfolio.

The business decision to enter foreign markets and export goods abroad has risks and challenges. Exporting involves a considerable investment of financial, managerial, and production resources. Therefore, it requires careful planning and search. Before launching into export or production or marketing activity, Rajiv and Maloney (2007; 2) assume that companies must evaluate; in which countries patent protection would likely provide value, in which countries there is patent protection, what countries will products embodying the invention likely be manufactured or sold, in what countries will other companies likely manufacture or sell competing products, in what countries will enforcement of patent rights be cost effective and practical. These research will also help to decide on the most effective mode of entry into a specific market.

Once particular countries are considered for patent protection, the company must evaluate the costs of filing for protection in each country. These costs can be significant depending on factors such as filing fees in the selected countries and translations necessary in countries that do not conduct business in English. Rajiv and

Maloney (2007; 2) conclude that the company must perform a cost benefit analysis to determine what and where patent filings are justified.

Patent as a New Competitive Tool in Company's Business Life

Using patent's monopoly rights provides the owner a strong competitive tool in the market. It is much more than the opportunity to protect a market space or product franchise. They provide potential leverage for obtaining cash, technology, and desired collaborations through licensing. Karny (2005; 1) mentions they are also attractive assets to potential investors, collaborators, and acquiring companies.

Obtaining and maintaining patents to protect important technology can offer considerable advantages. These are;

Strong market position and competitive advantage: As explained above patents are powerful tools based on the right to exclude others from manufacturing, using, and selling products that fall under the scope of your patents. Thus, as Gibbs and DeMatteis (2003; 20) point out that patents can be the basis to protect your company's sales and assets. Since patent is a market protector whether you are launching a new technology or product, protecting or expanding an existing product line, or taking it into the future by creating the next generation, patents can provide a competitive edge.

Positive image for your enterprise: Business partners, investors, shareholders and customers may perceive patent portfolios as a demonstration of the high level of expertise, specialization and technological capacity of your company. WIPO's guide prepared for enterprises (2005; 36) contend that this may prove useful for raising funds, finding business partners and raising your company's profile and market value. Patent is a value creator.

Additional income from licensing: Patents create value by selling the patent, by selling a license (exclusive or non-exclusive) in order to generate additional income for the company. Gibbs and DeMatteis (2003; 20) assert that this basis also represents an additional revenue more specifically, through licensing out your company's patents and licensing in others that may expand your company's sales.

Access to technology through cross-licensing: Ehmke and McCombs (2001; 3) claim that a cross-licensing strategy is where one patent holder licenses the patent to another patent holder in exchange for a license to that other patent holder's patent. In other words, according to Gerbetz, Ghaem and Zager (2004; 5) argument if you are in a competitive market and your competitors own some of the technology you need (or claim that they do), you can use your patents to gain access to that technology through cross-licensing.

Bargaining chip. Large companies have traditionally patented inventions that are part of the products they develop. Vermeulen (2003;1) indicate that if they are sued for infringement on a patent by some other company, they mine their patent portfolio to see if there is anything they can countersue this company for. Once the lawsuits are filed, representatives from the two companies get together to work out a deal.

CONCLUSION

To sum up, today's keen competition, active innovation and development are important for both small and large companies. A patent provides companies increased market share, revenue from licensing, reducing the number of competitors in the market, greater name recognition, larger profit margins, technology or marketing resources. At the same time a patent is also an intangible asset, which means that patent rights may be bought, sold or licensed. A patent may also make it easier to interest investors or to sell your company. A business partner who obtains access to protected technology may also be willing to pay more for what you are offering. In a short way, patent protect your core business more effectively.

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THE EFFECTS OF EMOTIONAL CAPABILITY ON NEW PRODUCT DEVELOPMENT PROCESS

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ABSTRACT

In this study it is aimed to investigate the effects of emotional capability on innovation speed and innovation success. After a deep literature review, a survey is conducted on new product development teams to test the hypothesis. 82 project teams participated the survey. Findings demonstrate that the components of emotional capability –emotional recognition and emotional regulation- both have significant effects on innovation speed and innovation success. Moreover the analyze results indicates that the impact of emotional regulation on innovation success and speed is higher than the emotional recognition.

Keywords: emotional capability, innovation, team work

INTRODUCTION

In today's dynamic, harsh and turbulent environment, the use of project teams has become an essential for achieving significant goals or tasks (Green et al., 2005). The literature has addressed project management is considered as a core competence for firm success in general and new product development process in particular (Hillson, 2003; Danneels, 2002). Intense social interactions within project teams create many events that elicit emotions among team members. Also, by social interaction, emotions transmit from members to members. Accordingly it is critical for project teams to develop emotional capability; or which ability to perceive, understand, monitor, regulate, and use its members' emotions and to manifest its members' emotions in the organization's routines and structures (Akgun et al., 2007a; Reus and Liu, 2004; Huy, 1999).

There are many research studies addressing the impact of the emotional capability of individuals on innovation process (Akgun et al., 2007a). However, there is still a gap in the literature concerning the effects of emotional capability of the project teams on new product development performance. In this study with a view to enhancing the literature on new product development process, it is aimed to examine the emotional capability concept from both theoretical and practical perspective and demonstrate impact of a team's emotional capability on the outcomes of innovation process. The outcomes of innovation process are considered as the success and the speed. The project's success refers to the realization of the objectives assigned to the innovation process (Bourgeon, 2007). Project speed is another outcome which is increasingly recognized as an important factor for a firm's creating and sustaining competitive advantage (Kessler and Chakrabarti, 1996).

BACKGROUND

The Concept of Emotional Capability

Modern organizations seek for new techniques and solutions to improve their competitive position (Ladd and Chan, 2004). One of these new techniques is to use of project teams. As teams can bring more intellectual resources than the individuals, organizations frequently make use of teams to accomplish important tasks (Reus and Liu, 2004). The diverse levels of intelligences that individuals bring to the team can provide great supplementary value to the team's work. If these intellectual skills and abilities are left unmanaged, managers may not be achieving the optimal synergistic performance from the team as a whole (Green et al., 2005). So performance of project teams depends on the successful integration of diverse individual skills (Reus and Liu, 2004). Accordingly there is an emerging need to understand how to form and work within diverse teams so as to take advantage of their performance in an effort to accomplish organizational goals and tasks (Green et al., 2005). It is the value, norms and routines of a group that determine whether it functions as a high-performing team or becomes simply a loose collection of people working together. These value and routines are closely related to emotions and emotional capability of the team (Lyons and Schneider, 2005). Hence there is a growing interest in the concept of emotional capability (Wolff et al., 2002; Huy, 1999).

Emotional capability is basically described as a firm's or team's ability to perceive, understand, monitor, regulate, and use its members' emotions and to manifest them in the routines and structures (Huy, 1999). In other words, the term of emotional capability involves the organizational emotion management activities (Akgun et al., 2007b). As Daneels (2002) addresses groups consisting of brilliant individuals can make bad decisions if the group disintegrates into bickering, interpersonal competition, or power struggle. Promoting the emotional and intellectual growth of the members, emotional capability enables the team to work in synergistic way (Akgun et al., 2007b).

There are different categorizations and classifications regarding emotional capability. In his keystone study, Huy (1999), categorized emotional capability into six dimensions that express the emotional states of the organization or teams.

- Encouragement: represents the ability to inspire hope among all of its members (Akgun et al., 2007b; Huy, 1999, Akgun et al., 2007a)
- Display freedom: represents the ability to facilitate the variety of authentic emotions that legitimately can be displayed (and felt) in the organization (Akgun et al., 2007b; Huy, 1999, Akgun et al., 2007a);
- Playfulness: represents the ability of an organization or a team to create a environment that encourages experimentation and tolerates mistakes and failures (Akgun et al., 2007b; Huy, 1999, Akgun et al., 2007a)
- Experiencing: represents the ability of an organization's or a team's efforts to recognize the a range of emotions to accept and internalize them, and to operate on a deep level of understanding (Akgun et al., 2007b; Huy, 1999, Akgun et al., 2007a);
- Reconciliation: identifies the process of bridging seemingly opposing values within the team or organization (Akgun et al., 2007b; Huy, 1999, Akgun et al., 2007a)
- Identification: represents the common behavior whereby members articulate their commitment to salient organization or team characteristics (Akgun et al., 2007b; Huy, 1999, Akgun et al., 2007a).

On the other hand, Reus and Liu (2004) state that emotional capability is composed of two main components as emotional recognition and emotional regulation. This proposal is consistent with the Mayer and Salovey's (1997 from Yip and Martin, 2005) emotional intelligence conceptualization in which handles emotional intelligence from two perspectives as emotional awareness and emotional regulation. Rao (2006) states that emotional intelligence begins with the capacity for recognizing our individual's own feelings (self-awareness) and those of others (social awareness). According to Lanser (2000 from Rao, 2006), with such an awareness, it becomes possible to develop an ability for managing emotions effectively. Emotional recognition refers to the high levels of emotional awareness both in general and about specific group

members. Such ability requires deeper levels of appreciation of emotions established in a group's norms and routines. The second component emotional regulation refers to conscious and unconscious efforts of a group to manage felt and expressed emotions of members. It develops through practices, norms and routines that support to manage the member's own and each others emotional experiences (Reus and Liu, 2004). It is interesting to address that two classifications or sub-process of emotional capability seem to be narrowly defined version of the Huy's (1999) six emotional dynamics. As Reus and Liu's (2004) emotional capability categorization covers the Huy's (1999) six emotional dynamics and allows an easier analysis; we prefer to use this categorization in this study.

Emotional Capability and New Product Development Team Outcomes

The group behavior literature demonstrates that emotional capability has important consequences of performance (Reus and Liu, 2004). For example, Jordan and Troth (2004) state that emotional capabilities contribute to maintain effective, proper and informal relationships among team members, in turn, provides better information exchange and decision making, consequently result with a better team performance. Moreover Akgun et al. (2007a) note that emotional capability helps groups to observe, evaluate and use their members emotions to contribute to the innovation process. Emotional capability leads the members' emotions towards increase in innovativeness. On the other hand as the emotional capability promotes collaboration and cooperative behavior, people will have more willingness to exchange project related information in a timely way, and are inclined to assist the other people (Akgun et al., 2007a) and as a result this will contribute to the speed-to-market. Accordingly our hypotheses are offered:

H1a: Emotional recognition will be positively related to innovation success

H1b: Emotional regulation will be positively related to innovation success

H2a: Emotional recognition will be positively related to innovation speed

H2b: Emotional regulation will be positively related to innovation speed

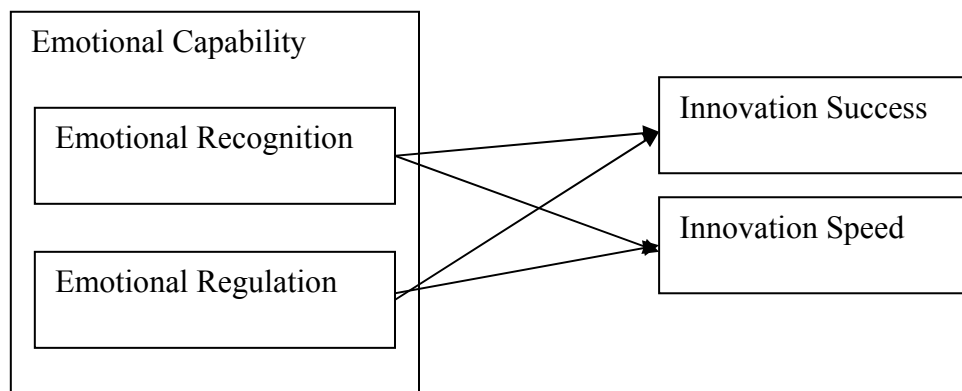


Figure 1. The theoretical model

METHODOLOGY

Data and Measures

The aim of this study is to evaluate the effects of emotional capability on innovation speed and success. In order to empirically investigate the hypothesis, new product development teams located around Kocaeli and İstanbul were surveyed. Using the documents obtained from KOSGEB, MAM and TEKMER, 150 firms among 1000 are identified as the target group of the research because of their availableness. Tools such as e-mail, letter and face to face interviews are used for gathering data. The analyze is conducted on team level. Minimum two members from each team claimed to participate the survey. As total of 170 questionnaires among 82 teams among 58 firms has returned. All constructs were measured with existing scales. All items were measured on a five point Likert-type scale where 1=strongly disagree and 5=strongly agree. Data is evaluated through SPSS 13.0. The relationships between the variables are tested using correlation, reliability, regression and factor analyses. The mean age of the participants were 29.27 (s.d.=5.58); the proportion of women, 9,8%, and married 69,5%. Of the participants, %81 had university educations and %38 had master education.

Emotional recognition: Emotional recognition is measured using the emotional capability scale adopted from Akgün et al. (2007).

Emotional regulation: Emotional regulation is measured using the emotional capability scale adopted from Akgün et al. (2007a).

Project speed: Project speed was measured using four items from Kessler and Chakrabarti's (1999) project speed scale

Project success: Project success was measured using seven items from Cooper and Kleinschmidt's (1987) project success scale.

ANALYSIS

Since the scales were used with a new sample, 27 items of independent variables and 11 items of dependent variables were submitted to exploratory analysis. A principal component analyses and scree plot indicated that five factors should be retained (eigenvalues above 1.0). The best fit of data was obtained with a principal factor analysis with varimax rotation.

The results of factor analyses show that the independent variables are gathered in three factors and the dependent variables are gathered into two. Factor 1 consists of fifteen emotional recognition items with an internal consistency reliability coefficient (Alpha) of 0,931. Factor 2 includes twelve emotional regulation items with an internal consistency reliability coefficient of 0,878. Factor 3 includes seven project success items with an internal consistency reliability coefficient (Alpha) of 0,894. Factor 4 includes four project speed items with an internal consistency reliability coefficient (Alpha) of 0,773. Table 1 shows the factor loadings of emotional recognition and emotional regulation while table 2 indicates the factor loadings of project speed and project success.

Table 1. Factor Analyses

Emotional Recognition	Fakto r1	Fakto r2
Our team creates a context that encourages experimentation	.718	
Our team tolerates mistakes of people who take initiatives	.516	
In our team, a safe and protective work environment, is created to test new team identities (such as new process, ideas) without premature lock-in	.629	
Our team has an ability to instill hope among of all its members	.764	
In our team, people are more willingly to undertake hard and uncertain duties when they believe that their efforts result in a positive manner	.642	
In our team, people, regardless their positions, have will and opportunity ton achieve their objectives	.746	
Managers in our team encourage enthusiasm	.679	
Managers in our team create an environment that supports the team member to reveal their courage	.846	
Managers in our team infuse hope and joy in the team	.800	
In our team, there is a strong communication and dialog between the managers and other members.	.773	
In our team, managers become the sources of inspiration for the people by sharing their original ideas; thus they motivate members to seek their own dreams	.702	
Our team has the ability to facilitate the variety of authentic emotions that legitimately can be displayed	.569	
In or team, people prefer to look for new alternatives instead of following existing patterns	.644	
In our team, people are encouraged to express their full range of emotions without fear of reprisal	.538	
In our team, managers evaluate the ideas derived from the team itself when they need creativity and specialized knowledge	.562	
Emotional Regulation		
Members of team firm stay together because there are mutual benefits: among the most important of those are the emotional bonds that develop over time in relation to self-identified		.630
Members of our team express their deep attachment to salient team characteristics such as values and beliefs		.527
Members of our team has a flexible attachment to the team		.614
Members of our team, defent the name and the reputation of the team excluding the boundaries of the work place		.560
Our team members have the ability to understand others' feelings		.650
People in our team communicate their emotions with others		.631
People are able to read the subtle social cues and signals given by others in order to determine what emotions are being expressed and understand the perspective of other individuals		.637
Our team makes an effort to reveal the feelings and emotions of members		.589
Our team uses the common feelings and emotions of team members in decision making		.661
People in our team can jointly develop a meaningful bridge between their various emotions		.683
People in our team feel the general feeling of another with no direct sharing of that person's experience		.511
People in our team experience the same or other appropriate emotions in response to others' feelings		.739

Table 2. Factor Analyses

Our product:	Factor3	Factor4
Project success		
Met or exceeded the first year number expected to be produced and commercialized	.616	
Met or exceeded overall sales expectations	.829	
Met or exceeded profit expectations	.860	
Met or exceeded return on investment expectations	.838	
Met or exceeded senior management expectations	.676	
Met or exceeded market share expectations	.810	
Met or exceeded customer expectations	.669	
Project speed		
Was developed and launched (fielded) faster than the major competitor for a similar product		.739
Was completed in less time than what was considered normal and customary for our industry		.821
Was launched on or ahead of the original schedule developed at initial project go-ahead		.709
Top management was pleased with the time it took us from specs to full commercialization		.669

Table 3. Mean value and standard deviation

	Mean Value	Standard Deviation	1.	2.	3.	4.
1. Emotional recognition	3,6256	,49836	(0,931)			
2. Emotional regulation	3,7895	,57382	,587(**)	(0,878)		
3. Project speed	3,5024	,64296	,386(**)	,424(**)	(0,894)	
4. Project success	3,5147	,69858	,483(**)	,540(**)	,462(**)	(0,773)

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

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

Means, standard deviations and inter-correlations are summarized in Table 3. Cronbach's Alpha values are shown using parentheses on the cross of the table. The findings show that on a bivariate level all the variables all positively and significantly related to each other.

Regression

Table 4. Regression results for emotional recognition and emotional regulation and project success.

Independent variables	β	Sig
Emotional recognition	0,233*	0,056
Emotional regulation	0,329**	0,008
Dependent variable: Project success, $R^2= 0,234$, $F= 13,340$		

** : $p < 0, 01$, * : $p < 0,05$ (2-tailed)

In the first regression analyze we investigated the influences of emotional recognition and emotional regulation on project success. The regression model is significant as a whole ($F=13,340$: $p < 0, 01$) ; it explains %23,4 of the change of project success. The findings show that as we predicted in H1a emotional recognition (high levels of emotional awareness both in general and about specific group members) and as we predicted in H1b emotional regulation (conscious and unconscious efforts of a group to manage felt and expressed emotions of members) both have positive and significant effects on project success. So our hypothesis H1a and H1b are fully supported.

Table 5. Regression results for emotional recognition and emotional regulation and project speed.

Independent variables	β	Sig
Emotional recognition	0,254*	0,028
Emotional regulation	0,391**	0,001
Dependent variable: Project speed, $R^2= 0,316$, $F= 19,753$		

** : $p < 0, 01$, * : $p < 0,05$ (2-tailed)

In the second regression analyze we investigated the influences of emotional recognition and emotional regulation on project speed. The regression model is significant as a whole ($F=19,753$: $p < 0, 01$) ; it explains %31,6 of the change of project speed. The results indicate that as we predicted in H2a emotional recognition (high levels of emotional awareness both in general and about specific group members) and as we predicted in H2b emotional regulation (conscious and unconscious efforts of a group to manage felt and expressed emotions of members) both have positive and significant effects on project speed. So our hypothesis H2a and H2b are fully supported.

CONCLUSION

In this study, we tried to offer a contribution to the literature by presenting a model for researchers and project managers to understand potential interrelationships among a team's emotional capability, and project outcomes as project success and project speed in the context of new product development project teams. The findings of the study demonstrated that scales which are developed in Western countries, are appropriate for an emerging economy and eastern country; Turkey. Measures demonstrated high validity and reliability, and model results were similar with the empirical studies completed in developed and western countries.

Specifically, this study empirically demonstrated the role of emotions on the project outcomes. Our findings showed that both emotional recognition and emotional regulation are significantly and positively related to the development and launch of a software product fast and successfully in the market place. This means that

high levels of emotional awareness both in general and about specific group members and conscious and unconscious efforts of a group to manage felt and expressed emotions of members are imperative for project success and project speed.

Moreover the results indicate that the impact of emotional regulation) on success and speed of new product development teams is higher ($\beta=0,329$ and $\beta=0,391$ $p<0,01$ respectively) than the effect of emotional recognition ($\beta=0,233$ and $\beta=0,254$ $p<0,05$ respectively). This means that conscious and unconscious efforts of a group to manage felt and expressed emotions of members are more important for new product development teams than high levels of emotional awareness both in general and about specific team members.

The findings of this study can not be taken as definite evidence because several limitations to the study results deserve commentary. First, these results reported here emerge from a local area; results may differ for teams located on different areas that are operating in different cultural, environmental and political conditions. Second, there was not an industrial separation while evaluating data; results may differ for different industries such as software, manufacturing and service. Despite these limitations, this study provides important implications from theoretical and practical perspectives. This study provides empirical evidence regarding the important role of emotions for project outcomes; project speed and project success.

In conclusion, our results indicate a significant relationship between emotional recognition, emotional regulation and project outcomes. Our findings also reveal that emotional regulation is more important for project outcomes than the emotional recognition.

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EFFECTS OF CROSS FUNCTIONAL INTEGRATION, CO-DEVELOPMENT AND TEAM AUTONOMY ON INNOVATION PROCESS: AN EMPIRICAL STUDY

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ABSTRACT

This study explores the relationship between cross functional integration, co-development, team autonomy, and innovation speed and innovation success. The impact of project team management variables on the speed and the success of innovation process is empirically examined for 82 new product development projects executed. Empirical analysis shows that cross functional integration and co-development have positive effects on both the speed and the success on the new product development process. Moreover team autonomy is found to be positively and significantly related to innovation speed while the results provide no evidence in support of the relationship between team autonomy and innovation success. Another key finding of the study is that cross functional integration is more important for innovation success while co-development is imperative for innovation speed.

Key words: New product development, cross functional integration, co-development, team autonomy, innovation.

INTRODUCTION

There is an emerging recognition that innovation is important to a firm's creating and sustaining competitive advantage in today's harsh and rapidly changing business environments. Innovation process has an extended history of academic and practitioner concern (Fredericks, 2005). Still there has been little theoretical advancement concerning the factors influencing the outcomes of the innovation process such as success and speed.

Teams are in the middle of a modern renaissance. Even though teams in organizations are not so new; they have recently gain importance as a primary unit of organizational structure (Ancona, 1990). In order to understand the determinants of innovation success it is necessary to examine the project teams. In today's dynamic, turbulent and ever-changing environment, the use of teams has become an imperative for accomplishing significant goals or tasks within most organizational settings (Green et al., 2005). A great deal of economic activity depends on the success of teams composed of organizational members (Reus and Liu, 2004). Considering the complex and multidimensional nature of new product development process; it is widely accepted that the success of innovation process relies on teams (Tatikonda and Rosenthal, 2000; Green et al., 2005, Eisenhardt and Martin, 2000)

Given the fact that the use of teams is becoming a structural norm generally in organizations particularly in new product development process; it is an essential to get the highest degree of skill utilization from all members of the team in an effort to enhance speed and success of the innovation process (Green et al., 2005). Reviews of the innovation and product development literature suggests that many team related factor such as cross functional integration, collaboration, co-development and team autonomy influences the innovation speed and success (Kessler and Chakrabarti, 1996).

BACKGROUND

Cross Functional Integration

Development of innovative and unique products typically requires the different kinds of knowledge and expertise. Thus assembling a diversity of experts to take part in an NPD project can result in a breakthrough new product. However, the existence of specialists does not guarantee this end, without the cross-functional integration. By synergistically blending together specialists from different areas of specialization, backgrounds and departments, integration exploits their different talents and knowledge toward formulating advantage in new products (Nakata et al., 2006; Sherman et al., 2005). For example Thieme et al. (2003), declares that teams function more efficiently when members with different backgrounds and from different functions share knowledge and understand different perspectives. Moreover Sherman et al. (2005) states that cross-functional integration influences product development cycle time, product development project success and failure rates.

Accordingly our first and second hypotheses are offered.

H1: Cross-functional integration is positively related to innovation speed.

H2: Cross-functional integration is positively related to innovation success.

Co-development

Co-development is basically described as the representativeness of customers, suppliers, stakeholders and other external groups in innovation process (Kessler and Chakrabarti, 1998). In the context of co-development; the technology originator, supplier and the customer become intimately involved in an integrated or joint development project, where parties contribute their expertise to the development process. In turn, this involvement is considered to affect the speed and the success of the innovation project (Neale and Corkindale, 1998). For example Carbonell and Rodriguez (2006) states that representativeness of external groups on development process decrease development time by increasing goal congruence amongst the functional groups, bringing more creative potential to problem solving, and ensuring the availability of critical input

Accordingly our third and fourth hypotheses are offered.

H3: Co-development is positively related to innovation speed.

H4: Co-development is positively related to innovation success

Team Autonomy

Autonomy is the degree to which an organization, a group or an individual has power with respect to its environment. Autonomy implies the decentralization of decision-making power to those who will do the job. There are several organizational levels and kinds of autonomy. An intermediate organizational level is that of the team level (Tatikonda and Rosenthal, 2000; Hoegl and Parboteeah, 2006). Teams often face increased job complexity and autonomy (Man and Lam, 2003). Team autonomy is a crucial feature of cross-functional teams engaged in a new product program encourages managers to support the team than interfere in its decision making. (Gerwin and Moffat, 1997). Man and Lam, (2003) emphasize the potential of the team autonomy to increase cohesiveness, which in turn translates into performance and success. On the other hand, Kessler and Chackrabarti (1996) state that decentralizing the decision making. Can speed the development because it disseminates the power required to go against the status quo, increases the members' involvement in and awareness about a project and consequently strengthens the members' commitment to it.

Accordingly our fifth and sixth hypotheses are offered.

H5: Team autonomy is positively related to innovation speed.

H6: Team autonomy is positively related to innovation success

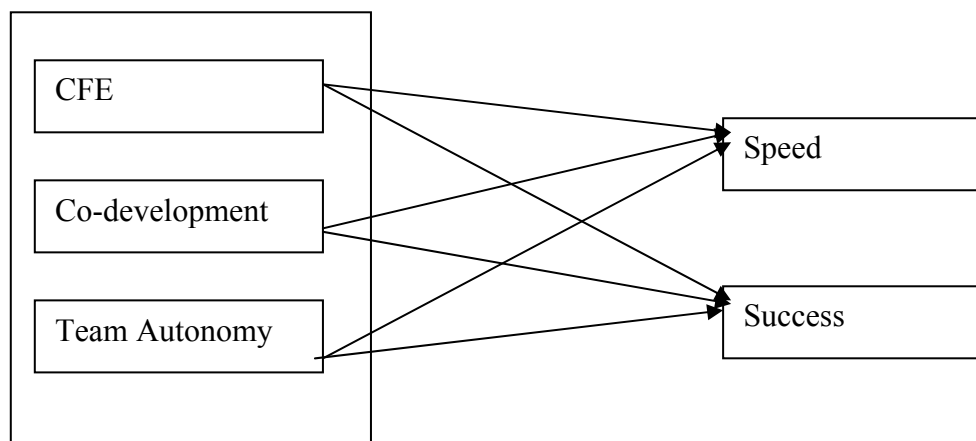


Figure 1. The theoretical model

METHODOLOGY

Data and Measures

The aim of this study is to evaluate the effects of cross-functional integration, co-development and team autonomy on innovation speed and success. In order to empirically investigate the hypothesis, new product development teams located around Kocaeli and İstanbul were surveyed. Using the documents obtained from KOSGEB, MAM and TEKMER, 150 firms among 1000 are identified as the target group of the research because of their availableness. Tools such as e-mail, letter and face to face interviews are used for gathering data. The analyze is conducted on team level. Minimum two members from each team claimed to participate the survey. As total of 170 questionnaires among 82 teams among 58 firms has returned. All constructs were measured with existing scales. All items were measured on a five point Likert-type scale where 1=strongly disagree and 5=strongly agree. Data is evaluated through SPSS 13.0. The relationships between the variables are tested using correlation, reliability, regression and factor analyses. The mean age of the participants were

29.27 (s.d.=5.58); the proportion of women, 9,8%, and married 69,5%. Of the participants, %81 had university educations and %38 had master education.

Cross-functional integration: Cross-functional integration was measured using five questions adapted from García, Sanzo and Trespalacios (2008), who derived the items from Pinto and Pinto (1990), Kahn (1996) and Song et al. (2000).

Co-development: Co-development was measured using four items from Athaide et al.'s (2003) co-development scale.

Team autonomy: Team autonomy was measured using four items from Sethi's (2000) team autonomy scale

Project speed: Project speed was measured using four items from Kessler and Chakrabarti's (1999) project speed scale

Project success: Project success was measured using seven items from Cooper and Kleinschmidt's (1987) project success scale.

ANALYSIS

Since the scales were used with a new sample, 12 items of independent variables and 11 items of dependent variables were submitted to exploratory analysis. A principal component analyses and scree plot indicated that five factors should be retained (eigenvalues above 1.0). The best fit of data was obtained with a principal factor analysis with varimax rotation.

Table 1. Factor Analyses

	Factor1	Factor2	Factor3
Cross functional integration			
Marketing and R&D helped each other to accomplish their tasks in the most effective way	,746		
The departments tried to achieve goals jointly.	,779		
The departments shared ideas, information and/or resources.	,581		
The departments took the project's technical and operative decisions together.	,603		
There was open communication between the departments	,656		
Co-development			
Our team co-designed the product with the customers and suppliers		,774	
Our team co-developed this product with the customers and suppliers		,878	
Our team worked consistently with the customer/suppliers to solve the specific problems related to the product		,885	
Team autonomy			
Senior managers outside the team did not interfere the teams work unless the team requested their help			,675
Senior management provided self-administration for the team			,776
The team had a major role in making important decisions about the product.			,684
The team was allowed to do the project work as it deemed fit.			,821

Table 2. Factor Analyses

Our product:	Factor4	Factor5
Project success		
Met or exceeded the first year number expected to be produced and commercialized	.616	
Met or exceeded overall sales expectations	.829	
Met or exceeded profit expectations	.860	
Met or exceeded return on investment expectations	.838	
Met or exceeded senior management expectations	.676	
Met or exceeded market share expectations	.810	
Met or exceeded customer expectations	.669	
Project speed		
Was developed and launched (fielded) faster than the major competitor for a similar product		.739
Was completed in less time than what was considered normal and customary for our industry		.821
Was launched on or ahead of the original schedule developed at initial project go-ahead		.709
Top management was pleased with the time it took us from specs to full commercialization		.669

The results of factor analyses show that the independent variables are gathered in three factors and the dependent variables are gathered into two. Factor 1 consists of six cross functional integration factors with an internal consistency reliability coefficient (Alpha) of 0, 74. Factor 2 includes three co-development items with an internal consistency reliability coefficient of 0, 834. Factor 3 includes four team autonomy items with an internal consistency reliability coefficient (Alpha) of 0, 738. Factor 4 includes four project speed items with an internal consistency reliability coefficient (Alpha) of 0, 773. Factor 5 includes seven project success items with an internal consistency reliability coefficient (Alpha) of 0, 894. Table 1 shows the factor loadings of cross functional integration, co-development and team autonomy while table 2 indicates the factor loadings of project speed and project success.

Table 2. Mean value and standard deviation

	Mean Value	Standard Deviation	1.	2.	3.	4.	5.
1. Cross-functional integration	3,4530	,62621	(0,740)				
2. Co-development	3,4495	,95762	,210	(0,834)			
3. Team autonomy	3,8059	,60405	,272(*)	-,084	(0,738)		
4. Project speed	3,5147	,69858	,442(**)	,153	,282(*)	(0,773)	
5. Project success	3,5024	,64296	,306(**)	,276(*)	,223(*)	,462(**)	(0,894)

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

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

Means, standard deviations and inter-correlations are summarized in Table 3. Cronbach's Alpha values are shown using parentheses on the cross of the table. On a bivariate level project success was positively related to all variables while project speed was positively related to cross functional integration and team autonomy. According to the correlation results, all the independent variables have direct relationship between each other except co-development.

Regression

Table 4. Regression results for cross functional integration, co-development, team autonomy and project speed.

Independent variables	β	Sig
Cross-functional integration	0,371**	0,001
Co-development	0,091	0,377
Team autonomy	0,189*	0,075
Dependent variable: Project speed, $R^2=0,201$, $F=7,812$		

** : $p < 0,01$, * : $p < 0,05$ (2-tailed)

In the first regression analyze we investigated the influences of cross functional integration, co-development and team autonomy on project speed. The regression model is significant as a whole ($F=7,812$: $p < 0,01$) ; it explains %20,1 of the change of project speed. The findings shows that as we predicted in H1 cross functional integration (blending together specialists from different areas of specialization, backgrounds and departments) and as we predicted in H5 team autonomy (decentralization of decision-making power to the team than the senior management outside the team) both have positive and significant effects on project speed. However the results do not provide any empirical evidence in support of the relationship between co-development (the representativeness of customers, suppliers, stakeholders and other external groups in innovation process) and project success. So our hypothesis H1 and H5 are supported while H3 is not.

Table 5. Regression results for cross functional integration, co-development, team autonomy and project speed.

Independent variables	β	Sig
Cross-functional integration	0,202*	0,071
Co-development	0,249*	0,022
Team autonomy	0,188*	0,086
Dependent variable: Project success, $R^2=0,141$, $F=5,426$		

** : $p < 0,01$, * : $p < 0,05$ (2-tailed)

In the second regression analyze we investigated the influences of cross functional integration, co-development and team autonomy on project speed. The regression model is significant as a whole ($F=5,426$: $p < 0,01$); it explains %14,1 of the change of project speed. The findings shows that as we predicted in H2 cross functional integration (blending together specialists from different areas of specialization, backgrounds and departments);as we predicted in H4 co-development(the representativeness of customers, suppliers, stakeholders and other external groups in innovation process) and as we predicted in H6 team autonomy (decentralization of decision-making power to the team than the senior management outside the team) all have positive and significant effects on project success. Accordingly our hypothesis H2, H4 and H6 are fully supported.

CONCLUSION

Most of the technology and innovation management literature (TIM) is grounded and empirical studies are completed on organizational level rather than team level. But project teams are important for today's dynamic economy in which the success of organizations are increasingly determined with the success of small, autonomous work groups. Accordingly, enhancing the TIM literature with team level studies is imperative for both scholars and practitioners.

In this study, the relationships between cross functional integration, co-development, team autonomy, project speed and project success are tested in project teams of a developing country, Turkey. The findings of the study demonstrated that scales which are developed in Western countries, are appropriate for an emerging economy and eastern country; Turkey. Measures demonstrated high validity and reliability, and model results were similar with the empirical studies completed in developed and western countries.

The findings show that blending together specialists from different areas of specialization, backgrounds and departments and transferring the of decision-making power and providing freedom to the team play an important role on both project speed and project success. This means that in order to enhance the project speed and project success teams should be grounded on members from a variety of different discipline and specializations who have enough power to give their own decisions and express their ideas concerning the project.

The findings also reveal that co-development contributes to project success while it is not related to project speed. Representativeness of customers, suppliers and other parties in the project team may be a complicated and time consuming process; so while enhancing the success, co-development can be an barrier for speeding the project.

The findings of this study can not be taken as definite evidence because several limitations to the study results deserve commentary. First, these results reported here emerge from a local area; results may differ for teams located on different areas that are operating in different cultural, environmental and political conditions. Second, there was not an industrial separation while evaluating data; results may differ for different industries such as software, manufacturing and service. Despite these limitations, this study provides important implications from theoretical and practical perspectives. This study indicates that cross functional integration, autonomy and co-development are important variables of project outcomes; formulating an effective project team can lead firms to great profits

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INNOVATION-ORIENTED ORGANIZATIONAL CULTURE A FIELD STUDY ON SMES IN MERSIN-TURKEY

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ABSTRACT

In order to meet competitive demands, one has to be innovative not only at strategic level but also at employee level in business. Recently, in business activities more concern has been given to innovation and the formation of innovation-oriented organizational culture has been dealt with. An atmosphere where effective leadership and creativity are the preconditions for innovative characteristics. Innovation can be put forward by creating a working atmosphere which lets development and application of it. In this study, it was aimed to define the level of importance attached to innovation by the organizations in their cultural structure and whether the answers change according to the size of the organization. A questionnaire developed for this purpose was applied to Small and Medium Enterprises entrepreneur/managers in Mersin situated on the southern coast of Turkey. The data got from these enterprises are examined in one way Anova analysis and it is figured out that the importance given to innovation by the small enterprises is much more than the micro and medium enterprises.

Keywords: Innovativeness, Culture, SMEs

INTRODUCTION

According to Arenofsky (2000), innovation is being destroyed if in an organization new ideas are generally subject to criticism stress level of the employees rise; originality is lost because of suspicions on new ideas and different alternatives are not put forward. In order to create an innovative culture in organizations, the managers should deal with the systems of reward and punishment related to this subject, the management of team organizations and have a suitable concept of leadership.

Innovation is generally connected with ideas and inventions which are unusual. Innovation is not only appeared in research laboratories or art studios but also in real life problem solving activities.

Many national (Eren and Gündüz, 2006; Yeloğlu, 2007) and international (Dombrowski *et.al.*,2007; Williamson, 2001, Markides and Anderson, 2006, Martins and Terblanche, 2003, McLean, 2005; Irani and Sharp, 1997) studies have been done connected with innovation and creativity in organizations. Much of the research in creativity has focused on intelligence and personality, problem solving, genius, organizational creativity (Bhawuk,2003:2).

1. Innovation and Creativity in Organizations

Creativity is not synonymous with innovation. Rather 'Innovation is the successful implementation of creative ideas by an organization' (Amabile, 2000: 332). This definition distinguishes between the generation of new ideas and their implementation (West, 2002). While creativity is the dominant factor, one also has to demonstrate a high level of initiative to bring ideas to the implementation stage (Amabile, 2000; Kanter, 1988; Mumford & Gustafson, 1988; Van de Ven, 1986). Creativity is the personal characteristic that is most clearly associated with innovation.

Although there are some definitions related to creativity, a certain definition of it does not exist. Creativity has been defined in different ways by many researchers. Creativity is improving the ability of thinking in a flexible way. Flexible thought covers free thinking (Meissner, 1999:66). The most accepted definition is "creativity is defined as the production of novel ideas that are useful and appropriate to a given situation

(Amabile *et.al.*, 1996:1154). In another one, creativity is defined as making and re-ordering connections between the information in human brains so as to create new and different ideas which could be accepted as useful by others (Yildirim, 1998:29).

There are four basic components in the structure of creativity : Originality; people's having new ideas or applying existing ideas to new situations. Expression; whether to internalize the new applications or the ideas pretended to state. Social assessment; displaying ideas and applications of people that have different experiments and perspectives. Social approval; the state of motivating or hindering for activities which are more creative and approved by others (Fischer *et.al.*, 2005:484).

2. The Importance of Innovative Cultural Atmosphere

Culture is a group of assumptions concerning what kind of an atmosphere exists or should exist which determines the perceptions, ideas, feelings and to a degree behaviours of a group of people (Shein, 1996). Also values and norms force it to control and pursue human behaviours (Hofstede 1980). Culture shapes the present system of values which is particular for a specific group of people and development of personality characteristics that motivate people to accommodate with other societies (Mueller and Thomas, 2000:58).

According to Hofstede (1991) national, occupational and organizational cultures shape the behaviours of a person in workplace. Organizational culture can be seen as the sample of basic assumptions and beliefs developed through the inner integration and congruity of social group's history with outside world (Schein,1990). According to Peters and Waterman (1984), system of shared values constitute the basis of organizational culture.

The roles, authority connections, values and working arrangements which constitute the structure of every social constitution feed or compress creativity of people in that workplace (Williamson, 2001:541). Things put forth by innovators need a systematic and working in discipline. For this reason, innovative organizations could be departed from the ones that have no organizational characteristics (Subramanian, 1996) and they can eliminate rivals with the help of this advantage.

On the other hand, the fact that operational culture, engineering culture and senior administrative culture are not generally parallel could be a reason for the failure of the programmes devoted to innovation in a firm (Ahmet and Abdalla, 1999:423).

At the organizational culture inventory of Cooke and Lafferty (1989), importance is attached to creativity, completion of a duty successfully and personal improvement in organizations which have culture apt to Proving Oneself. Because, creativity is a personal fact and it occurs within the limits of personality, society and culture or within an innovative atmosphere out of these limits. One of the ways of discovering new strategic positions is to create an innovative culture. This way points out what the behaviour creates in an organization and the importance of "condition" and "environment" at an organization. Here environment means firm culture, its encouragement, structure and people. If people are more creative, environment supports creativity (Markides,1998).

In order to bring about an effective realization of innovative culture, organizations need to seek careful understanding of the following organizational traits (Dombrowski *et.al.*, 2007:200):

- a. Industry domain where the organization operates,
- b. Nature of the competition, including an organization's own competitive advantages and those of its competitors,
- c. Array of products and services offered by the organization
- d. Organizational structures, including roles and functions fulfilled by subunits and individuals,
- e. Mechanisms of innovation, such as a channel to embrace external knowledge sources,
- f. Distribution of expert knowledge across organizational units,
- g. Roles of information and communication technologies as effective tools to further the eight elements,
- h. Innovation types.

One way to change organizational culture can be to understand the elements of organizational culture and having understood those elements, to imbibe relevant elements of culture into the organization. The literature around organizational culture offers several possibilities, and different elements of innovative cultures that sometimes conflict and sometimes are complementary, because there are many different ways to encourage innovation. Not all strategies can be executed at the same time by the same company. Changing a pattern of interaction across a business will likely require several elements combined with complementary business strategy around innovation. Table 1 contains a summary of these elements (Dombrowski *et.al.*, 2007:191).

Table 1. Elements of Innovative Cultures

	Innovative mission and vision statements	Democratic communication	Safe spaces	Flexibility	Collaboration	Boundary spanning	Incentives	Leadership
Typical Emphasis	Single organizational goal	Participation by all employees	Teams or units with resources and facilitation	Open-mindedness and questioning of protocol and procedures	Communication and joint problem-solving	Collaboration across various organizational boundaries	No spot bonuses, every employee has innovative responsibility	Successful innovations need champions who can manage innovation from ideas to successful commercialization.
Example Organization	Office of the Director of National Intelligence	Whirlpool	Samsung VIP center	Many Japanese companies	Siemens	IDEO	Leo Burnett	IT companies
Tactics	Defining universal mission and vision statements	Brainstorming, anonymous input, communities of practice	R&D Groups, skunk works	Job-swapping (geographic or functional), cross-functional collaboration	Cross-functional teams, learning environment, ICT emphasis	Identifying boundary spanners	Employee innovativeness is a component of annual review	Innovative ideas can be made a success by finding a suitable idea sponsor
Pitfalls	Departments may have their own agenda and may not identify themselves with the mission and vision statements.	Desire for security may lead to risk-aversion	Innovation diffusion more difficult	Lack of deep, expert knowledge	Experts may spend more time teaching than working on their own projects	Challenge is in developing employees to be successful on boundary spanners	Annual reviews may be too far away to motivate employees.	Idea sponsors may not see merit in the innovative idea
Most encouraged type of Innovation	All	Incremental or modular	Radical or modular	Incremental	All	Incremental	All	Usually radical, though incremental innovations may need champions too

3. Effects of Culture on Innovativeness

Consumers, producers, research institutions and firms which attach importance to process and products based on design have desired to build and use technology-based organizational connections that promote rivalry advantage (Ritter and Gemünden, 2003:745). Because, on the contrary to “Supportive” organizations, “researcher” organizations are more apt to be connected with producing new products and services during the process and more volunteer to get out of the routine for flexibility. Analysts are more interested in the process which is related to the importance of adapting, applying and marketing of innovation in an effective way. (Cabrera *et.al.*, 2001:255). However, many organizations ignore the importance of innovation which has a role in achieving to be the leader in the sector. There are two reasons for this ignorance: Firstly, every new idea has generally a potential to create serious discussions. Secondly, organizations and individuals often endeavour to hinder every new idea in order to keep status quo. This situation causes organizations to be static. On the other hand, successful organizations have learnt to create a workplace atmosphere encouraging creativity in order to achieve renewing and growing (Ahmed and Abdalla, 1999: 423). However, while there is consensus that culture is an important determinant of organizational innovativeness, it is difficult to change organizational culture (Tucker, 2002).

Muffatto (1998) suggested that in the innovation process, the creation of an innovative climate and related professional knowledge and capabilities are needed to support innovation activities. Hence, there is a need to change organizational arrangement and culture in order to foster innovation. Organizational characteristics of innovative organizations are therefore different and distinguishable from those of non-innovative companies (Subramanian, 1996).

In the implementation of innovation, firms have to create an organizational climate that fosters innovation by ensuring employee skills, providing incentives, and removing obstacles (Klein & Sorra, 1996). Such an organizational climate must fit with the cultural values of a growth or developmental orientation.

4. Small and Medium Enterprises in Turkey and Innovation

For SMEs which are the most crucial tools of economy, it is necessary to have an innovative structure and concern it as a basic dynamic in order to keep their sustainability. This situation not only concerns firms at micro level, but also it should turned out to be a public policy. Yet, the portion assigned for R&D from Turkey’s budget (0.66) is lower than EU member countries (for EU15 1.92 and for EU25 1.86). Moreover, % 90 of this portion is for personnel expenditure and only % 10 of this portion can be spent for R&D. Besides, the number of patents registered by National Patent Office in Turkey is relatively low as 7.2; this number is 12.5 in Bulgaria and 80.2 in Poland (Özcer,2008:79). As seen in Figure 1, compared to Small and Medium Enterprises, it is more common to create new products among large companies, exporters and foreign companies.

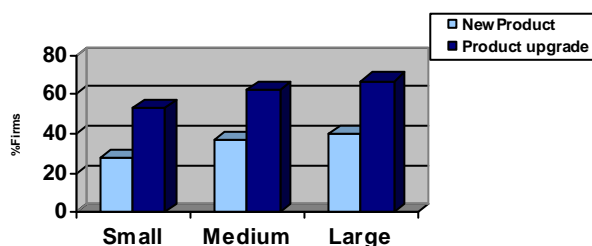


Figure 1. The Rates of Creating New Products of Companies According to Their Size

On the other hand, Turkey is at 44th in rank among 55 countries with 4.61 points from 10 in terms of SME’s productivity in IMD International Competitiveness Year Book WCY-2007 (http://www.tepav.org.tr/tur/admin/ann/2005_yillik_rapor.pdf:68). Despite these results, these are some applications in Turkey tied to the innovative policies of SMES (Çolakoğlu and Pamuk, 2008:70):

- a. Technology Development Areas and TEKMERs are highly important settings for R&D studies of innovative and data-based SMEs; also crucial tax incitements are put forth with Act 4691; KOSGEB and TÜBİTAK offer financial support with payback or as donation.

- b. In Technology Development Areas, in order to support more SMEs the government decided that KOSGEB should support TGBs and arrangements for this support has been started.
- c. Funds have been separated from the national sources for İŞGEMs that were opened to service with the help of WorldBank and EU so as to build SMEs attaching importance to creativity.

METHOD

This study was designed and implemented in order to determine whether the owners/managers of SMEs attach importance to innovation in their texture. Present SMEs functioning in Mersin, situated on the southern coast of Turkey, form research universe. The number of these organizations was found to be 1303 (<http://www.kosgeb.gov.tr/veritabani/default.aspx>). All the SMEs functioning in Mersin Organized Industry Zone, Industry Estate and Free Zone form the sample of this study. The number of these organizations was found to be 326 and forms %25 of the study universe. Furthermore, the number of the owners/managers of these organizations who accepted to take part in this study was 110 and the data was found to be enough to assess for feedback. At the first part of the study, a questionnaire consisted of 22 questions and formed based on Lau and Ngo's (2004) study was structured by supplying language equivalence using translation-re translation. At first, questionnaires were sent to e-mail addresses of the organizations, but because there wasn't enough feedback, they were distributed by hand and taken back with visits. 110 questionnaires were found to be enough to make an assessment. However, some of the questionnaires were not found to be suitable in terms of its data and by eliminating some of them 103 questionnaires in total were subjected to assessment. In this part of the research, Cronbach alpha value was found for testing reliability of the scale, and item analysis was conducted for testing validity. Questionnaire forms obtained from 103 entrepreneurs/managers of SME were subjected to factor analysis in order to display the factor structure related to the variables by using SPSS 11.0 program; reliability analysis in order to determine the internal consistency (alpha values) of these factors; correlation analysis in order to specify the interrelations of the variables; and in terms of whether the data were distributed normally, at last whether the answers given related to creativity have differences in terms of SMEs' being micro, small and medium, they were subjected to one of the parametric tests which is one way ANOVA analysis. Questions concerning the innovativeness in the questionnaire were scaled according to Likert scale as strongly (1) strongly disagree (2) disagree (3) not sure (4) agree (5) strongly agree.

The results of the varimax rotative heuristic factor analysis done for the purpose of displaying the factor structure related to the variables are given in Table 2. In the results of the factor analysis, a structure with one factor was obtained connected to 11 questions out of 22 related to creativity. The alpha coefficient concerning the variables was found to be as 0.810.

Table 2. Factor Values Related to The Questions Present in The Used Scale

Component Matrix	
	Component
Culture 1	.540
Culture 2	.583
Culture 3	.576
Culture 4	.583
Culture 5	.571
Culture 6	.603
Culture 7	.583
Culture 8	.628
Culture 9	.645
Culture 10	.639
Culture 11	.543

FINDINGS

Demographic characteristics of the SME owners/managers took part in the study were displayed in Table 3. As seen in the table, most of the owners/managers (%77.7) were men. The portion of the owners/managers taking part in the study between the ages 20-30 was % 35 and the portion of the ones between 31-40 was % 37.9. If to consider their education, the owners/managers of SMEs were mostly (%56) graduated from university. The size of the SMSs taking part in the study was analyzed according to SME classification for Turkey (Müftüoğlu, 1991); the portion for micro sized organizations was % 44.7, for small sized enterprises it was %42.7 and for medium-size enterprises it was %15.4.

Table 3. Demographic Characteristics of The Owners/Managers Taking Part In The Study

Number of subjects by	Number of Respondent	Percent of Respondent
Gender		
Female	23	22.3
Male	80	77.7
Age range		
20-30 years old	36	35.0
31-40 years old	39	37.9
41-50 years old	23	22.3
≥ 51 years old	5	4.8
Education		
Primary and Secondary School graduate	6	6.0
High School graduate	37	36.0
Bachelor's degree	58	56.0
Master's/Doctoral degree	2	2.0
Distribution of SMEs		
Micro sized enterprises (1-9)	46	44.7
Small sized enterprises (10-49)	44	42.7
Medium sized enterprises (50-199)	13	12.6

11 questions, related to the importance attached to innovation in cultural structure by Small and Medium Enterprises taking part in the study, were subjected to analysis. The expressions present in the scale used in this study and their mean are displayed in Table 4. From the mean of the answers given by the owners/managers of SMEs taking part in this study, it is understood that they attach importance to innovation in their cultural structure. When to consider that the organizations took part in the study were mostly micro enterprises (44.7%) and small enterprises (42.7%), the results seem to be encouraging.

Table 4. The Ideas of SME Owners/Managers Related to The Importance Attached to Creativity in Cultural Structure

		N	Mean	SD
1	The head of our firm is generally considered to be an entrepreneur, an innovator, or a risk-taker	103	3.78	.95
2	The glue that holds our firm together is commitment to innovation and development.	103	4.06	.87
3	My employees are involved in the decisions related to themselves.	103	3.69	.91
4	Using initiative, creativity and imagination is crucial for my organization.	103	3.53	1.26
5	Problem-solving sessions are practiced in my organization.	103	3.52	1.17
6	Team performance is more important than individual performance in my organization.	103	3.69	1.02
7	Quality circles are practiced in my organization.	103	3.82	1.04
8	Quality improvement teams are practiced in my organization.	103	3.22	1.07
9	We provide a considerable amount of training.	103	3.51	1.14
10	Our performance appraisals emphasize outcomes.	103	3.82	.94
11	Employee transfers to new functional areas and/or new units are used as a development activity in our firm.	103	3.17	1.15

It was subjected to analysis whether the importance attached to innovation in organizational culture by the SME enterprises/managers taking part in the study show any difference according to the organization size. For this purpose, because the data obtained distributed normally, in order to make a analysis one way variance analysis which is one of the parametric tests was used. As seen in Table 5, concerned to the answers given in terms of organization size are different from each other, results were found to be % 5 statistically significant ($P < 0,05$).

Table 5. Results of The One Way Variance Related to The Assessment Differences of Owners/Managers According to SMEs Size Taking Part in The Study

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	320,593	2	160,297	3,647	0,030
Within Groups	4394,902	100	43,949		
Total	4715,495	102			

If to consider the descriptive statistics obtained from the results of analysis done, it is seen that the highest mean score belongs to small enterprises and then micro organizations come.

Table 6. Descriptive Results Related to The Assessment Differences of Owners/Managers According to SMEs Size Taking Part in The Study

	Descriptive Statistics				
	N	Mean	Std.Dev.	Minimum	Maximum
Micro sized enterprises	46	39.80	6.04656	22.00	54.00
Small sized enterprises	44	41.11	5.54145	31.00	53.00
Medium sized enterprises	13	35.46	10.91341	11.00	49.00
Total	103	39.82	6.79929	11.00	54.00

DISCUSSION AND RESULT

This study deals with examining the differences of Small and Medium Enterprises in respect to adopting organizational culture that has innovative characteristics. Innovation has become the industrial religion of the late 20th century which has always been essential for the organizations' long-term survival; however, it currently plays an even more crucial role in the company's future to follow the rapid pace of markets' evolution (Santos-Vijande and, Álvarez-González, 2007; 514). Innovation is the type of organizing personal relations among individuals or producing and applying new ideas for the purpose of reaching goals (Mumford,2002). The understanding of innovation is gaining ground: innovation refers to a behavior of enterprises, planning and implementing changes in their practices, in order to come up with new products, processes, services or organization (Rothwell, 1992, 222).

At the same time, the terms innovation and creativity have the characteristics of determining organizational climate, leadership type, organizational culture and structure for corporations (Andriopoulos, 2001). These corporations attempt to realize the innovation practices in order to keep the change they are in; in the case of failure to realize and transferring it, there would be problems to adopt it into their cultural structure.

According to Abrahamson (1991), employees who wish to appropriate innovation in their organizations must have some knowledge about innovation. For this reason, employees should believe in the advantages of this new knowledge. It needs innovative culture for the corporations in order to be ready for these kinds of difficulties.

This study analyzed organizational culture with innovative characteristics with a focus on Small and Medium Enterprises in Mersin which situated on the southern cost of Turkey. Based on the average responses given by SMEs owners/managers, it is concluded that they attach importance to organizational culture which has innovative characteristics. If to consider that most of the corporations participating in this study are micro enterprises (%44.7) and small enterprises (%42.7), the results seem to be encouraging. Because the staff costs are high, it could be a reason for small enterprises to appropriate innovative culture in order to have fewer employees by using newest technology. The use of newest technology decreases the need for labor force. Also, because the owners/managers are young, they have a tendency to have positive attitudes for using new technologies.

Based on the results concerning demographic characteristics of SME owners/managers taking part in this study, it is seen that most of them are well-educated young men.

From the results of the one way variance analysis concerning whether the opinions of owners/managers related to innovative culture vary according to the corporation size, a significant difference was found at 0.05 level ($p=0.03$). From the descriptive statistics concerning this difference, it was seen that small enterprises attach more importance to innovation compared to micro and medium enterprises. Though financial structure of small enterprises is not suitable for R&D studies, responses concerning the importance of innovation in cultural structure could be interpreted as signals for innovation progress in the future. As mentioned before, investments for R&D are relatively low compared to other investments and therefore the number of patents registered is also low. For these reasons, it is inevitable to make creative thinking as a part of culture and to create dynamics in this direction for ensuring sustainability of SMEs in such a system. Also, SMEs have to supply education which will encourage innovation studies and independent study environments to employees, encourage employees to participate in decisions and accept change as inevitable. At the same time, 7. Environment Program offers crucial opportunities for improving technological and innovative capacity of SMEs.

This study handles with only the SMEs functioning Organized Industry Zone, Industry Estate and Free Zone in Mersin. For the future studies it would be suitable to make inter-sector comparisons and expand the scope of the study by including large enterprises. Or searching the cultural structure of corporations which have innovative characteristics could be recommended for the researchers who wish to do research in this subject.

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EXTENT OF FAMILY INFLUENCE ON FAMILY FIRM INNOVATIVE BEHAVIOR: A STUDY ON SMALL SIZED FAMILY FIRMS IN ISTANBUL

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ABSTRACT

The main objective of this study is to find out the impact of family influence and organizational structure on the innovative behaviour of small family firms. In this study, it is proposed that for innovation the components of family influence that are power, experience and culture, have to be supported by organic organizational structure. The developed scale is applied to 75 independently owned and operated small family firms in Istanbul. Our findings show that for innovation the components of family influence have to be supported by mechanistic organizational structure. The implications are crucial since the Turkish small family firms have to improve themselves in order to compete in the national and international market. Strategic thinking and innovative behaviour would increase the competitive advantage of small family firms in the national and international arena.

INTRODUCTION

Family businesses constitute a major portion of the economies (Astrachan and Shanker, 2003; Chrisman et al., 2005; Morck and Yeung, 2003). Evidence from the studies shows that family businesses are prevalent throughout societies (Heck and Trent, 1999; Erdoğan, 2007; Karpuzoğlu, 2001), for example in 1996; over 8.6 million families (1 out of 10 households) owned a business: a family business in USA. These family businesses generated over US\$10 trillion in gross revenue (Heck and Stafford, 2001). Besides, families make a substantial contribution to family businesses (Olson et al., 2003). Based on data in the 1997 NFBS (Stafford, 2002), in 1996, family owners risked over US\$86 trillion in family assets—not business assets—for the sake of their businesses. In that same year, 21.6 million family members worked in their business without pay (Olson et al., 2003).

The situation is not so different in Turkey, %98 of the businesses are family businesses (Erdoğan, 2007; Karpuzoğlu, 2001) and 98.3 % of business establishments in Turkey are small businesses and 95.03% of total employment in Turkey is working in small businesses (National Statistical Institute, 2002). These facts make the situation critical as to support the small businesses and to understand the family nature of those businesses for the benefit of both the economy and the owning families.

In order to support the well being of the small family businesses, the strategic thinking must be brought to their operations. Only through strategies, a firm competes and tries to reach its ultimate goals (Miller et al., 2000). As stated by Ray et al. (2004), resources and capabilities alone do not have an impact on the performance unless they are turned into a process and according to Barney, (1991) and Chrisman et al., (1998) the resources and capabilities of the small firm affect the performance indirectly through strategy. On the other hand, having the most valuable and rarest resources is not sufficient for better performance unless they are turned into a strategy (Chandler and Hanks, 1994; Chrisman et al., 1998).

However, only recently topic of family business has attracted the attentions of the researchers (Astrachan et al., 2002; Chrisman et al., 2005; Klein et al., 2005). One reason why family business has not been more widely accepted as a topic of serious research is that no accepted definition of what constitutes a family firm exists (Chrisman et al., 2005; Klein et al., 2005). Besides, according to Astrachan et al. (2002), efforts to give precise descriptions on family vs. nonfamily creates more problems than it attempts to solve, when there is no precise dichotomy. A detailed review of definitions employed in studies reveals that assessing the extent of family influence is important in order to capture the distinction between the family and non family types of entities (Astrachan et al., 2002). Penttila (2003) also states that the focus of attention of family business researchers seems to be shifting from simple categorizations to recognition of the importance of family influence. This is very crucial to understand one facet of the highly complex organizations- family firms.

Although previous researchers have addressed the reciprocal nature of the family and the business within the family business setting, few have explored quantitatively the family and its interaction with, and effects on, the business (Heck and Stafford, 1999). The model employed in this study provides this quantitative measurement opportunity to the researchers. By having this opportunity, the family business research area can be moved to the strategic thinking as to investigate the resources of the businesses and analyze the strategic alternatives within the innovative nature.

Innovation is an important behaviour that has to be employed within all firms regardless of their types or sizes. Without an original idea or making a difference for the market, the firm cannot survive for a long period of time. Even after the establishment, the firm has to continue this innovative behaviour to protect its market share and survive in the market. As also stated by Pelham (1999), differentiation strategy is best suited for small firms with advanced marketing capabilities because it requires external focus.

Furthermore, the strategic management literature emphasizes the importance of the alignment of strategy and structure of an organization for superior performance. The organization implements its strategy through its structure, processes and systems (Chrisman et al., 1999; Covin and Slevin 1989, 1991; Duchesneau and Gartner, 1990; Miller, 1983; Slevin and Covin, 1990). Structure is one of the distinguishing characteristic of an organization because it determines the allocation of work and responsibilities among its members. Therefore, the structure of an organization is influential on many organizational activities (Miller, 1987).

This study investigates the relationship between the extent of family influence, organizational structure and innovation in small family businesses. It is proposed that the extent of family influence in small family firms have an impact on the innovative behaviour of the businesses. In addition, the family influence has to be supported by appropriate organizational structure for improved innovative behaviour. Therefore, this study also analyzes the relationship between family influence and organizational structure in small family firms. The implications are crucial since the Turkish small family firms have to improve themselves in order to compete in the national and international market. Successful and growing of family based SMEs distributed to each region of Turkey would improve regional development. Strategic thinking and innovative behaviour would increase the competitive advantage of small family firms in the national and international arena.

Resource-based view in family businesses

Resource-based view concentrates on the firm's specific resources and argues that these resources can provide competitive advantage to the organization (Khatri, 2000). In other words, internal resources enable the firm to survive and compete in the market (Tece, et al., 1997; Wernerfelt, 1984). Another assumption of the resource-based view is that the strategy of the firm should be based upon the resources of the organization (Barney, 1991; Wernerfelt, 1984). In this approach, the internal capabilities of the firm affect the strategy formation of the firm (Barney 1991; Wernerfelt, 1984). As Covin and Slevin, (1991) state resources and capabilities are extremely important for the management of a firm. These resources have to enable the organization to implement the strategies that will improve its efficiency and effectiveness. Thus,

they are the foundations of a firm's strategy (Covin and Slevin, 1991; Grant, 1991). In accordance with above explanations, resource-based view argues that organizations with different strategies will have significantly different characteristics because the resources that are the foundations of strategies are heterogeneous and immobile (Hewitt-Dundas and Roper, 2001).

Although employing valuable and rare resources is important; how these resources are used is vital for the organizational performance (Wiklund and Shepherd, 2003). The resources and capabilities of the small firm affect the performance indirectly through strategy (Barney, 1991; Chrisman et al., 1999). Developing the highest performing strategy is not enough for success; the organization should have access to necessary resources and appropriate capabilities to perform this strategy. On the other hand, having the most valuable and rarest resources is not sufficient for better performance unless they are turned into a strategy (Chandler and Hanks, 1994a; Chrisman et al., 1999).

As stated by the resource-based view, resources enable firms to implement strategies and the strategy of an organization has to be designed in a way that makes the most of internal resources and capabilities (Barney, 1991; Chandler and Hanks, 1994a; Covin and Slevin 1991; Grant, 1991; Hewitt-Dundas and Roper, 2001).

In short, resource-based perspective emphasizes the importance of internal factors as the determinants of strategy and the growth of the firm (Davidsson and Wiklund, 2000) and resources are taken as important components of strategy (Carmeli and Tishler, 2004; McGee, et al, 1995; Miles and Snow, 1978).

In the following the organizational resources - power, experience, culture and structure, of the small family firm will be explained.

F-PEC Scale:

Family businesses are, by their nature, complicated by dynamics within the owning family (Olson et al., 2003). These dynamics not only affect business performance but also business culture, power, experience, structure and innovation over time. Based on this premise, the F-PEC model was chosen to guide the research. One of the reasons for this choice was the flexibility of the model. It emphasizes the extent of family influence on businesses. As Klein et al. (2005) state, the family influence on power, experience, and culture (F-PEC) helps to understand one facet of the complex organization, family influence, and by allowing measurement of this family influence, it can add to our understanding of under what conditions influence is exercised and with what effect .

In fact, family influence on family businesses has been attracted the researchers and the focus of attention of family business researchers seems to be shifting towards the recognition of the importance of family influence (Penttila, 2003). F-PEC scale has inspired various researchers in that way; Koiranen (2002, p. 178) stated that this measure introduces a new conceptual model "which offers an excellent common ground or platform for sharpening family business definitions"; Niemelä (2003) in her study developed a model on the F-PEC scale, serving as a framework for her study on inter-firm cooperation and networking; and in their study Chrisman, Chua, and Sharma (2003) mentioned that the F-PEC scale "is a promising framework for characterizing a continuous spectrum of firms according to the components-of-involvement approach".

The F-PEC scale provides a means to explore all businesses along a continuum from intensive family involvement to no family at all. Actually, family is a source of distinct resources via the channels of Power, Experience, and Culture. In the scale power represents regulatory and financial resources; experience represents positional resources based on previous endeavours; and culture represents resources such as shared values, vision, and the aptitude of the organization. As stated by Klein et al., (2005) these three sources combined can lead to functional resources, including knowledge and skills.

Power: Ownership, Governance, and Management

The F-PEC Power subscale measures the proportion of shares, the percentage of top management positions, and the proportion of board seats held by the family. Power subscale assesses the degree of overall influence or dominance of family members. As Klein et al., (2005) mention this level of influence via ownership, management, and governance is viewed as interchangeable and additive, although this is an empirical question as well.

Experience: Generation in Control

The Experience according to Klein et al., (2005) refer to the summed experience that the family brings into the business and is operationalized by the generation in charge of management and ownership (the more generations, the more opportunity for relevant family memory). The Experience subscale relates to succession and to the number of family members contributing to the business. In some studies business can be viewed only as a family business when a transfer to the next generation is intended (Barach and Ganitsky, 1995; Heck and Scannell Trent, 1999).

Culture: Family versus Business Values

In the F-PEC scale, culture refers to values and commitment; an underlying assumption is that commitment is rooted in and shaped by the values of a family. According to Carlock and Ward (2001), “the family’s commitment and vision of itself are shaped by what the family holds as important . . . For these reasons, core family values are the basis for developing a commitment to the business” (p. 35). In this perspective, family that is highly committed to the business is likely to have a **fundamental** impact on the business. A number of items comprising the Carlock and Ward (2001) Family Business Commitment Questionnaire are integrated into the F-PEC Culture subscale. As Klein et al., (2005) states family commitment is seen in the overlap of business and family values.

Structure

The organizational resources and capabilities of the small family firms are mainly resembled within their structures. As Covin and Slevin, (1990) state, organizational structure is an important resource and capability for the small firms. The organization implements its strategy through its structure, processes and systems (Chrisman et al., 1999; Covin and Slevin 1989, 1991; Duchesneau and Gartner, 1990; Miller, 1983; Slevin and Covin, 1990). Structure is one of the distinguishing characteristic of an organization because it determines the allocation of work and responsibilities among its members. Therefore, the structure of an organization is influential on many organizational activities (Miller, 1987). Mechanistic structures inhibit innovative strategies whereas innovation prospers in organic structures (Miller and Friesen, 1982; Romano 1990). Organic structure is usually related to better performance amongst small firms since most of the small firms operate in hostile and dynamic environments. The structure dimension in this research is the level of organic structure the small family firms have. Organic structure is characterized by the extent to which loose, informal control is emphasized, and being flexible is underlined in every aspect of the work (Brown et al., 2001).

Innovation

Innovation is important benefit of the small family firms. It is assumed that around 95% of all innovations are developed by new and smaller organizations. Innovation per employee in the fast growing small businesses is twice the innovation per employee in the larger firms (Daft, 2000). In order to establish a new business, the individual entrepreneur should have a new idea of some sort. He has to develop a new product, a different production process or an unusual service. New and small firms may sometimes even create new industries (Wiklund, 1998). Innovation is defined by Lumpkin and Dess (1996, p. 142) as “the tendency of a firm to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products, services or technological processes”. Innovation is measured by the scale developed by Covin and Slevin (1989).

Based on literature review, the following research model which aims to measure the extent of family influence on family firm innovative behaviour is developed.

H1: Small family businesses, having higher levels of family influence- power, experience, and culture are associated with higher levels of innovation.

H2: Small family businesses, having higher levels of family influence- power, experience, and culture when supported by higher levels of organic characteristics in their structural design are associated with higher levels of innovation.

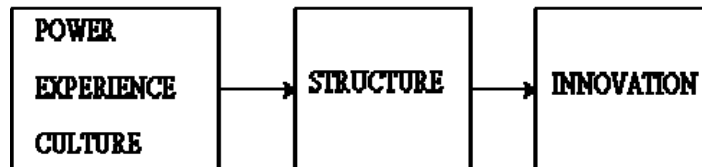


Figure 1: The Proposed Research Model

METHODOLOGY

Survey Instrument

A survey was used as a research instrument and was applied to the owner/managers. The questionnaire is composed of 3 parts which are F-PEC scale, innovation and structure. The questionnaire has 20 items in total. Each of these will be explained in the following parts.

The extent of family influence is measured by a standardized and valid instrument, the F-PEC which is developed by Astrachan et al. (2002). This enabled the study to assess the family influence on a continuous scale rather than restrict its use as a categorical (e.g., yes/no) variable. The F-PEC comprises three subscales: power, experience, and culture. For the culture subscale the participants were asked to indicate their degree of agreement with these statements on a six-point scale ranging from “strongly disagree”=1 to “strongly agree”= 6.

Innovation is measured by the scale developed by Covin and Slevin (1989). The structure dimension which shows the level of organic structure that small firms have, is measured by the scale developed by Brown et al., 2001. The participants were asked to indicate their degree of agreement with these statements on a six-point scale ranging from “strongly disagree”=1 to “strongly agree”= 6.

Study Sample

Our unit of analysis was small sized family firms. Data was collected from 75 independently owned small sized family firms that employ less than 150 employees in Istanbul.

Results

In this study, the collected data was initially analyzed by reliability and factor analysis. The relationships between dependent and independent variables were tested by hierarchical regression analysis.

Reliability and Factor Analysis of Culture Subscale

The culture subscale has 12 items in total. After the first factor analysis, 3 factors emerged and no item was eliminated due to low factor loadings or reliability. These factors were labeled as “shared values”, “commitment”, and “family values”.

Table 1. Reliability and Factor Analysis of *Occupational Status Choice Attitude Index*

	Factor loadings	Variance Explained	Cronbach alpha	Number of items
<i>Shared Values</i>		24.256	0.794	5
There is so much to be gained by participating with the family business on a long-term	0.763			
I understand and support my family's decisions regarding the future of the family business.	0.755			
Deciding to be involved with the family business has a positive influence on my life.	0.730			
Family members agree with the family business goals, plans, and policies.	0.654			
Family members really care about the fate of the family business.	0.592			
<i>Commitment</i>		19.095	0.749	4
Family members support the family business in discussions with friends, employees, and other family members	0.747			
Family members feel loyalty to the family business.	0.701			
Family members are proud to tell others that we are part of the family business.	0.683			
Family members are willing to put in a great deal of effort beyond that normally expected to help the family business be successful.	0.637			
<i>Family Values</i>		16.992	0.699	3
Your family and business share similar values.	0.815			
Your family has influence on your business.	0.749			
Your family members share similar values.	0.694			
Total Variance Explained		60.344	0.844	12
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.720			
Bartlett's Test of Sphericity				
	App. Chi-Square	387.101		
	df	66		
	Sig.	0.000		

Reliability and Factor Analysis of Structure

The 5 items measuring academic support were loaded on two factors after the 1st factor analysis. One item had to be eliminated due to low levels of reliability. The factor analysis was run again and two factors emerged. They were labeled as “loose control” and “freedom”.

Table 2. Reliability and Factor Analysis of Structure

	Factor loadings	Variance Explained	Cronbach alpha	Number of items
<i>Loose Control</i>		39.197	0.652	2
We prefer tight control of funds and operations by means of sophisticated control and information systems. (R)	0.871			
There is a strong emphasis on getting line and staff personnel to adhere closely to their formal job descriptions. (R)	0.831			
<i>Freedom</i>		37.635	0.685	2
We strongly emphasize getting things done even if this means disregarding formal procedure.	0.914			
Employees' operating styles are allowed to range freely from very formal to very informal.	0.799			
Total Variance Explained		76.832	0.641	4
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.582			
Bartlett's Test of Sphericity				
App. Chi-Square	54.520			
df	6			
Sig.	0.000			

Reliability and Factor Analysis of Innovation

The 3 items measuring innovation were loaded on a single factor. One item had to be eliminated due to low levels of reliability. The remaining two items were labeled as innovation.

Table 3. Reliability Analysis of Innovation

	Cronbach alpha	Number of items
<i>Environment for Innovation</i>	0.653	2
In our firm There is a very strong emphasis on R&D, technological leadership and innovation.		
During the past 3 years our firm has marketed, excluding mere minor variations no new lines of products or services (R).		

Results of Multiple Regression Analysis

The relationships between dependent and independent variables were tested by hierarchical regression analyses.

Hierarchical Regression Results for Innovation

The first model includes F-PEC where F-PEC does not have a significant relation with innovation. Therefore, H1 is rejected. When organic structure dimensions are included in the second model, the model becomes significant and R square increases to 0.331 from 0.030. H2 is accepted. In this model, loose control has a significant but negative relationship with innovation with $\beta = -0.472$.

Table 4. Hierarchical Regression Results for Innovation

Independent Variables Entered	Model 1			Model 2		
	B	SE B	β	B	SE B	β
F-PEC	0.455	0.326	0.172	0.455	0.276	0.172
ORGANIC STRUCTURE						
Loose Control				-0.594	0.137	-0.472*
Freedom				-0.168	104	-0.176
Adjusted R Square	0.014			0.298		
R Square	0.030			0.331		
Δ in R Square	0.030			0.301		
Sig. F Change	0.167			0.000		
F for Δ in R Square	1.950			13.949		
F for ANOVA	1.950			10.213		
N=75 /*p< 0.05						

CONCLUSION AND IMPLICATIONS

The results of the factor analysis revealed same results with the previous studies. The hierarchical regression results showed that f changes between the models were significant. In the first model the F-PEC does not have a significant contribution to innovation however when structural elements were included, the model becomes significant.

In line with the suggestions of Miller (1987), the structure of an organization is influential on many organizational activities. This is consistent with our findings. In this study, F-PEC concept when supported by “structural” design elements of the organizations lead to higher level of “innovation” in small family firms. However, the findings were conflicting with the previous studies in such a way that the structure was supposed to be organic for innovation. This is mentioned in their studies of Miller and Friesen, (1982) and Romano (1990). They stated that, mechanistic structures inhibit innovative strategies whereas innovation prospers in organic structures. Besides, organic structure is usually related to better performance amongst small firms since most of the small firms operate in hostile and dynamic environments.

In summary this means that the F-PEC concept when supported by “structural” design elements of the organizations lead to higher level of “innovation” in small family firms. However, it has to be noted that in this study “the structure” was found to be more mechanistic rather organic in order to lead to higher level of innovation which is contradictory to literature.

This paper makes some valuable contributions to the study of small family business and strategic thinking. First of all, family influence-power, experience and culture, were measured in a quantitative manner. The factor analysis findings were supporting the previous studies. This would encourage the researchers to measure the effects of family influence in different settings.

Furthermore, there are studies investigating the relationship between innovation and structure exists, but this relationship is mostly investigated in larger establishments. However, because innovation is usually considered as a large firm phenomenon, this can still be researched in the small family firms where it is not so common. The case of family business is a bit different. Although it is widely used as a concept, the use of influence of family in empirical studies is rare. There is also limited knowledge about the relationship between influence and innovation. In addition, family influence and innovation are rarely combined and their interaction with each other is not a widely researched area. Innovation is taken as a strategy and family influence and structural design characteristics were taken as strategic resources of the business. This study proves that there is an interaction between these resources and strategies which has a positive impact on small family businesses in Turkey. In other words, these concepts are thought as complimentary. The findings of hierarchical regression confirms this assumption and significant results show that family influence when supported by structure lead to higher innovation in small family businesses.

For researchers, the operationalization of family vs. nonfamily firms has been a matter of concern from the very beginning and the application of the F-PEC scale in a different setting is a valuable contribution to the family business research.

The findings of this study are also valuable for the small firm owner/managers. The importance of innovation can not be underestimated and these findings provide useful information to the owner-managers to the small size family firms to how to support their innovative behaviour within their firms. This study provides them guidance about the strategic orientation and management practices they have to employ for better performance. In fact, the Turkish small firms have to improve themselves in order to compete in the national and international market. Successful and growing of family based SMEs distributed to each region of Turkey would improve regional development and entrepreneurial potential of individuals. Innovations and creative products/services would increase the competitive advantage of small family firms in the national and international arena.

In conclusion, we can say that there is limited knowledge about the relationship between the extent of family influence and innovative behaviour of the small family firms and this study examines this interaction. Besides it also provides evidence on the combined impact of the family influence and the structure on small family firm innovative behaviour.

There are some limitations of this study. First of all, this study covers only the relationship between family influence and structural characteristics and their impact on innovation. However, further studies may cover further concepts like entrepreneurial behaviors of the small family businesses.

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THE STRATEGIC IMPORTANCE OF INNOVATIVENESS FOR SUSTAINABLE COMPETITIVE ADVANTAGE: THE CASE OF SUPPLY CHAIN MANAGEMENT PRACTICES IN THE TURKISH AUTOMOTIVE INDUSTRY

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ABSTRACT

This paper reports and discusses the findings of a study on companies in the Turkish Automotive Sector operating in the Organized Industrial Regions. In this study the impact of supply chain management practices, as an organizational innovation, on achieving sustainable competitive advantage is analyzed. The results of the study indicate that companies that have more collaborative relationships with both their suppliers and customers have higher organizational performance compared to those that have more adversarial relationships.

Keywords: Competitive Advantage, Supply Chain Management, Turkish Automotive Industry, Organized Industrial Regions.

INTRODUCTION

Globalization process brings some threats and opportunities for enterprises/companies. Converting the threats into opportunities is important in terms of getting positive added value from competition in international markets. Especially the automotive industry which is produced is a leading sector in many countries is affected heavily from global developments. Besides its production, employment, supplier industry and relations with the related industry the Turkish automotive industry which is the biggest exporter also is the locomotive sector of the economy according to the data of year 2007.

Innovation is one of the most important criteria of a sustainable competition power. According to Schumpeter who has pioneer studies in this field innovation is the benefit obtained from commercialized invention and consists of strong confidence of entrepreneur to the innovation (Janszen, 2000: 3). Schumpeter has identified innovation in five ways. These are; producing a new product or service, increasing quality of product or service, using a new production method, developing a new market, finding new supply sources and rearranging the working conditions (Çoban, 2003: 130).

The firms operating in automotive industry must manage the value network effectively. Because of this, the importance of Supply Chain Management (SCM) including supplier-manufacturer and manufacturer-customer relations grows rapidly nowadays.

Closer relationships with suppliers and customers are taken to contribute to the measures taken internally to improve quality, reduce costs of purchased parts/components, obtain better response by suppliers/customers to design changes, increase schedule flexibility and so forth. In addition in more collaborative relationships companies work together to improve quality, reduce cost and eliminate waste, which contributes positively to a firm's competitiveness. As it is seen in Table-1 there are many studies on indicating the impact of SCM practice to the company performance.

TABLE 1. Literature on The Impact of Supply Chain Management on Company Performance

Performans Criteria	Literature
Improving quality	Flynn et al., 1996; Adam et al., 1997; Hendricks and Singhal, 1997; Choi and Eboch, 1998; Easton and Jarrell, 1998; Samson and Terziovski, 1999; Fynes and Voss, 2001; Şen, 2006;
Reducing in costs	Hahn et al., 1986; Trevelen, 1987; Carr and Pearson, 1999; Stock et al., 2000; Zsidisin and Ellram, 2001; Şen, 2006,
Improving delivery	Noordewier et al., 1990; Roth and Miller, 1990; Handfield and Pannesi, 1992; Heide and John, 1992; Handfield, 1995; Hicks et al., 2000;
Reducing delay time	Bozarth et al., 1998; Hicks et al. 2000; Wu and Choi 2005;
Reducing purchasing costs	Bozarth et al., 1998; Carr and Pearson, 1999; Zsidisin and Ellram, 2001; Narasimhan and Das, 2001; Wu and Choi 2005;
Taking part in product innovation activities and reducing new product development time	Vickery et al., 1995; De Toni and Nassimbeni, 1999; Chung and Kim, 2003; Wu and Choi 2005; Petersen et al., 2005.
Reducing transportation costs	Williamson, 1985; Cox, 1996; Dyer, 1997; Noteboom et al., 1997; Saxton, 1997; Heide and John, 1990; Zajac and Olsen, 1993.
Long term relations	Dyer and Ouchi, 1993; Zajac and Olsen, 1993; Dyer and Singh, 1998;
Reducing production delay time	Handfield and Pannesi, 1995; Bertolinia et al., 2007.
Increasing customer satisfaction and rapid responding to customers.	Anderson and Narus, 1990; Hendrick, 1994; Anderson et al., 1995; Mohr et al., 1996; Samson and Terziovski, 1999; Das et al., 2002; Yeung et al., 2003;

From the perspective of gaining sustainable competitive advantage through innovation (organizational) in the Turkish Automotive Sector in terms of the impact of SCM practices (i.e. relationships with suppliers and customers) is the major objective of this study. In this context statistical analyses are carried out to investigate the relationship between company performance and SCM practices. The automotive sector has been chosen as the research context since SCM has crucial importance due to nature of the manufacturing process, the universal nature of the manufacturing process allows international comparisons, and it is an important and locomotive sector both in the world and in Turkey.

A STUDY OF THE IMPACT OF SUPPLY CHAIN MANAGEMENT PRACTICES ON ORGANISATIONAL PERFORMANCE

Research Methodology

The most appropriate research method to be used with a specific research problem depends upon the overall research objectives and characteristics of the population and other numerous factors. This study focuses on the following points.

- a) Is there any relationships between the nature of supplier-manufacturer (buyer, purchaser) relationships and company performance?
- b) Is there any relationship between the nature of manufacturer-customer relationships and company performance?
- c) Do companies who have more collaborative relationships with both their suppliers and customers outperform their competitors?

In view of the explanatory and exploratory nature of the research aims, for the purpose of primary data collection, this study adopted a survey based research design. The questions of the survey instrument were developed through considering previous researchⁱ and the guidelines by Oppenheim (1992) and Foddy (1998).

The data set utilized to achieve the research objectives was obtained through a survey that was conducted as part of a comprehensive research project which was sponsored by the State Planning Organization and focused on "Evaluating Organized Industrial Regions in Turkey and Developing Strategy: A Comparison of Sub-Regions". 3034 usable questionnaire were obtained of which 110 were from companies in the automotive sector operating in 58 different cities of Turkey. More than half of them (60,9%) were located in the Marmara Region, not surprising since the Turkish Automotive Sector is mainly located in this region.

In the questionnaire 27 items were related to the nature of SCM relationships (i.e. manufacturer-supplier, manufacturer-customer) and organizational performance. With respect to SCM practices Respondents were asked to evaluate the items on a five-point scale where 1 represented strongly disagree, 5 strongly agree. 6 items were used to establish the nature of relationships with suppliers (Cronbachs alpha 0,79), 5 items were used to establish the nature of relationships with customers (Cronbachs alpha 0,78) and 16 items were used to evaluate company performance through managers self-assessment (Cronbachs alpha 0,86). Scale ranged from 1 much lower than competitor to 5 much better from competitor.

Research Findings and Discussions

In this section the survey results are presented and discussed

Manufacturer (buyer/purchaser)-Supplier Relationships

As seen in Table 2, when choosing a supplier companies concern quality as the most important factor. The mean scores for the other items also indicate a strong preference of companies on more collaborative relations in terms of manufacturer-supplier relationships.

ⁱ See Gules, 1996; Stock et al, 2000; Hicks et al, 2000; Narasimhan and Das, 2001; Fynes and Voss, 2001; Bonner ve Calanton, 2005; Peterson et al, 2005;

TABLE 2. Manufacturer-Supplier Relationships

Supplier Relationship Criteria	Mean	Std. Dev.
When choosing suppliers quality is taken as the most important factor.	4,29	0,68
We solve problems jointly with suppliers	4,15	0,77
We provide support to our suppliers in improving their products' quality	4,08	0,75
We involve our key suppliers in our continuous improvement process	3,88	0,74
We involve our key suppliers to our strategic planning process	3,74	0,81
We involve our suppliers to our product development process	3,67	0,85
Total (mean of nature of manufacturer-supplier relations)	23,82	3,21

Notes: (i) $n=104$; (ii) mean score is a weighted average derived from the scale of 1 strongly disagree to 5 strongly agree; (iii) scores are significantly different on the Friedman two way Anova test ($\chi^2=367.103$, $p<.001$); (iv) the reliability coefficient for these variables was 0.79, thus indicating that the individual values can be added together to calculate a composite manufacturer-supplier relationship score.

Manufacturer-Customer Relationships

Similar to manufacturer-supplier relationships there is a high preference among surveyed companies in terms of having close relationships with customers (see Table 3)

TABLE 3. Manufacturer-Customer Relationships

Customer Relationship Criteria	Mean	Std. Dev.
Customers are taken into account when establishing reliability, response rate and similar standards	4,17	0,65
Customers information and assistance requests are taken into account	4,12	0,75
Future customer expectations are frequently evaluated	4,08	0,75
Customer satisfaction is measured and evaluated frequently	4,07	0,79
The importance of customer relationships are evaluated periodically	3,95	0,84
Total Score (mean of nature of manufacturer-customer relationship)	20,38	2,76

Notes: (i) $n=102$; (ii) mean score is a weighted average derived from the scale of 1 strongly disagree to 5 strongly agree; (iii) scores are significantly different on the Friedman two way Anova test ($\chi^2=313.252$, $p<.001$); (iv) the reliability coefficient for these variables was 0.78, thus indicating that the individual values can be added together to calculate a composite manufacturer-customer relationship score.

Company Performance

Table 4 illustrates respondents' rating of how they evaluated their companies' performance compared to their rivals.

TABLE 4. Company Performance

Performance Criteria	Mean	Std. Dev.
Providing durable/robust products	4,27	0,69
Providing high quality products for customers	4,26	0,66
Providing reliable deliveries	4,26	0,64
Delivering customer orders on time	4,19	0,72
Making changes in products to meet customer requirements	4,19	0,69
Providing high safety products	4,17	0,75
Delivering intermediate products on time	4,17	0,69
Answering customer demands better by providing new features	4,15	0,74
Being able to compete on quality base	4,10	0,83
Providing customer specific products	4,10	0,67
Providing competitive prices	3,98	0,77
Introducing products fastly to the market	3,86	0,88
Developing new products fastly	3,84	0,92
Being first (pioneer/leader) in introducing new products to the market	3,75	1,04
Providing products at the same or lower prices of competitors	3,73	0,88
Having shorter time to market compared to industry average	3,45	1,13
Total Performance	64,46	7,14

Notes: (i) $n=101$; (ii) scale ranges from 1 much lower than competitor to 5 much better than competitor; (iii) scores are significantly different on the Friedman two way Anova test ($\chi^2=127.788$, $p<.001$).

In order to calculate a composite company performance score the Cronbach's alpha score was calculated. The value was 0.86, thus showing that the individual performance values can be added together to form a composite company performance score.

A factor analysis was carried out to see whether the individual performance criteria, in scope of our research, could be grouped under certain categories. For this purpose, the 16 performance criteria were subjected to principal components factor analysis with VARIMAX rotation. Four factors resulted from this analysis which were coherent with the literature (see Table 1). These four groups explained 65.42% of the variance in the data (see Table 5)

TABLE 5. Factor Analysis-Company Performance

Factor/Item	Factor Scores			
	1	2	3	4
<i>Quality-Delivery Performance (Cronbach alpha=0.86)</i>				
Providing durable/robust products	0,79			
Delivering intermediate products on time	0,75			
Providing high quality products for customers	0,74			
Providing high safety products	0,69			
Delivering customer orders on time	0,67			
Providing reliable deliveries	0,66			
Being able to compete on quality base	0,50			
<i>Time Based Performance (Cronbach alpha=0.81)</i>				
Developing new products fastly		0,85		
Being first (pioneer/leader) in introducing new products to the market		0,81		
Introducing products fastly to the market		0,74		
Having shorter time to market compared to industry average		0,71		
<i>Innovativeness-Performance (Cronbach alpha=0.81)</i>				
Making changes in products to meet customer requirements			0,86	
Answering customer demands better by providing new features			0,76	
Providing customer specific products			0,74	
<i>Financial Performance (Cronbach alpha=0.67)</i>				
Providing products at the same or lower prices of competitors				0,79
Providing competitive prices				0,70
Eigenvalue	5.39	2.35	1.44	1.29
Percentage of variance (%)	33.69	14.65	9.02	8.06
Total Variance Explained	65.42%			

Notes: (i) KMO=0.778, Barlett's test of sphericity=506.10, $p < .001$

Naming the extracted factors was remarkably clear. As seen Table 5, “providing durable/robust products, delivering intermediate products on time, providing high quality products for customers, providing high safety products, delivering customer orders on time, providing reliable delivers and being able to compete on quality base” are loaded together on factor 1. This factor was named ***Quality-Delivery Performance***, and it accounts 33.69% of the total variance. Factor two, which composed of “developing new products fastly, being first (pioneer/leader) in introducing new products to the market, introducing products fastly to the market and having shorter time to market compared to industry average” was named ***Time Based Performance***. Factor three comprised “making changes in products to meet customer requirements, answering customer demands better by providing new features and providing customer specific products” and was named ***Innovativeness Performance***. The fourth factor was named ***Financial Performance*** and was

composed of “providing products at the same or lower prices of competitors and providing competitive prices”.

Supply Chain Management and Company Performance

In order to examine the impact of SCM practices on company performance the sampled companies were divided into two groups (according to median cutting rule similar to that used by Dean and Snell, 1996) based on their relationship with their suppliers and customers (Table 6)

TABLE 6. Company Performance-Relationship Type

Relationship Nature		Relationship with Suppliers		Total
		More Adversarial	More Collaborative	
Relationship with Customers	More Adversarial	AA (n=32) $\bar{X}=52.30$	AC (n=32) $\bar{X}=61.37$	n=61
	More Collaborative	CA (n=32) $\bar{X}=63.77$	CC (n=32) $\bar{X}=70.40$	n=43
	Total	n=45	n=59	n=104

Notes: (i) number in parentheses represents the number of companies that falls into each category, (ii) scores are significantly different on the Kruskal-Wallis test ($p < .001$).

As seen in Table 6 there are four possible kinds of relationships for a company when its relationships with its suppliers and customers are classified according to its nature (i.e. more adversarial or more collaborative). From this point of view a company can have; more adversarial relationships with both its suppliers and customers which is labeled as **AA**, more adversarial relationships with its customers but more collaborative relationships with its suppliers which is labeled as **AC**, more collaborative relationships with its customers but more adversarial relationships with its suppliers which is labeled as **CA**, more collaborative relationships with both its customers and suppliers which is labeled as **CC** in Table 6.

As shown in Table 6 establishing collaborative relationships with customers and suppliers contribute positively to company performance. More remarkably if a company establish more collaborative relationships among the value chain, i.e. having more collaborative relationships with both their customers and suppliers it outperforms their competitors. This can be seen in detail in **Appendix 1**.

Conclusion

The purpose of this paper was to examine empirically the relationship between the nature of SCM practices (as an organizational innovation) and company performance. The following conclusions can be drawn from the research:

Companies in the Turkish Automotive sector have moved towards establishing more collaborative relationships with both their suppliers and customers. Evidence for a positive relationships between nature of

SCM relationships and company performance has been established, which is concurrent with the connection advocated between the two variable in the literature. Statistical analysis indicates that as companies establishes more collaborative relationships with both their suppliers and customers company performance increases in a statistically significant manner. Thus pointing to the importance of organizational innovativeness in terms of forming close relationships between companies in today's fierce competitive environment.

The sample, as far as can be ascertained, is comprised of firms that are representative of companies in Turkey's Automotive Sector, and therefore the results are expected to be generalized across all companies in the Turkish Automotive Sector. There is no reason to believe that these are untypical of other developing countries.

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APPENDIX 1. Company Performance According to Its Relationship with Suppliers and Customers

Performance Criteria		Relationship with Suppliers and Customers								Kruskal-Wallis Test	
		AA (n=32)		CA (n=29)		AC (n=13)		CC (n=30)		χ^2	p
		Me an	Std . De v.	Me an	Std . De v.	Me an	Std . De v.	Me an	Std . De v.		
Quality-Delivery	Providing durable/robust products	4,00	0,67	4,10	0,61	4,23	0,60	4,73	0,58	23,314	<,001
	Delivering intermediate products on time	3,94	0,72	3,97	0,67	4,00	0,74	4,60	0,56	18,17	<,001
	Providing high quality products for customers	3,97	0,70	4,17	0,59	4,38	0,65	4,60	0,56	15,663	<,005
	Providing high safety products	3,91	0,78	3,80	0,61	4,46	0,52	4,67	0,55	29,838	<,001
	Delivering customer orders on time	3,84	0,77	4,13	0,63	4,15	0,80	4,53	0,57	14,105	<,005
	Providing reliable deliveries	3,97	0,66	4,17	0,53	4,31	0,63	4,63	0,56	18,822	<,001
	Being able to compete on quality base	3,63	0,87	4,03	0,77	4,08	0,76	4,67	0,48	25,416	<,001
	Total	23,46	10,04	28,37	2,79	29,31	3,88	32,43	2,28	41,88	<,001
Time	Developing new products fastly	3,84	0,57	3,45	1,15	3,54	0,88	4,30	0,84	14,082	<,005
	Being first (pioneer/leader) in introducing new products to the market	3,69	0,74	3,57	1,17	3,92	1,12	3,90	1,13	3,157	0,368
	Introducing products fastly to the market	3,72	0,73	3,62	0,94	3,62	1,04	4,30	0,75	12,006	<,005
	Having shorter time to market compared to industry average	3,38	0,94	3,39	1,13	3,38	1,26	3,53	1,28	0,711	0,871
	Total	12,65	5,39	13,57	4,38	14,46	3,43	16,03	3,02	8,631	<,005
Innovativeness	Making changes in products to meet customer requirements	3,94	0,80	4,20	0,55	3,92	0,86	4,43	0,63	8,249	<,005
	Answering customer demands better by providing new features	3,87	0,66	4,07	0,79	3,85	0,69	4,57	0,63	19,059	<,001
	Providing customer specific products	3,91	0,64	3,97	0,67	4,15	0,56	4,37	0,67	8,912	<,005
	Total	10,14	4,40	12,23	1,63	11,92	1,71	13,37	1,61	18,05	<,001
Financial	Providing products at the same or lower prices of competitors	3,56	0,67	3,72	0,70	4,38	0,65	4,43	0,68	26,958	<,001
	Providing competitive prices	3,44	0,80	3,60	0,77	3,69	0,63	4,13	1,04	13,665	<,005
	Total	6,05	2,69	7,20	1,61	8,08	1,12	8,57	1,25	27,626	<,001
Overall Total		52,30	21,69	61,37	5,90	63,77	7,76	70,40	6,16	40,449	<,001

Notes: (i) n=104, (ii) numbers in parentheses represent the number of companies that falls into each category.

INNOVATION AS A TOOL FOR GLOBAL COMPETITION AND COOPERATION FOR INNOVATION

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ABSTRACT

One of the most important trends in the world economy has been the globalization of economic and business activity. Driven by a range of policy, economic and technological variables, international economic activity of all kinds has been on the increase. World trade has grown significantly faster than world output over the last few decades and foreign direct investment flows have grown faster than world trade.

The globalization of economic activity and the tendency for firms in related lines of business to locate and operate in close physical proximity have become dominant forces shaping economic development. Globalization is shown to be consistent with the localization of competitive advantage in various industries and activities. Increasingly, the need to adjust to global competition, and the examples of prosperous regions whose economies are built on localized groups of firms, have caused local, regional and national governments to turn to policies based on enterprise clusters (a cluster is an agglomeration of firms in a related line of business. cluster development policies have proliferated in developed and developing economies, in central and peripheral regions, and in nations and regions with disparate philosophies on the role of government in economic development. As globalization has accelerated, interest in localized groups of firms in related industries has grown. This has been due to successful examples of such “clusters” found in growing or prosperous regions, in disappointment with economic development models based on large firms, and on the sheer ubiquity of the phenomenon. Regional clustering can be seen in the industrial districts of Northern Italy or Spain, the metalworking and machinery clusters of Germany, Switzerland and the American Midwest, the high technology agglomerations of Silicon Valley, Route 128, Cambridge, and Sophia Antipolis, the company towns of Ludwigshafen, Toyota City, and Seattle (Boeing and Microsoft), the fashion capitals of Paris and Milan, and the metropolitan business service centers of Hong Kong, New York and London.

Researches show that clusters as a whole have a major impact on economic development. Clusters are fundamental to the process of discoveries and commercialization. If there is concentration in a field, new ideas emerge. Clusters make innovation easier to commercialize. By contributing to increasing the innovation capacity of a region, clusters increase productivity. Productivity is not a static concept; the generation of new ideas is key.

Membership of clusters and networks can enhance the productivity, rate of innovation and competitive performance of firms. Clusters and networks can allow small firms to combine advantages of small scale with various of the benefits of large scale. Public policy on clusters and networks can help SMEs realise the opportunities and meet the challenges associated with globalisation. Essentially, a policy on clusters provides a framework for dialogue and co-operation between firms, the public sector (particularly at local and regional levels of government) and non-governmental organisations. This dialogue can lead to efficiency-enhancing collaboration amongst firms, such as in joint marketing initiatives, the creation of

mutual credit guarantee associations, joint design and sponsorship of training, a more efficient division of labor among enterprises, etc.

In 1990, Michael Porter followed his influential management tomes on competitive strategy and competitive advantage with *The Competitive Advantage of Nations*, which presented the results of a cross-country study demonstrating that competitive advantage in (not of) nations tended to be concentrated geographically in regional clusters. More than a decade later, efforts to promote competitive clusters at both the national and the regional levels form an important part of development and investment policies in many countries. Overuse of the term, however, does not make competitiveness any less important to business and government. In a market environment, any firm must be competitive to survive. Unless financiers are willing to sustain chronic losses, or protection or outright subsidies make others— consumers or taxpayers—pay for poor performance, the firm must be at least as efficient as its competitors to stay in business. It must be able to meet competitive standards of productivity—that is, the efficiency with which it converts resources into value for customers. For countries, achieving prosperity and eradicating poverty remain elusive goals without competitive performance at all levels. Governments therefore have a fundamental obligation to create the environment and provide the support for competitive performance to flourish. At the level of the firm, competitive strategy of course is not so much concerned with staying level with competitors but with creating superior value for the firm and achieving competitive advantage.

Competitive performance for the firm, however, cannot be seen in isolation. In real life, competitive advantage depends not only on the firm itself but also on the quality and cost of the goods and services it uses in the production process, including the services of its work force. Sustained competitive advantage is ultimately the result of constant innovation throughout the value chain. And innovation is not a solitary activity. Successful innovators are parts of well-connected and active networks in terms of vertical linkages, with both suppliers and customers as sources of ideas, and in terms of lateral linkages to competitors. In fact, the OECD defines industrial clusters as innovation networks that link enterprises, knowledge producers, market intermediaries, and customers. This definition actually fails to give adequate weight to the role of cooperation and competition with like firms—that is, rivals. Almost by definition, any support for economic development aims at promoting competitive performance and creating competitive advantage. At the firm level, the scope of our support has ranged from the smallest micro enterprise to large enterprises and industries competing directly in world markets. Competitiveness as applied to a country is an elusive yet enduring issue that has often dominated the economic policy debate in both developed and emerging economies. Michael Porter offers a definition of what determines competitiveness, although not necessarily that it is: Competitiveness is determined by the productivity with which a nation, region, or cluster uses its human, capital, and natural resources. Competitive regions have built a production environment with high accessibility that perpetuates and attracts mobile production factors, and results in fostering the economy. These mobile factors include skilled labor, innovative entrepreneurs and footloose capital. Success in attracting

These factors create external economies, such as agglomeration and localization benefits, that further enhance the economic fortune of a region.

This paper addresses the phenomena of clusters of firms and inter-firm networks, the competitive advantages that can derive from membership thereof, and the definition of public policy towards both. These organizational forms and related policies are considered in the context of the increasing international integration of markets for goods, services, capital and labor. For this end this paper argues that the importance of clusters or networks of firms in the global competition. Generally in the beginning of study the globalization of economic activity and importance of localization of competitive advantage and related literature, after; in the second part cluster development initiatives will be explained. In the following part will address cluster strategies for global competition. The study will be concluded with the part of conclusion.

1. EFFECTS OF GLOBALIZATION TO COMPETITION AND LOCALIZATION OF COMPETITIVE ADVANTAGE

According to Enright (1998) one of the most significant trends in the world economy in recent years has been the globalization of economic and business activity. International economic activity of all kinds has been on the increase. World trade has grown significantly faster than world output over the last two decades and foreign direct investment flows have grown faster than world trade. Some of the main features of the globalization event have been the development of global finance and financial markets, the spread of knowledge facilitated by improved communication, the widespread availability and use of technology, the active expansion of multinational firms, the decoupling and decentralization of economic activities within

and between firms, the causing of nationality of multinationals, the development of global oligopolies, reductions in barriers to trade and investment, the increased importance and power of supranational organizations, and the emergence of regions and regional identities that transcend borders.

The fast globalization of business has driven forward competition policy to a high place on the international governance agenda. The case for greater attention to competition in individual markets appeared to grow along with the rapidly integrating world economy. Formal trade barriers have been lowered multilaterally or negotiated completely away in for a large part of international trade. Those who bargained for lowered trade barriers did so with the expectation that foreign goods – and some services as well – would otherwise be available in the newly opened markets on essentially the same terms as those of local provenance. The substitution of private restraints for official barriers clearly frustrates those expectations. (Kudrle,2008:1)

As globalization has accelerated, interest in localized groups of firms in the same or related industries, or ‘regional clusters’, has accelerated as well. In many industries, the leading firms are located in the same nation, region, or even city. Regional clustering is found in virtually every advanced economy and increasingly in developing nations as well. It can be seen in the industrial districts of Northern Italy, the high technology agglomerations of Silicon Valley or Route 128, the company towns of Ludwigshafen or Toyota City, and the metropolitan business service centers of New York or London. In addition, even large multinationals, have their local characteristics. Notwithstanding the emergence of so-called ‘transnational corporations’, most multinational companies are ‘home-based multinationals’, with a distinct centre of gravity for their management and critical activities. Some regional clusters decline in the face of competition from multinational firms does not diminish the importance of location. Some regional clusters have been displaced, not by randomly located multinationals, but by other regional clusters of either small firms or multinationals (Enright, 1998:5).

Economic geography in an era of global competition involves a paradox. It is widely identified that changes in technology and competition have diminished many of the traditional roles of location. Resources, capital, technology, and other inputs can be efficiently sourced in global markets. Firms can access immobile inputs via corporate networks. It no longer is necessary to locate near large markets to serve them. Governments are widely seen as losing their influence over competition to global forces. It is easy to conclude, that location is diminishing in importance (Porter, 2000:15).

Many examples of regional clustering provide proof that even as competition and economic activity globalize, that competitive advantage can be localized. Globalization can result in a geographic spread of economic activities over space, but it also can allow firms and locations with specific sources of competitive advantage to exploit their advantages over ever wider geographic areas, often, though not always, at the expense of other areas. Geographic reasons of competitive advantage will become more, not less, important. These inclinations can be supported by the location choices of multinational firms, which are slicing their activities more and more finely, and are more carefully arbitrating differences in locational sources of advantage, even having locations compete for product commands in some cases. Despite the fact that the globalization of competition should raise, the average level of economic well being around the world, there are winners and losers in this process as well as shifts in the relative power of economic actors.

Especially, excluded regions are likely to become more excluded and the degree of differentiation across locations will increase with the globalization of economic activity, perhaps resulting in destructive competition among regions for a place in the productive networks of multinational companies. Where one stands in terms of whether the globalization-localization nexus provides opportunity or threat seems to depend on where one sits. Those who study innovative high technology clusters, industrial districts that have succeeded in international competition, and dynamic metropolitan clusters tend to focus on the advantages of localization and the opportunities of globalization. Those who study regions that have declined, have lost branch plants, and have had difficulties in regenerating their economies focus on the loss of local industries, the difficulties in obtaining a position in the global economic hierarchy, and the loss of local economic power and autonomy. Globalizing and localizing tendencies make ‘place’, in particular the attributes that determine whether a given place will benefit or suffer from the globalizing and localizing tendencies, more important, rather than less important, to a region’s economic well-being (Enright,1998:5-6)

2. GLOBALIZATION AND IMPORTANCE OF CLUSTERS IN THIS PROCESS

Globalization is making every firm understand the importance of international competitiveness; every firm is now feeling the continuous pressure to give more value to consumers at a lower cost. This pressure means that firms have to continuously change what they do and the way they do it and have to design a system that enables it to learn fast. Large firms may share learning that occurs in different parts of the firm, helping them learn faster and improve competitiveness. Small firms have a challenge in this respect, and clustering can help them sustain competitiveness (Koechlin, 2008:1).

Globalization has strengthened the role of clusters and furthered their development. Companies face increasing choices in locating their activities in places that provide the best business environments given their specific needs. The more markets globalize, the more likely resources will flow to the more attractive regions, reinforcing the role of clusters and driving regional specialization. In this manner, clusters have become increasingly specialized and increasingly connected with other clusters providing complementary activities. Successful clusters have also significantly increased their global reach – attracting people, technology and investments, serving global markets, and connecting with other regional clusters that provide complementary activities in global value chains (Ketels and others, 2007:2).

Clusters have been defined (Porter 1998) as ‘geographic concentrations of interconnected companies and institutions in a particular field’. Physical proximity facilitates the transmission of knowledge and enhances the development of institutions, which in turn enhance cluster effectiveness. A cluster can contain a small or a large number of enterprises and firms of different size. Porter counts institutions (formal organizations) such as universities as integral parts of a cluster. The agglomeration of firms and their suppliers permits the creation of locally concentrated and sometimes specialized labor markets. According to Porter, clustering can encourage an enhanced division of labor among firms with physical proximity among numerous competing producers fuelling innovation. Clusters spontaneously occur in the presence of several factors, such as: the proximity to markets, the existence of a pool of specialized labor, the presence of input equipment suppliers, the availability of specific natural resources and infrastructure, low transaction costs due to geographic proximity among actors and access to information, as can be the case in the vicinity of universities and research institutes. On some conditions, firms may decide to base co-operation on more formal arrangements to foster the exchange of information and learning by creating a regional innovation network (European Commission 2002).

Politicians are aware that policies sustaining clusters can enhance productivity, the rate of innovation and the competitive performance of cluster firms. Cluster policies share different characteristics: in general, cluster policy demands a shift from focusing on individual firms to local/regional systems of firms and firms’ value adding environment. It commands more interest in the local agglomeration of SMEs and an improvement of regional potential. Furthermore, cluster policy tries to stimulate social cohesion encouraging trust-based interaction to increase the flow of knowledge. Public actors should play the role of a facilitator creating an environment conducive to endogenous cluster growth (Ionescu and others, 2001:4).

A cluster is always based on a value-chain. Only when there is an opportunity for economic gain, actors will interact and engage in transactions. The concept of the value-chain reflects this principle of ‘economic self interest’ (Enright 1998) and as such lays the foundation for a cluster. The spatial manifestation of the value-chain can be local (city), regional, national, international or even global. However, a value-chain itself does not make a cluster yet. What sets a cluster apart from a value chain is that its actors are also connected by processes of knowledge sharing and exchange. The cluster notion explicitly focuses on innovation processes and therefore takes all actors into account which have a role in innovation processes in an industry. As the cluster notion captures all forms of knowledge sharing, it goes beyond a traditional sectoral approach; it takes all links to firms outside traditional sectoral boundaries into account. As such the cluster concept is an alternative for the traditional sectoral approach of an industry as it not only captures suppliers and customers but all ‘innovation stakeholders’ (Gilsing, 2000:3).

Industry clusters are often defined on the basis of two main relationships.

- **Vertical relationships** include typical direct buyer-seller relationships that are common to supply chains. Many of these supply chains develop around large anchor firms.
- **Horizontal relationships** can include firms and groups of firms connected by:
 - a common set of customers
 - use of similar technologies
 - employment of related distribution channels
 - common labor force skill requirements
 - similar resource demands
 - common infrastructure needs

3. CLUSTER APPROACHES

3.1 Marshall and the Italian districts

Callegati and Grandi (2004) summarized Marshallian approach as follows: Clusters are today recognized as an important tool for promoting industrial development, innovation, competitiveness and growth. However, their theorisation was not a smooth process, and the evolution of the concept has lasted for over a century. In economic literature, agglomerations of related industrial activities were first explained in the late 19th century with reference to so-called Marshallian externalities. This framework established a link between co-location by firms and economic efficiency as firms would cluster in order to benefit from positive externalities associated with their respective activities. In the first half of the 20th century, several contributors recognized a relationship between geographic agglomeration and scale economies. Marshall's ideas were revisited in the 1970s, when Italian scholars explored the economic, social and cultural dynamics which gave birth to the industrial districts, through observations on the so-called 'third Italy'. The studies described the prosperous firm structures experienced in the Northeast and Centre of Italy, and these performances were confronted with the stagnating situation in the poor South ('second Italy') and the recession in the traditionally rich and early industrialized Northwest ('first Italy'). The growth of the Northeast and centre of Italy pushed the scholars to analyze the economic and social fabric of the region, and its agglomeration of firms clustered in specific geographic zones, and operating in specific industrial sectors. These clusters were able to establish strong positions in world markets in a number of traditional product categories, including shoes, furniture, tiles, musical instruments. Progress seemed promoted by the capacity of the clusters to innovate in terms of production processes as well as qualities of products

3.2 Porter and further contributions

Michael Porter has made the concept of "cluster" popular. Clusters emerge and develop because *geographical proximity* among firms promotes interactive and collective learning and generates positive externalities for participating actors. These benefits attract similar and related firms and other actors because they also want to take part in the interactive learning that takes place. Since Porter came out with his definition there has been an intense debate on almost all aspects relating to the cluster concept. Martin and Sunley (2003) have pointed it head on and fully dismissed it; they consider it too flawed, elastic and possibly contradictory. According to Benneworth and Henry (2004), the cluster-literature cannot be seen as coherent but reach the opposite conclusion of Martin and Sunley. Writers argue that, 'clusters' have the potential to add value by allowing theoretical debate across a wide range of perspectives whose partiality and situatedness are made explicit (Intarakumnerd and Vang,2006:)

Clusters are essentially idiosyncratic in nature, with different practice of the concept suiting several situations. However, collecting all the contribution of several authors regarding the cluster, seven elements can be adopted as key for the notions: i) *Geographical concentration*: firms locate in geographic proximity due to hard factors, such as external economies of scale, as well as soft factors such as social capital and learning processes; ii) *Specialization*: clusters are centered around a core activity to which all actors are related; iii) *Multiple actors*: clusters and cluster initiatives do not only consist of firms, but also involve public authorities, academia, members of the financial sector, and institutions for collaboration; iv) *Competition and co-operation*: this combination characterizes the relations between these interlinked actors; v) *Critical mass*: is required to achieve inner dynamics; vi) *The cluster life cycle*: clusters and cluster initiatives are not temporary short-term event, but are ongoing with long-term perspectives, and finally; vii) *Innovation*: firms in clusters are involved in processes of technological, commercial and/or organizational change (Grandi, 2005:3-4)

4. INNOVATION AND COMPETITIVE ADVANTAGES

Knowledge, learning and innovation are the most important factors for competitiveness in the globalizing and knowledge-based economy. In this society competitive advantage is based on exploitation of unique competencies and resources. A firm or a region competes on the basis of what they have which is unique in relation to their competitors. A strategic perspective in the contemporary global economy is, thus, how to develop such unique competencies and resources in order to foster competitiveness (Porter, 1990).

Also, in the knowledge-based society innovation is basically understood as an interactive learning process, which is socially and territorially embedded and culturally and institutionally contextualized.

On the other hand, over the past two decades researchers have been paying more and more attention to *regions* as designated sites of innovation and competitiveness in the globalizing economy. The popularity of this argument can be traced back to various empirical studies of regional success stories such as the rapid economic growth of networked SMEs in industrial districts in the 'Third Italy', the exemplar industrial system of Silicon Valley as well as other examples of successful regional clustering in most developed as well as developing economies (Porter, 1990).

Firms rarely innovate in isolation but in networks of production. Most innovative activities involve multiple actors and stems from combining complementary and specialized competencies and knowledge of various actors. The synergy that arises from the combination of complementary knowledge of dissimilar firms and knowledge organizations and the need for firms to cope with the increasing dependency upon their environment are the driving force for the emergence of innovative collaborative agreements and cluster formation. A system approach to innovation is the acknowledgement that innovations are carried out through a network of various actors underpinned by an institutional framework. This dynamic and complex interaction constitutes what is commonly labeled system of innovation, i.e. systems understood as interaction networks.

An innovation may be a new or improved product or service, a process or a management improvement, or it may effect on a small part of an already existing product. An innovation effects company's competitiveness: it increases the firm's capacity to rapidly answer to new market demands and competitors by improving the effectiveness of the production process and speeding up its adaptation to changes in the environment. SMEs are a very heterogeneous population of firms and, therefore, contribute to innovation in very different ways. In recent years, there has been a propensity to spend more on research and development (R&D) by SMEs. On the other hand, SMEs still endeavor to find other ways to compensate for a lack of resources dedicated to R&D to achieve innovation (OECD, 2001). Empirical studies relating R&D to firm size suggest that SMEs play an increasingly important role in R&D activity. Investment in innovative activities seems to be on the rise in SMEs. Empirical datas also show that the propensity to patent, which is a measure of the production of new technological knowledge, tends to increase as firm size decreases (OECD, 2001 b). Relying on a minimum of internal R&D, SMEs can create innovative products by using non-R&D inputs. So, while, some SMEs in high-tech sectors can make intense use of science-based knowledge and are active technology developers, most SMEs operate in medium- to low- technology environments and innovate without using formal R&D inputs. For SMEs, non-R&D inputs are crucial and can be of two types: a) capital equipment or input-embodied innovation; and b) design innovation. In the first case, firms acquire new process technologies or intermediate products which allow them to benefit from innovations developed elsewhere. In the second case, design innovation refers to incremental improvements in products that do not radically change their function or technological base but allow firms to better meet customer requirements (OECD, 2001b).

Innovation is a key competitive weapon in an era of globalization. Firms and enterprise support infrastructures are becoming more knowledge intensive, and policies are being adjusted accordingly. Among the key general findings of the European Union (EU)-Targeted Socio-Economic Research (EU-TSER) project "Regional Innovation Systems: Designing for the Future" (REGIS) are the following. Firstly, despite globalization and increased foreign ownership, most businesses are rather strongly regional and national in key business relationships. Significant decision autonomy exists at the regional level, not least because of the predominance of small and medium-sized enterprises (SMEs). Secondly, all firms, large and small, are confronted by twin competitiveness pressures to raise quality and reduce cost. This impulse drives a great deal of innovation practice. Thirdly, a majority of firms respond initially by organizational innovation, especially quality measures. Fourthly, many firms rely on the supply chain and their own knowledge sources to innovate products and processes. But there is growing recognition of the importance of universities, research institutes, consultants, and technology-transfer agencies in supplying new knowledge (Cooke, 2002:8).

Cluster strategies take on new role in today's global economy. Trade agreements and major advances in communications and transportation have reduced trade barriers and created an extremely competitive global economy. Despite competition in this global economy is sometimes viewed as between nations, it really is between high-performing economic regions. The relative competitiveness of a nation's innovative regions that trade international goods and services will determine the relative wealth of that nation over time.

Productivity growth is essential to international competitiveness. Traditionally, an economy can improve its productivity in one of two ways: either through a reduction in costs or through the production of higher value added products or services. While emphasizing the need to continue to minimize costs, it is clear that future competitiveness also depends on productivity gains which accrue from innovations in product and process design. There is generally widespread agreement that the economy will need to be more innovative and knowledge-intensive as part of this process. It is therefore vital to ensure that all of the elements of a knowledge economy and society are properly understood and that there is an innovation mindset in those sectors where it will be needed most (NCC, 2004:4).

Innovation is generally concentrated geographically, much more so than high prosperity or productivity. Clusters provide an environment conducive to innovation. They enable open innovation, the creation of new ideas in networks of cooperating companies and institutions. And they lower the barriers for transforming new ideas into businesses and capturing the benefits of globalization. In modern competition all clusters need to be innovation clusters. Regions that combine risk capital, skills and research excellence with strong cluster portfolios face more opportunities to become innovation hubs, while regions with no clusters or isolated research risk falling behind. Globalization has further increased the benefits of true excellence and clear cluster specialization. (European Cluster Memorandum, 2008:2)

Economic geography during an era of global competition involves a paradox. It is widely recognized that changes in technology and competition have diminished many of the traditional roles of location. Yet clusters, or geographic concentrations of interconnected companies, are a striking feature of virtually every national, regional, state, and even metropolitan economy, especially in more advanced nations. The prevalence of clusters reveals important insights about the microeconomics of competition and the role of location in competitive advantage. Even as old reasons for clustering have diminished in importance with globalization, new influences of clusters on competition have taken on growing importance in an increasingly complex, knowledge-based, and dynamic economy. Clusters represent a new way of thinking about national, state, and local economies, and they necessitate new roles for companies, government, and other institutions

in enhancing competitiveness (Porter,2000:15) The cluster is a business agglomeration producing the critical mass of geographically proximate and linked businesses, industries and institutions – from suppliers to associations, from universities to government agencies – that enjoy unusual competitive success in a particular field or fields. Cluster members are linked by commonalities and complementarities. As the value of the cluster is greater than the sum of its parts (all individual companies or institutions, etc.), clusters create a synergy that raises productivity and competitiveness in the final analysis.

The clusters of innovation initiative offers a new way of thinking about economies that has begun to take hold as communities across the nation confront the successes of California's Silicon Valley, and Massachusetts' Route 128, Austin, Texas and other areas. In healthy regions, competitiveness and innovation are concentrated in clusters, or groups of interrelated firms and industries, in which regions specialize. The nation's ability to produce high-value products and services that support high wage jobs depends on the creation and strengthening of these regional hubs of competitiveness and innovation.

Clusters increases competitiveness (which results in improved productivity) in three ways (Samonis, 2004:5):

1. Improve productivity through improved access to specialized suppliers, skills, and knowledge.
2. Innovation is more sustainable and given more importance as the need for improvement in processes of production is highlighted. And firms working together in the cluster can satisfy this need much better than otherwise the case would be.
3. Once established, clusters will grow as a result of the creation of new firms and the entrance of new suppliers.

All of the three influences of clusters on competition depends, to some extent, on personal relationships, face-to-face communication, and networks of individuals and institutions that interact. Although the existence of a cluster makes such relationships more likely to develop and become effective, they are far from automatic. Formal and informal organizing mechanisms and cultural norms often play a role in the functioning and development of clusters.

Clusters create favorable conditions for the creation and spreading of innovations. There are three dimensions to improving competitiveness of cluster firms: innovation, imitation-competition and entrepreneurial energy. Innovation is necessary to generate new ideas, to find more efficient production processes and to open up new markets. Universities and research centers may attract governmental funds, but the most valuable innovations are perfected by businesses. Imitation and competition help to circulate new

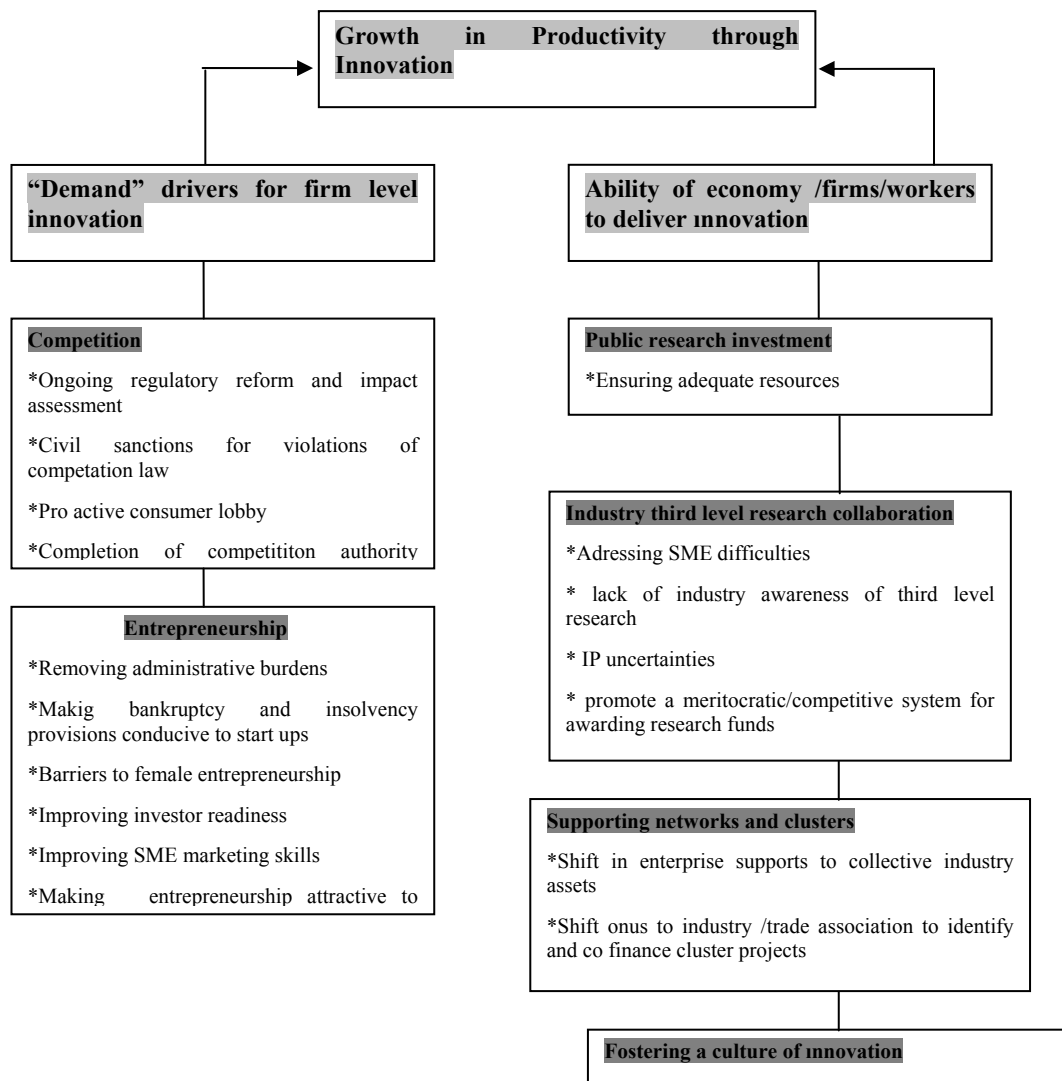
concepts and practices among cluster companies' thereby further spurring innovation. And lastly, entrepreneurial energy is the fuel that drives cluster growth. When SMEs are located in proximity with competitors, clustering allows them to take advantage of knowledge spill-overs, especially in the early stages of the cluster life cycle.

Firms in a cluster constantly innovate due to competitive peer pressure and the flow of information between firms clustering together. In general, the growth of regional clusters results from the ability to innovate based on local environment conditions: innovative performance depends on investment in innovation, on technological opportunities and on the effectiveness and the focus of innovative activities. The effectiveness of innovative activities is a function of the skills and knowledge of researchers, managers and workers, the information available to them, and the firm's ability to bring innovations to the marketplace (OECD 2001 a). Ideas and information, basic tools of innovation, often flow easily in clusters. Information flows occur formally and informally. Informal and oral communication proves to be a critical aspect for diffusing innovation. The geographic concentration of firms, suppliers and buyers found in many clusters provide short feedback loops for ideas and innovations. This is very important for products and services that emerge through an interactive process between customer and producers or in industries in which suppliers or buyers are important sources of new products or services.

Clusters often become repositories for industry-specific skills and capabilities that add to the innovation process. Over time, knowledge cumulates, skills are handed down from worker to worker, and industry-specific knowledge becomes common knowledge within the cluster. Regional clusters often provide focal points for investments and new business activities. Local industry associations play a role in fostering innovation by providing commercial information on foreign markets, research for example. In addition, local governments often make contributions to industry-specific infrastructure to encourage innovation.

Three groups of reasons which have been used to explain clustering behavior can be identified in general. The first two have developed from neo-classical economics. They are the classic model of pure agglomeration and the industrial complex. The third has been developed in economic sociology. It is the network paradigm. Initially these are applied to understanding the general advantages gained by firms clustering in particular locations for the purposes of production. Subsequently elements of them can be refined to provide possible explanations of why innovative firms in particular tend to cluster in a more limited number of key cities (Simmie and Sennett, 1999:89)

Clusters are characterized by dynamic elements: the rate and type of technological learning, and the nature and intensity of linkages or networking. Small and medium enterprises (SMEs) in early industrialization are largely imitative innovators drawing on a variety of market formal sources like reverse engineering and learning by doing. As is widely reported in the literature, while these categories of firms may not engage in frontier technologies, the dynamic and evolutionary technical change processes in which they are engaged constitute important sources of learning and do lead to substantial productivity growth (Oyeyinka, 2003:5). Figure 1 expresses this situation.



Source: NCC, National Competitiveness Council Statement on Innovation (2004), Competitiveness through Innovation a Submission by the National Competitiveness Council to the Enterprise Strategy Group, February, <http://www.forfas.ie>.

The focus on innovation also highlights the importance of other variables. The firms are the main generators of innovation and a model of industry innovation should have firms' capabilities at the center of the model. Without internal capabilities firms can not create innovation, and it may even be difficult for them to adopt innovations from the external environment. In environments that are in constant change, competitiveness depends on the capacity of firms to adequate its competencies to the changing environment. That is, it is not only important how firms are doing innovation, but also how they are changing the way they do innovation. Other studies also show that firms rarely innovate by themselves and that the capacity to create collaborative networks, especially with suppliers, customers, and R&D institutions for the creation or transfer of technology is a critical variable. Successful innovation systems benefit from education, training, and research and development systems clearly focused on satisfying the needs of business. This finding fits with Porter's attention to factor conditions, but highlights that the emphasis is on the satisfaction of training and research needs of firms. The conceptual framework described explains why innovation is critical for cluster competitiveness, but doesn't help to identify which types of innovations are necessary. This is important because a mature industry with commodity type products may require cost reducing innovations, while a cluster on products driven by consumer preferences may need to focus on quality perception and customer service. (Koechlin, 2008:3)

Clusters are critical drivers of ‘open innovation’, a key source of competitive advantages in the global economy. Innovation is heavily concentrated geographically, much more so than high prosperity or productivity. Clusters—regional concentrations of specialized companies and institutions linked through multiple linkages and spill-overs— provide an environment conducive to innovation. They enable ‘open innovation’, the creation and refinement of new ideas in networks of cooperating companies and institutions. And they lower the barriers for transforming new ideas into businesses. Regions with strong cluster portfolios are hotbeds of innovation, while regions with no clusters or isolated research risk falling behind. Globalization has even increased the benefits of strong clusters and raised the economic and societal costs of failure to develop a clear specialization profile.

Strong clusters emerge and flourish best in open markets where intense rivalry and cooperation within and between clusters coexist. Clusters emerge, where competition across regions enables companies to choose the location of their activities based on underlying economic efficiency, not in response to artificial barriers for cross border trade and investment. Clusters reach their full potential, when there is both competition and cooperation among its participants. And clusters can leverage this potential, if they create linkages with other clusters that provide complimentary capabilities. Globalization has increased the need to combine strong internal dynamics within the cluster with solid linkages to clusters and markets located elsewhere.

5. CONCLUSION AND POLITICAL SUGGESTIONS

The concept of clusters as a tool for economic development owes much to the work of Michael Porter (1990) who identified that ‘nations do not succeed in isolated industries but in clusters of industries connected through vertical and horizontal relationships’. He also noted that the process of clustering often occurs at the sub-national level. Porter attributes the competitive success of firms within a cluster to the following set of factors: (1) Demand conditions: clusters may develop where the presence of key customers stimulates the development of and fosters competitive advantage among suppliers. (2) Related and supporting industries: the proximity of suppliers and other supporting firms can assist innovation and reduces transaction costs. A virtuous circle can be established as new firms are attracted to an area by the existing cluster of firms. (3) Firm strategy, structure and rivalry: clusters are based upon inter-firm linkages. Procurement strategies and attitudes towards collaboration and competition will have a critical impact on the development of a cluster. (4) Factor conditions: these may include access to skilled workers, physical infrastructure, land supply etc, depending upon the specific attributes of a firm. (5) Public policy: this can have a strong impact on the development of a cluster, particularly the location of infrastructure investment, R&D expenditure and public sector procurement. Policies towards the use of land and limits on development are also influential. (6) The role of chance.

Government policies have a significant impact on clusters. These policies can enable effective competition; clusters only emerge if companies compete within and across regions and can choose locations based on their ability to support productivity and- innovation. They can strengthen business environments; clusters grow in regions that provide specific advantages as a location for companies’ activities in a particular field. They can enable linkages; clusters reach their full economic potential if clusters are well connected to markets and clusters elsewhere and cluster participants cooperate to strengthen linkages and align decisions. And government can mobilize efforts within regions and clusters to increase joint action.

Effective government cluster policies need to unite broad coalitions of partners around action agendas that integrate activities to meet the specific needs of a cluster. The success of government policies towards clusters depends on the concerted actions of many different actors—multiple levels of government and public agencies, companies, educational and research institutions, and many more—that need to be convinced to take coordinated actions; policies that influence behavior directly through legislative action are less effective. Their success depends on defining and implementing action agendas that reflect the specific needs of a particular cluster or region; general guidelines identifying policies that are beneficial ‘on average’ is less effective. Their success depends on the integration of a broad range of government policies and private sector activities; cluster policies are to a large degree a mechanism to apply existing policies in a more effective way, not an additional policy tool.

National and regional policies remain important for clusters, especially the mobilization of their full potential. Strengthening the potential of clusters—moving them from co-located companies to dynamic clusters with high-levels of interaction and spill-overs—remains a central task that regional and national governments are best placed to address. Cluster initiatives are an important tool to achieve this goal; creating a new type of policy process that meets the requirements for effective cluster policies. National and regional

government policies also continue to be crucial for business environment upgrading; the work of cluster initiatives and the orientation on clusters as a delivery mechanism can significantly increase the effectiveness of these policies. (The European Cluster Memorandum, 2007:2-4)

Several avenues of policy support, such as the provision of advice and technical support to firms, the creation of science parks and the fostering of ties with research institutes have a significant impact on clusters. Different strategies need to be tailored to the different stages of the lifecycle of a cluster. Governments sometimes provide business services ranging in sophistication from basic research to advice on book-keeping. In addition, various sub-national bodies have sought to develop technopoles, a generic term covering a spectrum of initiatives from technology incubators, to science parks and even larger agglomerations. Such programmes have been driven both by the expectation that economic benefits will follow from bringing together firms in 'high-tech' fields, and by the desire to realize commercial returns from investment in scientific and technological research. These initiatives are implemented by local government bodies whose economic development strategies are based on the exploitation of existing university and other research potential. This is motivated by a desire to stimulate the expansion of the local high technology base, either by the creation of new companies or attracting existing ones. Another strategy to facilitate cluster innovation is to foster the links between universities and firms. A number of internationally renowned clusters have developed around institutions of higher education and technical training. In addition to facilitating access to research, proximity to universities and training institutions can be important in recruiting highly qualified graduates, creating prestige and accessing information. University/industry partnership mechanisms can range from grants and fellowships to targeted research contracts, collaborative research and consortia agreements, training, mobility and networking programmes. In terms of functional goals, such partnerships often seek to enhance the commercialization and diffusion of technology, create enterprise spin-offs and support strategic research and technology objectives. (OECD, 2002)

Lastly; two main issues in relation to these cluster policies in practice can be summarized (Santisteban, 2006:3):

- Policy stages: Three main stages can be suggested: - mapping, -selection, -policy instruments. The mapping of clusters depends on the statistical and analytical institutionalized knowledge accumulated by the government, academic researchers and consultancy firms. The selection issue has a political character, since it implies decisions on priorities at sectoral levels. Finally, the policy measures and implementation present a broad spectrum of different tools.
- Government–industry interaction: Governments need to establish a relational frame for negotiating with the industrial and technological fields in order to achieve consensus-based analyses about a sector's weaknesses, strengths and potentials. This interaction can often be arranged through 'cluster-organizations' or institutions for collaboration. Lately, this collaboration can technically be included within different types of public–private partnerships, in forms of projects, organizations, networks or associations. However, in building and developing substantial public–private collaboration, the private side tends to be the most important shaping factor.

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COMPARISON of INNOVATION INDICATORS: IN EUROPEAN UNION COUNTRIES and TURKEY

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ABSTRACT

Since the 1980s the concept of the national innovation system (NIS) has been gaining popularity as a core conceptual framework for analysing technological change, which is considered to be an indispensable foundation of the long-term economic development of a nation.

Countries can share similar NIS due to shared historical development or comparable education systems, industrial structures, governance structures and other factors that influence innovative capabilities. An understanding of which countries share similar NIS structures can aid the search for improved innovation policy. For instance, the innovation policies of a country with a similar NIS could be more readily applicable to the national circumstances of a poor innovative performer than the policies of a country with a very different NIS (European Trend Chart on Innovation, 2005).

In this paper Cluster Analysis is used to identify the European Union countries and Turkey that share similar innovation systems. The purpose of cluster analysis is to response to the general question facing researchers in many areas of inquiry is how to organize observed data in to meaningful structures. Cluster analysis amalgamates data objects into constituents groups. The cluster analysis can assign to the same group countries with relatively different performance. Not all countries perform on the same level in each of these dimensions and some countries may even prove to be especially weak in one or several dimensions of innovation.

INTRODUCTION

Innovation is such an important concept which is possible to see its effects from product life cycle management, to supply chain management and inventory policies. Countries in their innovation systems, aim to translate technology to new marketable products and services, for economic and social benefits. Most of the literature concentrates on analysing the NIS in countries. Even though, many scholars from different academic disciplines have made a contribution to developing the NIS concept through various approaches (Intarakumnerd, Chairatana and Tangchitpiboon (2002: 1445).

Innovation is the process of devising ways to do things in new and creative ways. Using information technology to tackle a business problem in the way that other companies have been doing is certainly not going to give a company a competitive disadvantage (Haag, Cummings and Mc.Cubbrey, 2002; 52).

Innovation strategy is finding new ways of doing business. This may involve the development of unique products and services, or entry into unique market or market niches, it may also involve making radical changes to do business processes for producing or distributing products and services that are different from the way a businesses has been conducted that they alter the fundamental structure of an industry (O'Brien, 2001; 51).

A remarkable level of attention has been invested in studying innovation: how to do it better and faster, why some do it better than others, and how to encourage some types over others. It has been said that necessity is the mother of invention; this could have been said about scarcity as well, since scarcity fuels necessity of a particularly urgent and vulnerable variety. It is need to distinguish here between invention and adoption. It is obvious that only those inventions which are compatible with countries' needs will be adopted. (Srinivas & Sutz, 2008; 131)

Innovation is a very important concept in the supply chain management. While if both the upstream and downstream firms in one supply chain, under certain coordination mechanism, jointly improve their products quality and innovation ability, this supply chain would finally get better results than another supply chain, therefore makes the two firms in this supply chain to get a win-win result (Liu & Wang, 2007; 326).

Innovation is also an important topic in product life cycle management (PLM), which is a strategic business system, helps enterprises to achieve business goals of reducing costs, improving quality, and shortening time to market, while innovate their products services and business operations. PLM allows effective communication among different groups at dispersed locations to share ideas and Access information needed for developing new products and executing innovative processes (Lee, Sheu and Tsou, 2008).

The effort to reduce total life cycle costs for a product through design innovation is becoming an essential part of the current manufacturing industry (Kuo, Huang and Zhang, 2001).

In recent years, there has been increased interest in the situation of small and medium sized enterprises (SMEs) and especially in software development SMEs in part because they are expected to contribute substantially to technical innovation and product renewal (Olsson& McQueen, 2000).

Srinivas and Sutz (2008) argue in their article that the technological innovation is contextual process whose relevance should be assessed depending on the socio- economic condition it is embedded in. Without this, technology-led economic policies (of catch-up varieties) are unlikely to meet the needs of most people, especially in countries where innovation and poverty reside side by side. It is analyzed that micro- level account of cognitive and socio- economic context within which innovations arise and argue that a process of real importance is being sidelined: the ability to innovate under "scarcity" conditions.

Koc (2007) in his article investigated that the relationship between organizational factors and innovation capacity in software development companies. By means of this investigation in his paper it is aimed to determine the organizational factors that have significant impact on the innovation capacity of companies. A factor analysis and regression based methodology were used to analyze the collected data. The study revealed that the innovative software companies regard three basic predictors significantly important for innovation capacity. Idea generation and human resource impacted the innovation capacity positively; however cross-functional integration impacted the, innovation capacity negatively.

Szeto (2000) defined innovation capacity as the continuous improvement of the overall capabilities and resources that the firm possesses to explore and exploit opportunities for developing new products to meet market needs.

The software development sector is a vital part of information technology sector. It includes several segments such as software for operations management of companies like enterprise software (ERP, CRM) Standard applications-based software (CAD/CAM, computer games) and middle level search engines. Among these three segments enterprise software segment is the one where innovation occurs most frequent since its products are extensively customized for individual clients (Prasad & Prasad, 2002).

Due to rapid technological innovation, shortening product life cycle and severe competition Yang, Wee and Hsu (2008) informed in their paper that the demand rate will decrease In their study they developed a collaborative vendor- buyer inventory system with exponentially decreasing market finite horizon and constant replenishment interval.

In this paper “cluster analysis” is used to identify the European Union countries and Turkey that share similar innovation systems. Cluster analysis amalgamates data objects into constituents groups. The cluster analysis can assign to the same group countries with relatively different performance.

2. Methodology and Analyze

Cluster analysis (CA) first developed as a means of categorizing and classifying cases in biological studies is powerful multivariate statistical technique applied in many fields such as the natural sciences, the medical sciences, economics, marketing, etc.

Cluster analysis methods provide means for classifying a given population into groups (clusters), based on similarity or closeness measures (Ragno, Luca and Ioele, 2007). This principle can be mathematically quantified by means of the objective principle of the distance. The most important distances used in are known as Euclidean, Manhattan, Chebyshev, Canberra, and Pearson (Turanlı, Ozden and Turedi, 2006; 98).

There are multiple types of CA procedures; however, the 2 most common ones are hierarchical CA and nonhierarchical CA. Although most CA research has investigated hierarchical methods, other methods (especially nonhierarchical CA) have adequate research support as well (Leonard and Droege, 2008: 6).

2.1. Description of the data and the variables

24 of 27 European countries and a candidate country Turkey are included in our analysis. Because of lack of data availability, Belgium, Cyprus, and Romania are excluded from the analysis.

The innovation indicators considered in the present study were selected from The European Innovation Scoreboard 2007 which, has been prepared by the Maastricht Economic and Social Research and Training Centre on Innovation and Technology with the support of the Joint Research Centre (Institute for the Protection and Security of the Citizen) of the European Commission.

The innovation indicators are assigned to five categories and grouped in two main themes: Inputs and outputs (European Innovation Scoreboard 2003). These are as follows:

Inputs:

- x_1 : Number of S&E (science and engineering) graduates per 1000 population aged 20-29.
- x_2 : Population with tertiary education per 100 population aged 25-64.
- x_3 : Broadband penetration rate (number of broadband lines per 100 population).
- x_4 : Participation in lifelong learning per 100 population aged 25- 64.
- x_5 : Youth education attainment level (% of population aged 20- 24 having completed at least upper secondary education).
- x_6 : Public R&D expenditures (% of GDP).
- x_7 : Business R&D expenditures (% of GDP).
- x_8 : information and communication technology (ICT) expenditures (% of GDP).

Outputs

- y_1 : Exports of high technology products as a share of total exports.
- y_2 : European Patent Office (EPO) patents per million populations.
- y_3 : US Patent and Trademark Office (USPTO) patents per million populations
- y_4 : Triad patents per million populations.
- y_5 : Number of new community trademarks per million populations.
- y_6 : Number of new community designs per million populations.

3. Analyze Results

For cluster analyze, although in theory normality assumption is a necessity, in practice the normality of distance values are sufficient. Before the application and the interpretation of the cluster analysis, the normality of the distance values are investigated which are shown in Table 1 (Turanlı et. al, 2006; 103).

Table 1: One-Sample Kolmogorov-Smirnov Test

		Distances
N		25
Normal Parameters(a,b)	Mean	52.0005
	Std. Deviation	30.69154
Most Extreme Differences	Absolute	.126
	Positive	.126
	Negative	-.068
Kolmogorov-Smirnov Z		.629
Asymp. Sig. (2-tailed)		.824

a Test distribution is Normal.

b Calculated from data.

It can be seen in Table 1 that the distances which have p values smaller than 0.05, satisfies the normality assumption.

After the normality assumption is satisfied then hierarchical clustering analysis is done with the inputs and outputs shown above, then the non hierarchical clustering analysis is applied and it is seen that the clusters obtained by using both techniques have got the same member countries. In the table 2, the four clusters and countries in the clusters can be seen.

Table 2: Cluster Membership

Cluster 1	Cluster 2	Cluster 3	Cluster 4
Bulgaria	Czech Rep.	Luxembourg	Denmark
Ireland	Estonia		Germany
Spain	Greece		Holland
France	Latvia		Austria
Italy	Lithuania		Finland
United Kingdom	Hungary		Sweden
	Malta		
	Poland		
	Portugal		
	Slovenia		
	Slovakia		
	Turkey		

The determination of the variables which has to be in the result set is done through the ANOVA analysis.

Table 3: Anova Table

	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
x_1	92.183	3	21.241	21	4.340	.016
x_2	171.772	3	47.356	21	3.627	.030
x_3	303.561	3	24.823	21	12.229	.000
x_4	290.023	3	42.611	21	6.806	.002
x_5	36.994	3	194.632	21	.190	.902
x_6	.259	3	.014	21	19.143	.000
x_7	3.152	3	.169	21	18.663	.000
x_8	1.591	3	2.390	21	.666	.583
y_1	275.770	3	142.052	21	1.941	.154
y_2	86807.906	3	1072.216	21	80.961	.000
y_3	13629.203	3	324.738	21	41.970	.000
y_4	2185.604	3	47.918	21	45.611	.000
y_5	233769.460	3	1491.776	21	156.705	.000
y_6	30282.670	3	1291.388	21	23.450	.000

H_0 : No significant difference between the clusters according to the variables.

H_1 : Significant difference between the clusters according to the variables.

In Table 3, it can be seen that the variables $x_1, x_2, x_3, x_4, x_6, x_7, y_2, y_3, y_4, y_5, y_6$ have a *p-value* smaller than 0.1, so the H_0 hypothesis has to be regretted. There is a significant difference between the clusters according to the variables. According to the analyze result, four clusters are obtained.

Additionally, the average scores on eleven variables for the clusters of countries are presented numerically in Table 4. A more detailed description of the four clusters can be found below

Table 4 : Final cluster centroids (k-means)

	Cluster			
	Cluster 1	Cluster 2	Cluster 3	Cluster 4
x_1	16.30	9.70	1.80	12.48
x_2	26.93	18.54	24.00	28.53
x_3	15.50	8.20	17.40	22.97
x_4	10.93	5.41	8.20	20.10
x_6	.57	.42	.21	.82
x_7	.94	.38	1.34	1.91
y_2	101.70	12.84	200.50	262.90
y_3	39.73	1.89	97.70	98.08
y_4	13.88	1.11	47.20	38.08
y_5	123.17	41.19	902.00	172.17
y_6	103.08	24.91	95.40	172.27

4. Conclusion

By applying cluster analysis to a large set of innovation indicators we identified four clusters. In the first cluster there are Bulgaria, Ireland, Spain, France, Italy, and United Kingdom. This cluster formed by six countries. Cluster one has the highest number of S&E graduates per 1000 population aged 20-29. It is interesting to find Bulgaria in this cluster as a new coming European Country.

The second cluster is the largest cluster as it is formed by twelve countries which are Czech Rep., Estonia, Greece, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Slovenia, Slovakia, and Turkey. It is not surprising to see the main characteristic of this cluster is to have the lowest levels of innovation indicators except x_1, x_6 . In this cluster, Turkey is a candidate for the full membership, Portugal and Greece are accepted because of the political reasons, and the other countries economy like the Check Republic started to grow up after they got rid of the Russian effect. (Turanlı and et. al, 2006, p. 107)

Cluster three has only one country; Luxembourg is different from others and hasn't got high inputs but the outputs are over the average. Cluster four has six countries which are; Denmark, Germany, Holland, Austria, Finland and Sweden. Cluster four has the highest innovation indicators except, x_1, y_4, y_5 .

One of the biggest deficiencies in Turkey is the low level of development of the innovation system. The Turkish Government considers that the solution is related not only to increasing research and development and education resources, but also to strengthening the relationship between all actors involved in science and technology (universities, businesses, and public bodies). One measure of innovation efficiency is the ability of firms to translate innovation inputs into innovation outputs The ratio for inputs (education, investment in innovation, etc) and outputs (firm turnover coming from new products, employment in high tech sectors,

patents, etc) provides a measure of this relationship for national innovation systems (European Trend Chart on Innovation, 2005).

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KNOWLEDGE TRANSFER THROUGH NETWORKS: THE CASE OF TURKISH SMEs.

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ABSTRACT

The study explores managers' attitudes to knowledge transfer in Small to Medium Sized Enterprises (SMEs) in the Turkish textile sector. The problem all firms face is how to manage knowledge to gain efficiency and competitive advantage. The relationship between knowledge transfer and competitive advantage has become better understood and codified as a result of extensive research conducted largely in innovative industries in developed economies. This exploratory study seeks to understand whether the findings of the earlier research are equally applicable to firms in a traditional and mature industry facing substantial international competitive pressure and operating in an emerging economy. The research explores the managers' attitude to knowledge transfer and identifies the methods of knowledge transfer employed. Twenty structured interviews were conducted in March 2007 with a sample of managers and owners of small to medium sized businesses in four Turkish cities. The results suggest that whilst there are considerable similarities between knowledge transfer in the Turkish textile industry and the earlier studies, particularly in relation to the emphasis on the importance of factors such as trust and the forms and extent of collaboration employed, knowledge acquisition for product and process innovation is considered less of a priority. The strongest threat these firms face is price competition from lower cost countries which is resulting in industrial consolidation via mergers, acquisition and business failures. As a result the emphasis of the managers was more on the acquisition of reliable market and organisational knowledge rather than technological knowledge that might have lead to new product development.

Keywords: Turkey, Textiles, Knowledge Transfer, SMEs.

INTRODUCTION

Knowledge Transfer (KT) has attracted particular the attention in recent years as a means whereby businesses acquire competitive resources and capabilities. This study understand how the KT and Networking operates in Turkish small enterprises, will give insight into the competitiveness of SMEs .Knowledge transfer networking has been defined by Seufert, Von Krogh, and Bach (1999), as “signifying a number of people, resources and relationships among them, who are assembled in order to accumulate and use knowledge primarily by means of knowledge creation and transfer processes, for the purpose of creating value.” In order to survive and grow, there are many methods that firms can use. Firstly, networking can be an end in itself according to Gilmore et al (2001) and has proven a successful tool for smaller firms. In order for firms to appreciate the importance of networking and to consciously and successfully implement the networking concept through planning, they need to overcome the regular problem of lack of networks expertise. The difference between the success and failure of small firms can be the availability of and access to the relevant information and support services that have become increasingly available (Summon 1998). The business support infrastructure such as IT, government support and support by private organisation that we see today are of great value to struggling SMEs (Sparrow 1999) and the benefits of this form of knowledge transfer are perhaps not emphasised enough. In numerous cases, however, outside help is often sought too late – that is at the stage when firms are almost beyond help. Knowledge transfer is, therefore, a critical factor in improving the growth prospects of many smaller businesses. In the following sections, the relevant literature is reviewed to identify the gaps with respect to knowledge transfer in Turkish SMEs.

Knowledge and Knowledge Transfer:

One of the most used and consistent definitions for “Knowledge” is proposed by Davenport and Prusak: “Knowledge is a flux mix of framed experiences, values, contextual information, and expert insights that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knower. In organizations, “it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms” (Davenport & Prusak, 1998). From this definition the authors identify six knowledge components: experience, truth, complexity, judgement, rules of thumb and intuition, values and beliefs. Bell definition of knowledge is “knowledge is the judgment of the significance of events and items, which comes from a particular context and/or theory” (Bell, Tsoukas & Vladimirou, 2001). The differential element of this definition is the dependence of knowledge from a particular context or theory, which implies that knowledge cannot be systematically generalized. From a critical perspective, Tsoukas and Vladimirou redesign Bell’s theory to include the dimensions of personal versus collective knowledge: “Knowledge is the individual ability *to draw* distinctions within a collective domain of action based on an application of context and theory, or both (Tsoukas & Vladimirou, 2001). Knowledge Principles as explained by Davenport and Prusak are stated below:

- ❖ Knowledge originates and resides in people’s minds.
- ❖ Knowledge sharing requires trust.
- ❖ Technology enables new knowledge behaviours.
- ❖ Knowledge sharing must be encouraged and rewarded.
- ❖ Management support and resources are essential.
- ❖ Knowledge initiatives should begin with a pilot program.
- ❖ Quantitative and qualitative measurements are needed to evaluate the initiative.
- ❖ Knowledge is creative and should be encouraged to develop in unexpected ways.

Davenport and Prusak’s definition of knowledge is considered appropriate to use in this research. Additionally, Bell’s clarification about the dependence of knowledge on a determinate context or theory is also considered relevant. This is because trust, business developments and IT plays an important role in knowledge transfer in between SMEs.

Knowledge has some specific characteristics. Firstly, knowledge is hardly measurable. Secondly, knowledge can be transferred from one person to another person, but the original owner of the knowledge will not lose the knowledge. Because of this knowledge is called a non-rivalry good. Thirdly, knowledge is cumulative, for example, if one wishes to absorb new knowledge one should at least have already an adequate base of knowledge. (Kerste et al, 2002) To understand the character of the knowledge tacit knowledge is socially constructed and requires social interaction for transfer flow. McGrath and Hillingshead (1993) demonstrate that virtual teams communicate tacit knowledge less effectively than face-to-face teams they found that the lack of social contact could create a semblance of anonymity and lack of awareness of intent. On the other hand, explicit knowledge requires less social interaction and is often best transferred using formal and electronic means (Nonaka & Takeuchi, 1995). Explicit knowledge is easier to document because of its tangible nature (Polanyi, 1967). However, Maula (2000) cautions that explicit knowledge often contains tacit elements and criticises the inference that explicit knowledge is largely objective, claiming that objectivity is a very personal motion. Offering more practical advice, Lundvall (1996) and Simonin (1999) warn that when selecting communication channels you need to consider the amount of tacit content attached to the explicit knowledge and to ensure sufficient social interaction to transfer this component. At this point knowledge becomes part of the organisation’s knowledge stocks and renews a firm’s skills and capabilities (Tsai, 2001; Garvin, 1993).

The most simplistic approach to defining the characteristics of knowledge was proposed by Polanyi (1967) and later reiterated by others such as Nonaka and Takeuchi (1995) who made the distinctions between explicit and tacit knowledge. Explicit knowledge is knowledge that is easily codified and shared; an example of this is product specifications. In contrast, tacit knowledge is personal, rooted in values and routines and is difficult to share, for example, presentation skills (Polanyi, 1967). In the knowledge transfer literature, tacit knowledge is referred to as knowledge that has not or cannot be accurately formalised or made explicit, in other words, the intangible knowledge. There are two dimensions to tacit knowledge, namely the technical dimension that encompasses skills and competencies and the cognitive dimension, consisting of things such as beliefs and values (Nonaka & Takeuchi, 1995). In addition, the knowledge management literature does not assume that transforming knowledge into an explicit form makes it objective (Nonaka & Takeuchi, 1995). As Maula (2000) explains, explicit knowledge can be quite irrational or ambiguous because our personal knowledge influences what we see as specific and we cannot be sure our explicit knowledge represents reality.

Table 1: Lundvall's Classification

Lundvall Classification	Knowledge
Know what	About facts
Know how	About the skills and actions needed for the task
Know why	About the principles and laws
Know who	About who knows what and how

Source: Lundvall (1996)

The main focus of the knowledge management and knowledge transfer literature is 'know how', the knowledge of skills and actions. 'Know how' knowledge holds many tacit elements. These elements are found in the ideas, commitment, relationships and experience behind the knowledge (Cohen & Levinthal, 1990; Huber, 1991; Kogut & Zander, 1995; Polanyi, 1967). Both Szulanski (1996) and Simonin (1999) highlight the fact that the tacit content in knowledge can make it harder to understand and requires more social interaction before those involved have a similar understanding. These authors see this knowledge as knowledge with impact, because it is the transfer of these tacit elements and that give knowledge its unique nature and strategic value. For example, the knowledge management literature highlights the need to recognise the tacit elements in knowledge so that it can be managed by using sufficient social interaction to ensure its transfer (Lam, 1997; Nonaka & Takeuchi 1995; Simonin, 1999). Fahey and Prusak (1998) explain that people shape knowledge creation in a firm by allowing tacit knowledge to interact with explicit knowledge so it can be captured, assimilated, created and internalised into the organisations knowledge base. Jacobs (1999, p. 45) used a similar categorization of knowledge to Lundvall and extended it by introducing another categorization of knowledge, which also counts four categories:

1. Technological knowledge or knowledge about technical processes, about new materials, about how to organize product ideas and production processes technically efficient, etc.
2. Market knowledge, or knowledge about developments within the market and within sub-markets and knowledge about how to organize the firm's services in such a way that clients are linked up with the firm permanently
3. Organizational knowledge or knowledge about how to get teams to cooperate, about how to cooperate with external parties, about how to mobilize knowledge and ideas within the firm, etc.
4. Human and social skills, or personality, entrepreneurship and leadership and team skills

Jacobs (1999, p. 87).

Brouwer, Van Ophem and Zijdeveld (2001, pp. 18-19) categorize knowledge into six categories, which are presented in three dichotomies:

1. Fundamental or basic knowledge vs. knowledge that is directly aimed at application. These categories are based on the content of knowledge. The first sort of knowledge covers knowledge about fundamental laws of a specific discipline and the second sort covers knowledge that must be put into service of a specific product.
2. Strategic knowledge vs. general facilitating knowledge. These categories are based on the aim of knowledge. The first sort of knowledge covers knowledge that is of great importance for the development of a specific product or line of products of which the firm is or will be dependent in the future. A distinction can be made in short-term and long-term strategic knowledge. The second sort of knowledge covers knowledge that is related with a specific product or a part of a product.
3. Market or commercially oriented knowledge vs. technology oriented knowledge. These categories are based in the focus of knowledge. The first sort of knowledge covers knowledge that is necessary to adjust products to market circumstances. The second sort is knowledge that is aimed at solving technological problems or questions. The following section of the research explains the concept of knowledge transfer.

Nonaka and Takeuchi (1995) describe knowledge creation as a spiralling process that starts with the individual and then moves across the organisation in a never-ending process of knowledge transfer (Nonaka & Takeuchi, 1995). This highlights the value that needs to be placed on understanding knowledge transfer in SMEs. Transfer of knowledge from one set of individuals to another has been a key area of interest for knowledge management and knowledge transfer researchers. The terms, knowledge transfer (Garvin, 1993; Gupta & Govindarajan, 2000a), knowledge dissemination (Demarest, 1997), knowledge flows (Gupta & Govindarajan, 2000a), and knowledge distribution (Huber, 1991) appear to be used interchangeably in the literature to describe the process of knowledge transfer. The literature identifies that knowledge transfer is a dynamic process between the individual or group and the organisation's knowledge stocks. Knowledge moves simultaneously forwards and backwards between individuals, groups and the organisation to become embedded in the organisation's routines, behaviours and strategic orientations (Argyris & Schon, 1974; Argyris & Schon, 1978; Grant, 1996; Levitt & March 1988; March & Olsen 1975).

Alavi (2000) highlights the importance of knowledge transfer by suggesting that for superior performance of a social entity, knowledge generation and its successful transfer needs to take place. Cross, Parker, Prusak, and Borgatti (2004, p. 62) also posit the value of knowledge sharing in today's economy, "where collaboration and innovation are increasingly central to organizational effectiveness." The transfer of knowledge occurs when knowledge is supplied from one distance to another by storing or sharing it. Knowledge is either transferred purposefully or it may occur as an outcome of other activity. Knowledge transfer can be defined as a "Knowledge systematic approach that obtains, organises, restructures, warehouses or memorises, deployment and distributes knowledge to points of action where it will be used for sharing and adopting best practices" (Wiig, 1997). The transfer of knowledge depends on time, scope, complexity, and strategic importance because it determines the effort and resources of the organization. The organization needs to consider pedagogical skills, teaching and learning capabilities, and social networks for successful implementation (Pradhan & Rainer, 2004).

It is important to distinguish between knowledge transfer at the individual and the organisational levels. Knowledge transfer between individuals may not always be easily seen as some knowledge transfer can alter a person's awareness but not their behaviour (Huber, 1991). Knowledge transfer at organisational level occurs when knowledge becomes part of the organisation's process, systems and activities. Structural capital is embedded into the organisation's practices while individual knowledge remains in the heads of the individual. Knowledge that is part of the organisation's structural capital is therefore more visible than individual knowledge. However, it is important to remember that while knowledge can often be codified and become embedded in a firm's practice, some knowledge cannot be truly represented outside the heads of individuals. (Fahey & Prusak, 1998)

Transfer of knowledge includes two actions: one is transmission which means sending knowledge to potential receiver and another is absorption meaning that knowledge must be incorporated either by a person or a group. As such, Davenport and Prusak have expressed this concept as "*Transfer = Transmission + Absorption*". (Davenport & Prusak, 1998) The availability of knowledge is not sufficient; it should also ensure the usability of available knowledge. "*Knowledge that isn't absorbed hasn't really been transferred*" (Ibid). Davenport and Prusak further argues that transmission and absorption has no meaning if new knowledge does not lead to some change in behaviour. While talking about transfer of knowledge, many economists often mention that the individual is not only eager to learn new things from other resources but also willing to share the knowledge that they acquire. Bajracharya and Masdeu argue that considering this notion, it appears that transferring knowledge is rather very smooth process. Nevertheless, there are other factors that make it complex. The organization may be threatened by the significant problems like unwilling to share, difficult to articulate, time factor, and so forth for which organization should build strategies to capture the knowledge and transfer them to appropriate resources.

Therefore, while knowledge transfer between firms includes the flow of knowledge between SMEs and the ability to understand and to utilise this knowledge, it also includes the reality that the evidence of knowledge transfer may not always be easy to observe because tacit knowledge is not as tangible; therefore when considering knowledge transfer we need to consider the character of knowledge.

In a successful knowledge transfer, the experience of one actor affects another (**Argote and Ingram, 2000**). While individuals ultimately have to perform the transfer of knowledge, this article focuses on knowledge transfer between business units, extending the work of previous authors at this level of analysis (e.g., **Hansen, 1999**, **Hansen, 2002**, **Tsai, 2001** and **Tsai, 2002**). Recent studies extend the notion that firms improve their performance by cooperating with and acquiring knowledge from other organizations from the dyadic to the network level (e.g., **Ahuja, 2000a**, **Bonner et al., 2005**, **Gulati, 1998**,

Knight, 2002, Liebeskind et al., 1996, Möller et al., 2005, Powell et al., 1996, Ritter and Gemünden, 2003 and Shan et al., 1994). Not only have strategic alliances emerged and proliferated as inter-organizational designs that enable firms to tap into external knowledge, resources, markets, and technologies (**Baum et al., 2000, Inkpen and Dinur, 1998 and Lavie et al., in press**), but a firm's embeddedness in its network of alliances crucially influences its behaviour and performance (**Granovetter, 1985 and Uzzi, 1996**). Empirical studies support this argument and demonstrate the significance of selected network dimensions, such as relational and structural social capital, on knowledge transfer and subsequent firm performance. (e.g., **Andersson et al., 2002 and Rowley et al., 2000**). SME networks have been classified as 'personal', 'support' and 'industrial' with emphasis being given to the sets of dyadic relationships that comprise the network (Shaw & Conway, 2000: 367). Personal networks often revolve around an owner's social circle of friends and acquaintances. Support networks comprise accountants, banks, local agencies and other providers of business assistance. Industrial networks are the exchange relationships involving customers and suppliers forming part of SMEs value adding processes. These three types of networks are central to the existence of many SMEs (Martin, 2000). In practice an SME's personal, support and, even sometimes, industrial networks may overlap significantly. Interest in personal networks has been stimulated by attempts to understand how involvement in these networks can help create, develop and grow small firms (Shaw & Conway 2000: 370). Personal contact networks, it has been found, help generate social support for the owner, extend strategic competencies in terms of identifying opportunities and threats, and can supplement internal resources to resolve major operational problems. Owners can save significant time and money by accessing information, advice and resources through their personal networks. Social networks help build relationships that can give the small firm access to new markets, technology, finance and political protection (Doukas & Kalantaridis, 2000). Relationships are governed by norms of personal social behaviour which serve as the rules and guidelines within the network. Relationships are based on trust which, in this context, means that the other person would reciprocate a favour if needed (Martin, 2000).

Methodology:

Turkey and Turkish SMEs: The lands of Turkey are located at a point where the three continents making up the old world, Asia, Africa and Europe are closest to each other, and straddle the point where Europe and Asia meet. One of the most important advantages of Turkey is its geographical location, as a country located between Europe and Asia, it is close to the European as well as the Middle East market, and newly developing markets in the former Soviet Union. Turkey has a total area of 779,452 square kilometres, of which 14,300 square kilometres is water surfaces. Turkey has influential geo-political status because its location serves as a natural bridge between Europe and Asia. It is surrounded by the Black sea in the north, the Mediterranean Sea in the south and the Aegean Sea in the west. The actual surface area of the Turkey inclusive of its lakes is 814,578 square kilometres, of which 790,200 are in Asia and 24,378 are located in Europe. Figure 1 depicts the geographical location of Turkey. (*Source:* **<http://www.turkisheconomy.org.uk/economy.html>**)



Figure 1: Turkish geographical location.

(Source:http://www.appliedlanguage.com/maps_of_the_world/map_of_turkey.shtml)

Small and medium-sized enterprises in Turkey play a particularly important role in the economy because of their number and the large share of the workforce which is involved. The design and implementation of development programmes have received increasing attention in the last decade since Turkey joined a customs union with the European Union. According to SIS (State Institute of Statistics) data, there are around 210 000 SMEs (with 1-250 workers) in the manufacturing sector. Just over one million employees are employed in SMEs, 64.3% of whom are employed in manufacturing firms. SMEs on the manufacturing side are broken down across industries as follows: metallic goods 26.1%; textiles, clothing and leather goods 25.6%; wood

and furniture 24.3%; food and drink 12.7%; paper 3.9%; and other sectors 7.4%. Furthermore, these enterprises are generally very small. The average number of people employed by SMEs in manufacturing is 4.8 per firm, but for 95% of SMEs employing between one and nine people, the average is 3.1 (SIS). Sogut (1997) explained that the key role which the small and medium scale industry plays in the economic life of Turkey has been appreciated very well and promoted not only because of their number and variety but also because of their

- involvement in every aspect of the economy;
- contribution to industrialization and regional development;
- effect on unemployment problems;
- integration support and complement of large industries;
- flexibility in manufacturing fields;
- respond to market forces;
- easy adaptation to new technologies;
- reaction readily to economic fluctuations;
- success in mobilization of untapped resources of capital and skills; and
- Stability in political, economical and social structures.

A good support for Small and Medium Scale Industry will create more employment and the manpower and IT resources can be utilized more economically.

Sample and procedure:

Primary data is used to explore a specific research objective, and will be gathered using interview techniques. The data were collected via face to face interview (Using standardised questionnaires). According to the nature of the topic, we decided to use semi-structured interviews which facilitated a better understanding of the relationship between top-level managers and the researcher. Interviews have been used to gather data on Knowledge Transfer practices within the Turkish Textile SMEs under research. An interview is a survey method designed to collect extensive information from each respondent. It is an ordinary conversation, with one individual at a time that has been extended and formalized in order to collect data. Keeping in mind the purpose, the research method was to interview the managers, owners/founders and CEO in order to gather as much information as possible. Moreover, the interviews are expected to provide information that reflects the opinion of both their customers and employees in SMEs. All the interview questions were originally written in English and then translated into Turkish language. An appropriately designed semi-structured questionnaire was more likely to encourage the interviewees to express their points of view accurately. After finishing each interview, the taped interviews were uploaded in the computer and also stored in CDs for the safety of the collected data. Twenty interviewees had a copy of the recorded interview to clarify any confusion by referring to the record whenever needed. The entire interviews of respondents were noted down. A draft of each interview was made in order to select the information that is interest of this paper. Finally, the corrected version of primary data of each interview was processed and framed in the paper. The interviews were conducted in Company's offices. Most interviews lasted between 30 to 60 minutes.

Selection Process:

Participants were selected on the basis of being known via old friend's relationship and Chamber of commerce to be involved in initiatives that focus on knowledge transfer across the SMEs. The statistical definition of SMEs varies by country and is frequently based on the number of employees or the value of assets. The lower limit for "small-scale" enterprises is usually set at 5 to 10 workers, and the upper limit at 50 to 100 workers. The upper limit for "medium-scale" enterprises is usually set between 100 and 250 employees. The Turkish SIS definition uses employment as the measure of size. Small and medium-sized establishments are defined as establishments with less than 250 employees. These people were targeted because they were identified as the people in the SMEs with the knowledge to give accurate and reliable answers based on experience (Zikmund, 1994). Twenty people were targeted. The questions were designed to answer the research objectives. The companies selected for this study had to satisfy certain definite criteria. The companies chosen for this research had to operate in Textile industry in Istanbul, Ankara, Izmir, Bursa and belong to the Chamber of Commerce and Turkish Textile Association. Further on, these companies had to belong to the group of small and medium sized enterprises (SMEs), and this has been achieved by measuring how these companies fit into the description of a SME. And lastly, the availability of information and the possibility to easily reach the company like the transportation has played an important role in the selection of companies. The study interviewed the managers and owners to provide information necessary to refine the hypotheses. Moreover, the interviewed manager's were expected to provide information that reflects the opinion of both their customers, employees and other SMEs. People in higher positions in the

companies were selected as a reason of their importance and long experience in companies. Interviewees were the most informed people about the processes within studied companies.

Reliability and Validity of Method

To strengthen the reliability of the data the questions were presented at each interview in exactly the same manner (Silverman 1993). Also, three practice interviews were carried out to check that the questions were clear and the answers consistent or focused on the issues they targeted. In addition, all of the interviews were completed within ten working days to eliminate the possibility that something could happen in the firm to modify the situation enough to reduce the reliability of the answers. Getting the transcript typed by one person and checked for accuracy by another person strengthen data analysis reliability. Also, the data checked and recoded where necessary. The validity is about measuring what is intended. Each question was focused on collecting data to address the objectives. To improve the power of the validity of the research questions, each question was discussed with the Managing Director and one other senior manager to establish as closely as possible the information that could be collected. Questions were adjusted if it was felt they could mislead the participant. In addition it was agree that if the participant appeared to be way off track the researcher would clarify the question or prompt for additional information. Also the interview questions were pre-tested with two interviews carried out to access the strong point of the questions to produce valid answers

Findings

Here we are going to discuss the summary of the current KT situation of the SMEs in the Turkey.

<i>Question asked</i>	<i>Number of respondents</i>			
<i>What are the advantages of doing business in Turkey?</i>	<i>Easy to communicate: 6</i>	<i>Turkey's Geography: 13</i>	<i>No Answer: 1</i>	
<i>What type of information/resources do you share with other SMEs</i>	<i>IT and Management: 15</i>	<i>Management Skills: 3</i>	<i>Marketing Strategies: 1</i>	<i>No Answer: 1</i>
<i>What are the most important obstacles in Knowledge Transfer (Idea Sharing) to SMEs in Turkey?</i>	<i>Trust: 17</i>	<i>IT support: 2</i>	<i>Lack of KT Awareness: 1</i>	
<i>Why do you think Knowledge Transfer (Sharing Ideas) in SMEs is important?</i>	<i>Share ideas: 15</i>	<i>Improve business ideas: 3</i>	<i>Get closer to other SMEs: 2</i>	
<i>What kind of IT resource you use for KT?</i>	<i>Internet: 18</i>	<i>Existing Knowledge: 1</i>	<i>Company Database: 1</i>	
<i>Why do you use private and public knowledge in your company to develop any product?</i>	<i>Develop business skills: 2</i>	<i>Improve Trust: 3</i>	<i>Collaboration: 15</i>	

Table1. Summary of the responses to Key Issues.

Focusing on the textile industry in Turkish SMEs the research was capable to explain the relation between the concepts of Knowledge Transfer and SMEs network. Twenty SMEs responded to this survey and majority of the responders are in the higher position in the company and aged between 24 and 48. They have good business ideas but not many were familiar with modern technology. However, they were happy to implement and hire expertise when they are in need. Some of them were not happy with business because they are still using old technology which makes it difficult to cope up with the market demands. From the above survey results, we have decided to describe the following two key 'knowledge Transfer' factors: (1) *having strong trust* (2) *believe in collaboration*.

Factor 1: Having strong Trust:

In particular, trust as a control mechanism is based on the belief in the other partner's reliability in terms of fulfilment of obligation in an exchange (Appleyard, 1996). Trust allows both parties to assume that each will take actions that are predictable and mutually acceptable (Uzzi, 1997). These expectations reduce transaction costs—for example, monitoring and renegotiating the exchange in reaction to environmental changes—particularly in highly complex tasks facing strong time constraints (Kluge, Stein and Licht 2001). Trust also affects the depth and richness of exchange relations, particularly with respect to the exchange of information (Lee and Al-Hawamdeh, 2002). Giving without expecting something in return is a show of trust. As outlined by Peter Blau (1986: p.8), social exchange is distinguished from strictly economic exchange by the unspecified obligations incurred in it and the trust both required for and promoted by it (Blau, 1986). This process of exchange innately hinges on trust as crucial for the provider to take initial action based on a belief that the receiver will respond in like kind at some future point (Coleman, 1988). Szulanski (1996) explain that both applied and scholarly research have made it clear that relationships are critical for knowledge creation and sharing and that ineffective relationships can block knowledge transfer. This factor was considered one of the most critical for the success of the SMEs in the process of knowledge transfer. In Turkish SMEs knowledge sharing by being the first ones to do so, and by setting the ground rules to establish the trust that gave other members the confidence to share their knowledge. One of the respondents indicated that Trust is the most importance aspect for SMEs in order to share information/resources with others. Other respondents explained that business with other SMEs is impossible without Trust. However, we lose our profit margin because of sharing business skills with others where trust is not considered important. Some of the respondents formed the equation trust = risk. Textile industry in Turkey is very competitive industry and every SME wants profit without sharing the information. We can conclude that if a firm X want to get involved with firm Y, they need to trust each other in order to achieve a common profit. Therefore it is clear that the issue of trust arose during the discussion of collaboration.

Factor 2: Believe in Collaboration:

Collaboration of Networks is established for collective benefits and is most successful and effective where there is give and take by participants and members. This involves sharing organisational experiences through dialogue and interaction with other partners, as well as learning from theirs. For instance, the organization could attend debates and discussion groups to contribute their ideas and experiences or offer to speak at a conference. Other related research efforts have analyzed communities of practice (Wenger, 1998), actor-networks and networks of strong and weak ties (Granovetter, 1973). In his proposition, Granovetter explains that regular flow of information depends on the presence of multiple short paths between persons, as opposed to a local bridge does not represent a likely path of information flow, though it represents a possible path of such an information flow. Participants agreed they needed to believe in collaboration in order to share knowledge. One respondent said that collaboration has to be delivered on time similar to exchanging trust and get access to the resources/information. Few mentioned that collaboration is a big asset of knowledge sharing. Large SME's are thinking twice before they shake hands with smaller SMEs. This forms a gap in the understanding that directly affects effective knowledge transfer. SMEs owned by family members and friends find it easy to collaborate no matter the size of the SME and SMEs in the same area/groups collaborate with each other with ease.

Discussion:

The results of this study have implications for the research and practice of business engaged in knowledge Transfer. Three of those implications are now considered. First, there is a need to conduct a survey of SMEs in Turkey to find out the detail their approach to KT. This survey would increase the validity of the factors we have identified in this study offering us a better understanding of KT in Turkish SMEs. Second, one of the key factors identified in this study is the role of the SMEs Trust. As discussed earlier, Trust encourages knowledge sharing by being the first to do so and by developing an environment of Business. How these conditions for knowledge sharing are developed. Finally, we believe the results from this study could be used as a key element of SMEs knowledge transfer in Turkey. For example, an inventory of factors influencing knowledge transfer could be used as an instrument for examining where the SMEs stand in relation to deploying knowledge transfer process in their business. Trust and collaboration to reduce transaction costs—for example, monitoring and renegotiating the exchange in reaction to environmental changes—Kluge et al argue that this is particularly relevant in highly complex tasks facing strong time constraints (Kluge, Stein and Licht 2001) but here the competitive threats are those of a mature industry

Conclusion and Limitations:

Knowledge is a valuable asset and is crucial for enhancing capability and competitiveness of Textile firms. Without any mechanisms to deploy that knowledge, Turkish firms may not cope with changes and challenges in their business environment. The effective Knowledge Transfer implementation helps SMEs with free flow of information, ideas and resources. But, this often may not be easy as there might be a communication gap between various entities in or between Turkish SMEs. The main challenge faced by most businesses is to manage the flow of information among different entities. Firms may not be able to handle complex knowledge transfer procedures with the changes and challenges in the dynamic business environment. The study has made an attempt to identify several important factors influencing KT in Turkish Textile firms. Since the researcher consulted very few SMEs and the response might not truly representative of the whole Turkey and the findings may not be generalized at large. Secondly, the study's small response in the context of Textile companies in Istanbul, Ankara, Bursa and Izmir may limit the findings' statistical power. To overcome this, the researcher will conduct further study with larger number of SMEs. Thirdly, there is a potential risk with respect to the responses due to the use of self-reported views by the respondents. This could be reduced by asking the questions included in the study at different points of times during the interviews.

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***ENTREPRENEURSHIP
AND SMES
MANAGEMENT***

STRATEGY AND COGNITIVE SCRIPTS AS PREDICTORS OF GROWTH IN SMALL BUSINESSES

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ABSTRACT

This study used structured interview data from 943 small firms in 14 cities in Turkey. A quota sample was selected with respect to firm size. The study incorporated as control variables industry rate of growth, competition, environmental uncertainty, firm size, product life cycle, and owner demographic characteristics such as age, education, and experience. Existence of a strategic process and Miner & Shaw's strategic stance (defender, prospector, or reactor) were used as one set of the predictor variables. Owners' cognitive scripts pertaining to willingness, ability, and arrangements (Mitchell, et al. 2000) constituted the other predictor variable set. The dependent variable, growth, was conceived as a multi-dimensional construct consisting of market expansion and resource acquisition. A hierarchical regression analysis showed that, among the control variables, early product life, relatively larger firm size, and a high degree of competition faced influenced growth positively. After the effect of these control variables were accounted for, presence of a strategic process and emphasis on prospector and defender strategies positively influenced growth overall, while a reactor strategy negatively affected growth in market expansion only. Furthermore, cognitive scripts pertaining to willingness to pursue an opportunity and to commit resources and time, as well as venture diagnostic ability were associated positively with resource aggregation. Market expansion was affected from venture diagnostic ability and willingness to pursue opportunities, and by ownership of a protectable idea/product. The study discusses the theoretical and practical implications of these findings.

INTRODUCTION

Entrepreneurship is recognized as critical for social and economic development of many countries (Reynolds, et al., 2001). Small business and entrepreneurship has been a centerpiece of the process of globalization and liberalization in world economy (Hitt, Ireland, Camp, & Sexton, 2001). *Widely viewed as the source of future growth and prosperity, new ventures are among the major contributors to economic value creation, employment, and improved quality of life (Vesper 1990).* The economic boom in East Asia, followed by the successes in other emerging economies, has drawn attention to entrepreneurship as a crucial element in economic development. On the other hand, in countries embedded in century-old models of development based on large, bureaucratic organizations, the shift in emphasis in favor of small and medium enterprises constitutes a major political and cultural change that is not easily achieved (Smallbone & Welter, 2001). The need for more studies of entrepreneurship outside of the US, which various authors have stressed (Mitchell, Smith, Seawright, & Morse, 2000; Zahra & George, 2002), applies best to developing countries, and will undoubtedly help this transition. International entrepreneurship deserves attention from researchers given the large number of small-medium enterprises (SMEs) and new ventures now going international to exploit profits from global markets (Hisrich, et al, 1996; McDougall and Oviatt, 2000; Organization for Economic Co-operation and Development, 1997; Oviatt and McDougall, 1994).

This study investigated factors influencing small business growth in Turkey. Despite political and economic instability, Turkey is expected to play a central role in the future as both the link and the buffer between Europe and the Middle East and the former Soviet Union (Berköz, 2001; Erdal and Tatoğlu, 2002; Garten, 1996). Its commitment to democracy and its convincing record of development as an emerging economy makes it poised to become a model industrial and commercial epicenter in the region (Etkin et al., 2000). Turkey has strong trade links with the EU of which it is a full candidate for membership, and Turkish companies are increasingly establishing joint ventures with large European MNEs (Burgess et al., 1998; Tatoğlu and Glaister, 1998). Foreign companies are investing in Turkey as part of their global expansion strategy (Gules et al., 1997) and European multinationals consider the country as an attractive production base (Coşkun, 2001; Tatoğlu and Glaister, 1998).

Turkey is undergoing a change of philosophy in its development strategy. Its *etatist* model of development, which started in the thirties, is leaving its place to a model that relies on private initiative. The pace of privatization of state-owned conglomerates has increased during recent years. Attitudes towards private business and the climate in which they operate are also changing, albeit slowly, and especially so in the case of small businesses. During this transition much attention and resources have been devoted to the large private firms that serve as the locomotive of development. Small businesses have been slow in playing a major role due to shortcomings in financial and human capital. A role for small businesses that is comparable to that of Asian countries may be crucial in bringing a new impetus to Turkey's economic development efforts.

Yet, research on the conditions of small business, and factors influencing entrepreneurial growth in small firms, have been rather limited (Keskin, et al, 2004). Existing research has focused mostly on the problems faced by small businesses. An often researched topic has been the dependence of small firms on larger companies through which they receive their business, in such sectors as textiles (Ozkanli & Durak, 2007; Taslak, 2004) or automotive industry (Wasti & Kozan, 2007). Size has been found as a limiting factor on financial performance of small businesses (Ozgulbas, et al, 2006) and their use of modern practices such as benchmarking (Ulusoy & Ikiz, 2001). Saka-Hemhoul & Karabulut (2006) found that small company clusters did not generate the same economic benefits when embedded in weak, state-organized institutional settings as when operating in strong collaborative institutional contexts found in the West. Financing difficulties and lack of know-how have been found to be the major factors that inhibit growth in small firms (Kozan, et al, 2006).

While these recent contributions highlight various specific problems of small business, a systematic study of the multitude of factors that affect growth is needed, and will be of value to various parties such as large domestic and international firms farming out parts of their operations, foreign investors, and governments that have pledged support to small-to-medium sized enterprises. Previous studies in Turkey have highlighted size and resources as the main variable affecting growth. The present study went further in order to gain a more comprehensive perspective by including influences starting with the firm's environment, followed by the firm's resources and strategy, and finally, the owner's cognitive scripts on skills, motivation, and connections.

The next section gives a brief tour of the history and culture of Turkey, and the business climate in which small to medium sized firms operate. This is followed by a discussion of a model of the factors that influence entrepreneurial growth in multiple dimensions, and hypotheses derived from the model.

HISTORICAL AND CULTURAL CONTEXT

The modern Turkish Republic was founded in 1923 after the collapse of the Ottoman Empire of which it was a part. The Republic represented a clear break with the past and a culmination of Westernization attempts that started nearly a century earlier. Speedy social reforms were adopted during the early years of the Republic, mainly comprising of Western-based calendar, script, legal system, and education. Reform efforts also encompassed the economic realm. The Ottoman Empire had no tradition of a powerful, indigenous bourgeoisie; business activity was the stronghold of non-Muslim minorities (Richards & Waterbury (1991). After the founding of the Republic in 1923, an entrepreneurial class had to be created from a populace accustomed to public service or farming. Indeed, the initial intention of the young Turkish Republic was to achieve economic development through private initiative. The experiment, while in its budding stages, was interrupted by the Great Depression. New protective measures such as tariff barriers were developed as a response. However, without a strong private sector to respond to these measures, the state had to assume a

strong role in agriculture, commerce, and industry, in addition to its previous commitment in the fields of education, health, and public works (Richards & Waterbury (1991).

Turkey adopted a multi-party democratic system after 1946, which led to changes in economic policy as well. Two major impetuses catapulted the private sector into the more dominant role it shares today in the Turkish economy. A new ruling party that came to power in the 1950 elections shifted the emphasis to private enterprise, relegating the government sector, at least in principle, to activities that can not be undertaken by private sector (Aktan, 1997). The trend continued with a new government in the eighties abandoning protectionist policies and opening the economy to globalization. The reforms, still ongoing, included privatization, deregulation, liberalization of foreign trade and investment, reduction of tariffs, and the easing of capital transfer and exchange controls (Etkin, et al, 2000; Aktan, 1997).

The private sector in Turkey is dominated by large, family-owned conglomerates. These are centralized organizations distinguished by traditional authority relations and influence patterns, which lead to centralized decision-making, highly personalized, strong leadership, and limited delegation (Ronen, 1986; Fikret-Pasa, 2000; Pellegrini & Scandura, 2006). A benevolent-autocratic leadership style is most common (Pasa, Kabasakal, and Bodur, 2001), which combines an autocratic approach with a concern for employees' welfare that extends beyond the workplace. This style pervades small-to-medium firms even more so than it does big business. Studies of employee satisfaction in SME's have found that the benevolent style led to the most satisfied workforce (Yetim & Yetim, 2006; Nichols, 2002/3).

The recent trend in the World towards smaller firms carrying a major load in economic development has not taken as strong a hold in Turkey. Numerous SMEs do play an important role in creating employment. Turkey is comparable to the other countries such as U.S., England, France, Italy, India, Japan, and Korea in terms of the percentage of work force employed by SMEs at close to the halfway mark (<http://www.kosgeb.gov.tr>; January 2000). Yet, significant differences emerge when SMEs meager share in loans, investments, and exports in Turkey are compared to these countries. Turkish small businesses have a long way to go in order to play a role comparable to their counterparts in Western and the Asian economies.

Small businesses have to rely overwhelmingly on family resources for financing and investment, rather than loans from the government or private financial institutions (Kozan, et al, 2006). The scarcity of resources usually associated with developing countries may be the culprit here. When a limited amount of loans are available, they are allocated to large businesses with political clout. In addition, the banks feel that little information exists to predict which SME's are likely to succeed; being financed through family sources, the bookkeeping practices of most SME's come short of providing valuable insights into their potential for survival and growth (Kumcu, 2003).

Ample opportunities for entrepreneurial activity emerged in Turkey because of the trends towards small business and the opening of the country to global competition. Attitudes towards success and profit making are more positive today than in the past. While Turkish cultural characteristics have not been associated with entrepreneurship, this is not a homogenous culture. Hofstede (1984) found high uncertainty avoidance and collectivism in his pioneering study, and Schwartz (1999) reported an emphasis on values promoting tight links with in-group and hierarchical roles for maintaining societal order. Both collectivism and uncertainty avoidance have been negatively related to internal locus of control, risk taking, and innovativeness, which are indicators of entrepreneurship (Mueller & Thomas, 2001; Thomas & Mueller, 2000). However, the cultural characteristics reported are not uniform across the entire population. Esmer (1998), in a multi-country survey of moral values, concluded that Turkish society exhibits a mixed and not altogether consistent set of values: neither democratic nor totally autocratic, open to change but also conservative, and valuing achievement as much as security and relations at work. Goregenli (1997) found that the Turkish culture embodies strong individualistic elements alongside a generally collectivistic orientation. Yetim (2003) reported that individualistic tendencies were quite high among the young, educated, and urban people. Using Schwartz's (1994) value measures, Kozan (1999) described several subcultures in Turkey, which existed alongside the traditional main culture. Among these is a subculture of "power-seekers," which grew in numbers in the last two decades with the opening of the country to global competition. Equipped with basic values of achievement, acquisition of wealth, influence, and power, these individuals are likely to take advantage of the growing opportunities and the changing climate for private initiative and entrepreneurship in Turkey.

SMALL BUSINESS GROWTH AND ITS DETERMINANTS

Growth may be what distinguishes entrepreneurship from small business. Drucker (1985: 28), for example, found the common definition of entrepreneur ‘as the one who starts his own, new and small business’ inadequate. He proposed, instead: ‘the entrepreneur always searches for change, responds to it, and exploits it as an opportunity’ (Drucker, 1985: 1). Other definitions of entrepreneurship also include innovation, such as introducing a new product or service, or risk taking (Tropman and Morningstar 1989).

Growth has been conceived in the literature both as a narrow or a broad concept. Freel and Robson (2004) measured growth in employment, turnover, productivity, and profit margin. Lebrasseur, et al.’s (2003: 2) definition, on the other hand, emphasized “...breadth of entrepreneurial activity, and largely ignores the issue of effective use of resources”. The approach used in the present study is closer to the latter conceptualization. Following Pistrucci, et al. (1997, 2000), growth was conceived as encompassing various areas of the business. These included entering new markets, new product introduction, opening new branches, advertisement, market research, facilities and equipment improvement, computerization, additional financing, acquisition of specialists, and offsite training.

Numerous *independent variables* have been studied in the past as predictors of entrepreneurial growth. One trend has been to focus on psychological variables, such as sacrifice, motivation, intensity, and risk-taking, in order to explain small business growth (Cooper, et al. 1992). However, establishing a causal relationship between psychological traits and entrepreneurial success has been an elusive goal, according to Brockhaus (1982). McClure (1990) reported that traits such as risk-taking or autonomy did not distinguish successful entrepreneurs from unsuccessful ones. Chell, et al. (1991) concluded that psychological research into entrepreneurial traits has given equivocal results. In a recent study of the big five personality dimensions Ciavarella, et al. (2004) found only conscientiousness to be positively associated with long-term venture survival, while openness showed a negative affect.

The shortcomings of psychological research have led researchers to incorporate an expanded set of variables. For example, Davidsson (1991) attributed continued entrepreneurship to ability, need, and opportunity. Roper (1998) found that management and control initiatives depended on the characteristics of the entrepreneur, but initiatives related to new products, markets or management systems depended partially on the background of the entrepreneur but also on the firm’s strategic targets, market position, and operating environment. In their multi-country study, Mitchell, et al. (2000) explained venture creation in terms of cognitive scripts rather than traits. These included arrangement scripts (contacts, relationships, and resources), willingness scripts (opportunity seeking, commitment tolerance, and opportunity pursuit), and ability scripts (skills, knowledge, norms, and attitudes).

In line with the foregoing discussion, the present study attempted to study growth in terms of factors pertaining to multiple domains: characteristics of the environment of the firm, characteristics of the firm, and characteristics of the owner/entrepreneur. Studies of small business growth in Turkey have mainly highlighted firm size and resources as the key variables affecting growth. Similarly, we expected the firm’s size and resources, along with environmental factors and opportunities, to be key factors for the planning and actualization of small business growth. However, the firm’s strategic process and stance, and the owner’s cognitive scripts on ability, willingness, and arrangements were expected to have an additional, significant explanatory power. Hence, the model used assumed a sequence of effects on growth: The first group, control variables, consisted of factors that are either outside the control of the owner or unlikely to be manipulated in the short to medium run. These include the firm’s environment such as uncertainty, competition, and industry growth; the firm’s size, age, and the life cycle of the product line; and the owner’s demographic characteristics such as age, education, and experience. The second group of variables, which led to the hypotheses, pertained to factors that describe entrepreneurial orientation. These pertain to the firm’s strategy, including the existence of a strategic planning process and its strategic stance (i.e., prospector, defender, or reactor), and the owner’s cognitive scripts along Mitchell, et al.’s conceptualization. We believe that this approach places the entrepreneur at the center of small business growth, while at the same time taking into account other pertinent variables such as environmental factors, firm resources, and demographics. This study plan is shown in Table 1. We discuss the rationale for selecting the control variables and the hypotheses next.

Table 1 – Predictors of Small Business Growth

Control Variables	Hypothesized Variables	Dependent Variables
<i>Environment</i> Growth in Industry Competition Uncertainty <i>Firm</i> Size Age Product-life Cycle <i>Owner</i> Age Education Experience	<i>Firm's Strategy</i> Process Stance Prospector Defender Reactor <i>Owner's Cognitive Scripts</i> Willingness Ability Arrangement	<i>Growth</i> Market Expansion Resource Aggregation

Environmental uncertainty and competitiveness has been linked to entrepreneurial activity in firms in previous studies. Zahra and Bogner (1999) argued that environmental hostility can promote innovative, proactive, and risk-taking behavior among new ventures. Zehra and Neubaum (1998) found that in both domestic and international firms, entrepreneurial orientation was positively related to market hostility in low technology firms and to competitive hostility and technological hostility in high technology firms. Sarkar, Echambadi, and Harrison (2001) found that under market uncertainty smaller firms that proactively sought alliances in the factor market, had higher market based performance.

Firm size is a common factor used in predicting small business growth. However, the effect of size has been interpreted in different ways. Large size may negatively affect ability to learn (Simonin, 1997) and may be an indicator of being content with earnings (Davidson 1991). On the other hand, size has been perceived as providing economies of scale and resource sufficiency (Gulati 1993), which in turn foster growth. The Turkish context favors the latter interpretation. As explained in an earlier section, small-to-medium sized firms in Turkey depend heavily on internal resources for growth, particularly in financing (Ozgulbas, et al. 2006) and the know-how for adopting modern management methods (Ulusoy & Ikiz, 2001). In addition to firm size, firm's age was another firm characteristic included as a control variable. Majumdar (2004) reports that in India younger firms, born under the recent open-market policies, showed better growth than older firms, which were founded and initially learned how to operate under earlier export-substitution policies. A similar situation exists in Turkey, where import substitution practices were replaced with an emphasis on integration with the global economy (Etkin, et al, 2000; Aktan, 1997). Younger firms were expected to reflect the new policies and project more dynamism than older ones.

A third set of control variables consisted of owner's demographic characteristics. Owner's age (Warneryd 1988, Davidsson 1991) has been shown to influence growth negatively. Davidsson (1991) argued that age is positively correlated with being content with what the firm successfully does and with the standard of living achieved. Another demographic variable, education, has been associated with growth in technological and resource aggregation growth in Turkey (Kozan, et al. 2008). In this culture, higher education would not only be associated with increased skill and confidence, but also with higher level of individualism (Yetkin, 2002), all of which were expected to foster initiative in knowledge-based growth. The study also included previous business ownership (labeled as experience) as a control variable. Westhead, et al. (2005) report that novice entrepreneurs, in comparison to those who have owned previous firms or who own more than one firm, were generally less cautious under changing business conditions. Higher growth tendencies can therefore be expected from inexperienced owners.

As explained earlier, the hypotheses of the study focused on firm strategy and owner's cognitive scripts. Entrepreneurial strategy has been discussed in the literature under various forms, including entrepreneurial strategic posture (Covin and Selvin 1989, 1990), entrepreneurial style (Naman and Slevin, 1993), entrepreneurial orientation (Lumpkin and Dess, 1996), and entrepreneurial strategy making (Dess, et al., 1997). A strategic posture is referred to as "a firm's overall competitive orientation" (Covin and Slevin (1989, p. 77). The concept is analogous to Mintzberg's (1973) entrepreneurial mode of strategy making, and

to strategic stance, as in Miles and Snow's (1978) prospector firms that focus on innovation, risk taking, and being proactive.

Strategic stance has been linked to company growth. Among Miles and Snow's (1978) strategic categories, defenders, for example, have narrow service market domains and tend not to search outside their existing domains for new opportunities but will look for growth within existing markets. Prospectors, on the other hand, continually search for new service opportunities and often are the change and innovation creators in their industry. In a study of accounting firms, Panitz found that prospectors were the most likely to develop new services within their current operations followed by Analyzers, Defenders and Reactors respectively. Offering new services was similarly higher among Prospectors, followed by Analyzers with no significant difference between Defenders and Reactors. In a study of banking industry, McDaniel and Kolari (ibid.) found similar results, with prospectors being more active in diversification strategies (merger/acquisition) and in offering new services. The following hypotheses cover both the presence of a strategic planning process, and the strategic stance of the firm.

Hypothesis 1a: The degree to which a strategic planning process is utilized will be associated with higher growth.

Hypothesis 1b: Prospector strategy will be associated with higher growth in market expansion in comparison to a reactor strategy.

Hypothesis 1c: Defender strategy will be associated with higher growth in technological improvement and resource allocation in comparison to reactor strategy.

Cognitive scripts were used by Mitchell, et al. (2000) in a cross-cultural model for predicting venture creation. The model, based on theories of social cognition, information processing, and expertise, consists of entrepreneurial scripts pertaining to three domains. *Arrangement scripts* refer to thoughts pertaining to the contacts, resources, and assets for venture formation, and include idea protection, having a venture network, access to business resources, and venture specific skills. Venture creators, in contrast to non-entrepreneurs, think beyond surface features and assess personal and situational resources to develop the self-efficacy for venture creation. *Willingness scripts* refer to knowledge structures that underlie commitment to venturing. They include thoughts on seeking new possibilities and opportunities, commitment tolerance in face of risk, and opportunity motivation which includes a bias in favor of errors of commission. *Ability scripts* refer to knowledge structures on self-capabilities, skills, knowledge, and attitudes required for venture creation. They include diagnosing the condition and potential of ventures, transfer of learning from past venture experiences, and ability-opportunity fit, i.e. how value can be created in new combinations of people, materials, and products. While Mitchell, et al. developed these scripts as predictors of new venture creation, this study will apply them to the prediction of growth in existing small businesses.

Hypothesis 2: Owner's ability, willingness, and arrangement scripts will have a positive effect on growth.

METHOD

Sample

In thirteen major cities, a list of small businesses was compiled from the registers of the local Chamber of Commerce and Industry and Chamber of Merchants and Artisans. A convenience sample was obtained from the lists, selecting firms from different industries and of different sizes to which access could be gained. Firms who had between 5 and 150 full-time employees in addition to the owner were selected. The distribution of the sample with respect to size was as follows: less than 10, 27.7; 11-15, 30.0; 16-20, 12.8; 21-30, 13.0; and more than 31, 16.5. Participation was on a voluntary basis. Out of 120 firms contacted in each city (1560 altogether), 952 complete responses (61%) were obtained. The distribution of the final sample among the cities was as follows: Istanbul 10.0%, Ankara 7.8%, Izmir 9.7%, Bursa 9.6%, Adana 4.2%, Konya 1.5%, Kayseri 7.6%, Gaziantep 7.9%, Diyarbakir 7.8%, Erzurum 7.7%, Manisa 11.2%, Denizli 8.0%, and Corum 7.1%. A sizable sample could not be obtained in Konya, and to some degree in Adana, and the study had to proceed with the resultant responses.

Retail businesses constituted 38.1% of the sample, service firms 22.4%, manufacturing firms 14.0%, distribution/wholesale firms 6.8%, professional services 4.4%, construction 3.8%, finance/insurance 3.0%, transportation 2.1%, and other 5.4%. While the sample seems to under-represent manufacturing, which has a share of about one-fifth of the GNP, this is natural as most manufacturing firms have more than 150 employees. The average age of the respondents was 36.8 and average business experience was 16.2, with standard deviations of 9.3 and 9.9, respectively. The average years-of-education was 11.1, approximately equaling a high school degree, which is earned in 11 years. Male owners dominate the sample with 85%,

which is a fair representation of small business owners in Turkey. The respondents' average age, education level, and sex are comparable to national averages mentioned in an earlier study (Sarıkaya, 1995) and to a random sample of entrepreneurs drawn from a geographic district (Yetkin & Yetkin, 2006).

Measures

Data were collected by means of a structured interview at the place of work. Each interview lasted between 40 and 60 minutes. Question schedules were compiled from The Entrepreneurial Profile Questionnaire (EPQ) (Pistrui, et al. 1997, 2000) for measuring growth, Sexton (1997) for measuring strategic process and stance, and Mitchell, et al (2000) for measuring cognitive scripts. The questions that constituted various composite scales are shown in abbreviated form in Tables 2 through 4 below. The EPQ, strategy, and script scales were translated by two bilingual colleagues working independently into Turkish, and checked afterwards for inter-translator consistency for revisions. A five-point Likert scale, with response categories ranging from 'strongly agree' (5) to 'strongly disagree' (1), was used by the interviewers. Size of firm reflected the number of full time employees excluding the owner. Both size and age of firm had high positive skewness, which led us to conduct a logarithmic (ln) transformation for the two variables.

RESULTS

Factor analyses were conducted for the variables that had multiple dimensions, i.e., growth, strategic stance, and competition. All factor analyses used Principal Components extraction (with minimum eigen value of 1.0 and Varimax rotation. The analysis for growth plans yielded two factors. Table 1 shows the rotated factor matrix, with loadings of more than .45 highlighted. The emergent factors were labeled as *market expansion* and *resource aggregation*. Standardized composite factor scores, with means of zero and standard deviations of one, were obtained from the factor analysis procedure and used in the analysis. This enabled us to use orthogonal factors for the regression analysis, thus minimizing the chances of multicollinearity. Although all items contributed in various degrees to a factor, items with the highest loadings can be interpreted as defining the factor. In Table 1 items with loadings of .4 or more, which are labeled as a fair loading by Comrey and Lee (1992), are shown in bold.

Table 2 - Factor loadings for growth items*

<i>Items</i>	<i>Factors</i>		<i>Communalities</i>
	<i>Market Expansion</i>	<i>Resource Aggregation</i>	
Added new product or service	.79	.11	.63
Sold to a new market	.79	.22	.68
Added operating space	.60	.45	.57
Expanded distribution channels	.71	.30	.59
Expanded advertising & promotion	.59	.41	.52
Upgraded computer systems	.34	.63	.51
Replaced present equipment	.21	.71	.54
Expanded current facilities	.28	.70	.57
Added specialized employees	.25	.69	.54
Offsite training for employees	.12	.70	.51
Redesigned operating methods	.20	.70	.53
Sought additional financing	.31	.63	.50
Sought professional advice	.27	.69	.54
Expanded scope of operations	.42	.57	.50

*Method: Principal Component Extraction with Varimax rotation. Initial eigen values and % of variance explained: 1st factor=6.52, 46%; 2nd factor=1.20, 9%. KMO=.940, Bartlett's, Chi-Square=5585.6, df=91, p<.001

The factor analysis for strategic stance yielded three factors. These correspond to Miles and Snows' prospector, defender, and reactor typology. Again standardized factor scores were calculated for each. Table 2 gives the factor loadings for strategic stance items, with loadings of .45 and more highlighted. The factor analysis for cognitive scripts resulted in 11 factors. Seven of these factors corresponded to factors identified by Mitchell, et al. The others had either a single item or items inconsistent with each other. The 7 factors are shown in Table 3. Once again standardized factor scores were calculated. Table 3 shows the items that help define each factor in bold.

The relation between the dependent and the independent variable sets was analyzed by two separate regression analyses, with one of the growth areas serving as the dependent variable in each analysis. A hierarchic procedure was used in each regression. At stage one, the control variables, and at stage 2 the hypothesized variables were entered. In both regression analyses both the control variables and hypothesized variables yielded significant results. Table 4 gives the beta coefficients and summary statistics for the two regression analyses.

Table 3 - Factor loadings for strategic stance items*

Items	Factors			Communalities
	Prospector	Defender	Reactor	
Emphasizes R&D, new technologies, & change	76	10	-19	62
Offers very few products or services	-10	01	77	60
Makes major changes in products and services	79	04	12	64
Reacts to competitors rather than initiates	22	03	74	60
Frequently creates products & services compared to competitors	61	20	16	43
Avoids fierce competition & uses a live-and-let-live philosophy	31	62	01	48
Chooses projects that are low-risk, low-uncertainty & normal return	-08	75	34	68
Takes precautions to avoid high cost errors under uncertain conditions	13	74	-20	61

*Principal Component extraction and Varimax rotation. Decimal points omitted. Initial eigen values and % of variance explained: 1st factor=2.15, 26%, 2nd factor= 1.36, 17%, 3rd factor=1.15, 14%. KMO=.647. Bartlett's, Chi-Square=818.3, df=28, p<.001.

Growth in resource aggregation was positively affected by the control variables of products in their early life cycles, a relatively larger firm size, and competition for price and for innovation. Among the hypothesized variables (model 2), growth was positively affected by the presence of a strategic process, prospector and defender strategies, and three of the cognitive scripts factors: willingness to pursue opportunities, willingness to commit time and resources, and venture diagnostic ability. Regression analysis with market expansion as the dependent variable gave similar results, with some exceptions. Price competition was not in the equation for control variables. Among the hypothesized variables, reactor strategy entered the equation with a negative coefficient, and instead of willingness to commit resources, arrangement scripts pertaining to a protectable idea/product entered the equation.

DISCUSSION

Among the control variables, firm's size was one of the stronger predictors of growth, with relatively larger firms exhibiting more growth intention in all areas. This finding deviates from arguments that place smaller size along with youth of owner and firm under a general dynamism factor. In the case of Turkey, larger size

meant greater resources available for growth. As discussed earlier, micro firms face substantial difficulties for financing their expansion plans, either from internal sources or through financial institutions which seek collateral. In addition to size, the stage at which the products of the firm were in their life cycle influenced growth. A younger product line meant stronger growth. The level of price competition also positively influenced both areas of growth, and competition for innovation influenced market expansion. It is interesting to note that while competition facilitated growth, environmental uncertainty did not. Uncertainty items included uncertain future industry growth, fluctuating demand, and fast changing technologies. Hence, as long as uncertainty, as defined, was not high, these firms seemed to flourish under competition. This could enable policy makers to appreciate the need for a stable business environment while keeping competitive forces alive.

Table 4 – Factor Loadings for Cognitive Scripts Items*

Items	Factors**						
	Will- OppMot	Abil- OppFit	Will- Commit	Arr- Protec	Abil- Diag	Arr- Resour	Will- Focus
Time investment criteria	65	04	-03	-11	07	11	09
Risk orientation	41	-12	10	-00	56	03	-00
Diagnosis via specific situations	-07	05	-07	10	68	-03	13
Delineation of knowledge base	-23	19	19	-15	48	04	-14
Problem recognition	12	10	10	12	14	-13	-01
Time values	66	06	13	11	-16	-01	-03
Other protection	-08	16	10	68	06	-07	09
Normative knowledge base	29	00	-02	-25	12	11	-24
Resource possession	07	11	-14	-14	01	61	04
People and asset network	-12	33	36	12	-01	45	-28
Awareness of venture situations	01	61	11	05	-06	04	-02
Investment values	03	12	50	18	-19	-10	34
Success attribution	02	-14	64	-03	11	08	02
Commitment values	03	09	56	08	05	-17	-07
Investment orientation	41	30	-23	05	09	-02	-06
Action orientation	10	09	03	-02	23	-05	03
Patent protection	07	-10	03	65	09	15	-03
Venture network accessibility	05	-12	02	14	-00	71	10
Open to possibilities or settled	09	17	10	-39	-19	24	49
Action orientation	00	00	09	10	16	06	77
Comfort in new situations	01	10	-03	02	-09	-04	08
Venture vs. business knowledge	04	52	-19	03	16	04	07
Locus of investment criteria	14	59	-06	-08	03	-05	14
Network utilization	-12	05	15	08	05	09	-07
Venture success scripts	14	-04	12	01	-06	-02	05
Venture vs. general skill set	03	18	-00	06	08	-13	03
Opportunity recognition	-06	-05	14	11	-06	02	04

*Extraction Method: Principal Components extraction, Varimax rotation. Decimal points omitted.

KMO=.598. Bartlett's, Chi-Square=1216.6, df=351, p<.001.

**Will-OppMot = Willingness scripts, Opportunity motivation
 Will-Commit = " " Commitment tolerance
 Will-Focus = " " Seeking focus
 Abil-OppFit = Ability scripts, Ability/opportunity fit
 Abil-Diag = " " Venturing diagnostic ability
 Arr-Protec = Arrangement scripts, Protectable idea
 Arr-Resour = " " Resource possession

Once the influence of control variables were accounted for, both strategy-related variables and cognitive script variables had a significant effect on growth. Among the strategic stance variables, prospectors were hypothesized to pursue market expansion while defenders were hypothesized to pursue resource aggregation. This was due to defenders' narrow service market domains and tendency to stay within existing domains, and prospectors' search for new service opportunities. However, the results showed high growth in both market expansion and resource aggregation for both prospectors and defenders. Further analysis of market expansion items on new product introduction versus entering new markets with existing products did not show any differential relation to prospector strategy. It is possible that the items on new market entry dominated the market expansion scale, and defenders as well as prospectors were active in entering new markets. The only strategy that had a negative effect on market expansion was the reactor strategy, as expected.

Table 5 - Results of Regression Analysis (Beta Coefficients)

Variable	Resource Aggregation		Market Expansion	
	Model 1	Model 2	Model 1	Model 2
<i>Control variables</i>				
Industry growth	.03	.06	.07	.08
Product life cycle	.14**	.10	.12**	.08
Uncertainty	.00	.01	.08	.10
Competition (price)	.16**	.10	.07	.01
Competition (innovation)	.21**	.13	.11**	.03
Firm size (log)	.11**	.11	.12**	.12
Firm age (log)	.04	.04	.03	.04
Owner's age	.03	.06	-.02	.00
Owner's education	.06	.07	.04	.05
Owner's experience	-.03	-.07	-.03	-.07
<i>Hypothesized variables</i>				
Strategic process		.11**		.12**
Prospector strategy		.13**		.17**
Defender strategy		.13**		.12**
Reactor strategy		.02		-.10**
<i>Cognitive scripts</i>				
Willingness—opportunity motivation		.09**		.08*
Ability—opportunity fit		.00		.05
Willingness—commitment tolerance		-.14**		-.05
Arrangement—protectible idea		.04		.09**
Ability—venture diagnosis		.10**		.12**
Arrangement—resource possession		.01		.02
Willingness—seeking focus		.02		.01
Adjusted R-square	.11	.19	.08	.18
Change in F-ratio	11.69	7.91	8.58	9.38
R-square change	.13	.09	.10	.10
Degrees of freedom	10, 820	11, 809	10, 819	11, 808

** p<.01, * p<.05

Not all of the cognitive scripts scales were significantly related to growth. A persistent finding across the two growth areas was the positive influence of willingness scripts regarding opportunity motivation. This scale depicts a readiness to pursue an opportunity quickly, and an aversion to weighing risks for any extended time period. This seems to be a crucial orientation for entrepreneurship and growth in this sample for firms. A second variable that was significantly related to both growth factors was venture diagnostic ability. This

scale contained items related to the owners' ability to evaluate a new opportunity in the light of previous experience and special expertise. Owners who achieved high growth showed strong belief in such expertise and knowledge, as opposed to trial-and-error or luck.

Two other cognitive scripts had effects on growth, but differentially for the two growth factors. Resource aggregation was positively affected from willingness scripts pertaining to commitment tolerance. This variable has items measuring the owners' willingness to commit to a plan and trust managers and employees in pursuing this plan. Since resource aggregation scale included several items pertaining to developments internal to the firm—like computerization, equipment and process improvement, and training—trusting managers and employees would be essential for growth. Market expansion, on the other hand, was positively affected from another cognitive script scale, arrangement scripts regarding protectable product. This scale included both patent and franchising protection. Expanding into new markets was more common when the owner felt that they had a product or service that could not easily be replicated by the competition.

POLICY IMPLICATIONS

Since growth intentions are highest among small firms with an appropriate strategic stance, and cognitive scripts on opportunity motivation and venture diagnostic ability, support for them may bring the highest return for investors and the economy. However, such intangible factors hardly qualify for the guarantees that banks require for extending loans. Banks naturally look for collateral (Mason and Stark 2004), and as pointed out earlier, the bookkeeping practices of SME's in Turkey do not provide reliable source of information for the banks. Most family-financed SME's operate with registered capitals that are only a fraction of the actual amounts invested (Kumcu 2003). The banking system, which itself is undergoing a reform, would continue to have difficulties in extending credit to these small firms.

Improving the managerial and bookkeeping practices of owners who are interested in growing their businesses should be feasible, however, and this may open the way for securing loans from banks. Owners who have invested in a strategic process, and those who have confidence in their abilities and the willingness to commit resources are the most likely candidates to attend seminars and work-shops to be provided by the government or businessmen's associations for this purpose. Since owners with these characteristics are also more inclined for growth, further educating them to change their practices would make it possible for the financial system to allocate loans to the right people.

In order to provide the intended results, these efforts may be complemented by changes in the lending philosophy used by banks. Berry, et al. (2004) contrasted the going-concern approach to lending by European banks operating in the UK versus the gone-concern approaches by UK banks. Turkish banks' policy of looking for collateral and security represents a gone-concern approach. In contrast, a going-concern approach would involve collecting information about the future prospects of the SME, for example, via interviews, business plans, accounting information, and industry or market data. If such changes are adopted, the aforementioned seminars and workshops may focus, in addition to bookkeeping practices, on business planning and research, which are more likely to foster entrepreneurial success. The going-concern approach, although a major cultural shift for bankers, may provide the impetus for small business growth which is presently hampered because of financing difficulties.

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EFFECT OF THE PERCEIVED ENVIRONMENTAL UNCERTAINTY ON MARKET ORIENTATION, STRATEGIC FLEXIBILITY AND CORPORATE ENTREPRENEURSHIP: A FIELD STUDY WITH SMALL AND MEDIUM SIZE FIRMS IN KARS

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ABSTRACT

Contemporary changeable and complex environmental conditions create an uncertain medium for businesses. In such conditions, managers with acquired dynamic knowledge will be seeing the environment as a whole, and will develop suitable competitive strategies by being aware of the opportunities/threads created by the environment. In uncertain environmental conditions, key factor for businesses is to develop realistic strategies to keep their business alive and to gain competitive advantages through solving their problems.

Uncertainty is an environmental phenomenon businesses try to minimize because it indicates the complexity of environmental elements, affects adaptation ability negatively by creating inadequacy on determining environmental developments.

In uncertain conditions, managers with their market orientation, strategic flexibility, and corporate entrepreneurship abilities, will find the opportunity to perceive opportunities/threads created by the environment and to develop suitable strategies through making coordination among the environmental factors. Due to that, perceived environmental uncertainty leads the managers to search more information, thereby affecting their market orientation, strategic flexibility, and corporate entrepreneurship abilities.

This study aimed to determine the effects of perceived environmental uncertainty by the managers of small and medium size firms in Kars on market orientation, strategic flexibility and corporate entrepreneurship.

Key Words: *Perceived Environmental Uncertainty, Market Orientation, Strategic Flexibility, Corporate Entrepreneurship, Small and Medium Size Firms.*

INTRODUCTION

In uncertain environmental conditions, businesses have chances to catch possible opportunities which occur/will occur with the aid of knowledge acquired by environmental analysis and to avoid environmental threats. Thus, environmental uncertainty is an environmental phenomenon businesses try to lower to minimum because environmental uncertainty which points to uncertainty, changeability, and dependability of the environmental elements affects the adaptation ability of the business to environment by inadequately determining environmental developments.

Strategic flexibility and culture of market orientation are needed to provide knowledge to deal with environmental uncertainty. Hence, being market orientated is offering new product/services and creating new work areas. For businesses, this is only possible with an effective corporate entrepreneurship.

This study aimed at determining effects of perceived environmental uncertainty by the managers of small and medium size firms in Kars on market orientation, strategic flexibility and corporate entrepreneurship. A survey was applied in the study and the acquired data were analyzed by the use of SSPS 11.5 program.

1. Perceived Environmental Uncertainty

For businesses, environment is the sum of internal and external elements affecting development. Generally defined as inadequacy on foreseeing something, uncertainty phenomenon, if combined with the environment, is assumed to occur mostly because of the external elements rather than internal environment. (Dickson and Weaver, 1997: 404-425)

Perceived environmental uncertainty creates very important restrictions for businesses. Businesses continuously follow competitiveness and environmental change to keep their presence. They need an effective management ability to adapt environment. (Boyd and Farley, 1998: 1-21)

Businesses need adaptation ability to keep their presence in uncertain environment because increasing environmental uncertainty, and uncertain environment due to change require being more sensitive to environment and adopting at higher levels. Adaptation hereby is ability of self-renewal to respond uncertain conditions and to be effective against uncertain conditions. In other words, change rate of environment and continuously changing technologic, social and economic structures can all be perceived as a whole. (Duening, 1997: 2-8)

Environmental uncertainty is defined as inadequacy of an individual who needs to choose either a definite guess or provided information to be necessary because he or she in general has no adequate knowledge. In the conditions where the environmental uncertainty is high, businesses need to provide more information and evaluate it in detail on decision making processes. Perceived environmental uncertainty forces businesses to more renewal and change. Adversely, in the conditions where the environmental uncertainty is low, businesses do not be renewal nor need change. (Damanpour, 1996: 693-716; Mccann and Selsky, 1984: 460-470)

2. Effect of Perceived Environmental Uncertainty on Market Orientation, Strategic Flexibility and Corporate Entrepreneurship

For businesses, adapting uncertain environment depends upon analyzing potentially effective powers on them continuously by being interested, and systematically evaluating them. In other words, to struggle with the increase in environmental uncertainty, businesses need broader and frequent environmental analyses. By collecting more data through environmental analyses and evaluating them, and by recognizing environmental changes more, strategies and hypothesis may be formulated on environmental factors. This surely helps any business to lower excessive uncertainty. (Ardekani et al., 1996: 187-203)

To make effective environmental analyses, a business should create a market oriented culture because market orientation is a values system which creates effective market knowledge for the present and future needs of customers, spreads this knowledge within the business, and provides powerful norms to become aware of this knowledge. (Kohli and Jaworski, 1990: 1-18) This system has two essential aspects: The first is to share information on the future demands and/or needs of customers across the business, obtained from rivals, external factors and customers, by flowing it horizontally and vertically in-between the divisions. The second is to use this information effectively. (Woold et al., 2001: 213-226)

Market orientation aims at developing a highly valuable business culture through high performance for the business and effective behaviors in the business for customers, and protecting it. (Webb et al., 2000: 101-112) Values and beliefs in this culture should provide continuous learning on open and secret needs of customers and rival strategies, and should then support taking actions through interfunctional coordination. (Slater and Narver, 2000: 69-73) When these functions of market orientation are observed three basic dimensions are seen. They are customer orientation, competitive orientation and interfunctional coordination. While customer orientation, basic to the market orientation, focuses on determining open and secret needs of the potential customer, competitive orientation provides those which are required to be performed to understand capacities, strategies, and weak and strong aspects of the rivals. Thus, interfunctional coordination comprises activities for using sources of the business coordinately to create value for customers. (Slater and Narver, 1994: 22-28; Kwon and Hu, 2000: 61-75)

Activities in the base of market orientation including creation of market knowledge, analyzing environment, spreading knowledge and interfunctional coordination show the capacity of the business in uncertain conditions, and can also be assumed as a strategic capacity of market orientation because market oriented businesses can better recognize their competitive advantages, sources and abilities in dynamic and complex environments. Businesses then acquire a strategic view point, enhancing their competitive advantages. (Bigne et al., 2000: 190-198; Jaworski and Kohli, 1993: 53-70)

A market oriented business may be thought as one trying to perceive environmental opportunities and threads through forming a continuous relationship with itself and its environment. Thus, it tries to protect itself from environment through internal functions and management activities. This increases business performance, customer satisfaction and synergic affectivity. (Kumar et al., 1998: 201-233)

One of the analysis mechanisms that business managers use against environmental uncertainty is strategic flexibility. It states changes in the business with regard to environmental opportunities and threads. Strategic

flexibility lets the business comply with excessive environmental uncertainty and examine its strategic plan. Being flexible supports both market orientation and corporate entrepreneurship. Since strategic flexibility is backed up with environmental analyses, the plan to be formed speeds up the behaviors of both market orientation and corporate entrepreneurship. (Entrialgo et al., 2000: 427-436).

Environmental uncertainty is a key factor for businesses to keep their presence and to gain competitive advantage through solving their problems. Strategic flexibility can be defined as a fast and effective respond ability of businesses against market opportunities and technological changes. (Meyer et al., 1989: 135-144; Sanchez, 1995: 135-159; Zelenovic, 1982: 319-337).

Intense activities are observed for corporate entrepreneurship rather than making a finite definition. In other words, corporate entrepreneurship is related to understanding of creating new job areas or internal behaviour models. (Alvarez and Busenit, 2001: 755-775) Yet, corporate entrepreneurship is a behaviorist and long lasting process. In this process, it is expected in the business that new opportunities are seen and business sources are pointed to new work areas with regard to new work concepts. During this process, some team adjustments, corrections and adaptations are unavoidable. (Papatya et al., 2005: 650-675) Corporate entrepreneurship performs activities for changes in providing competitive advantage in uncertain environmental conditions by producing innovation, taking risks, and developing new product/process. (Barrett and Weinstein, 1998: 57-70).

Activities of corporate entrepreneurship require effectiveness of strategic, administrative and actional processes at various levels. However, observation and foreseeing of environmental changes and uncertainties around the business may not always be at the same sharpness. (Zahra, 1991: 259-285)

Businesses with their adaptation and flexibility against environmental uncertainty possess a continuously evolving and transforming quality to catch opportunities and innovations. Evolving and transforming quality of the businesses contains all activities affecting their structures because evolution and transformation help business evaluate/learn its all abilities and capabilities, provide the most appropriate source accumulation for business activities, and contribute to the lever effect of sources. (Thornbery, 2001: 526-533; Papatya et al., 2006: 239-252)

3. Application: Effect of The Perceived Environmental Uncertainty on Market Orientation, Strategic Flexibility and Corporate Entrepreneurship: A Field Study With Small and Medium Size Firms In Kars

3.1 Purpose, Hypothesis and Method of Research

Purpose and Hypothesis: This study tried to reveal effects of perceived environmental uncertainty by the managers of small and medium size firms in Kars on market orientation, strategic flexibility and corporate entrepreneurship. The main population of this study is composed of 45 small and medium size enterprises, having 10-49 staff, functioning in Kars province.¹ These firms were determined and counted totally with the help of the data of registered Kars Chamber of Commerce and Industry. A number of 4 survey forms were sent to each of these firms in comply with the number of managers. However, 150 forms from 40 firms turned back. The model of the study was thought to be a descriptive model because of determining the relationship between subject or problem and variables. (Altunışık etl al.,2002:51) Hypothesis of the study and research model were as follows:

H1:There is a positive and significant relationship between perceived environmental uncertainty and market orientation.

H2:There is a positive and significant relationship between perceived environmental uncertainty and strategic flexibility.

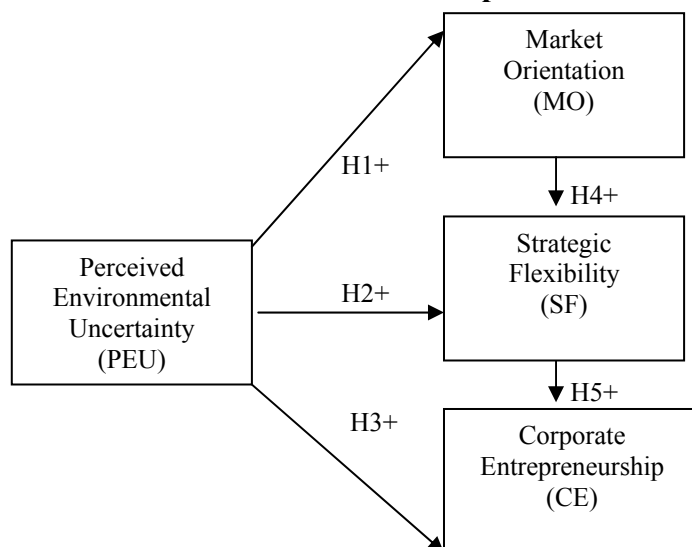
H3:There is a positive and significant relationship between perceived environmental uncertainty and corporate entrepreneurship.

H4: There is a positive and significant relationship between market orientation and strategic flexibility.

H5:There is a positive and significant relationship between strategic flexibility and corporate entrepreneurship.

¹According to DİE, firms having 10-49 workers are considered as small and middle size firms. This study was also conducted in accordance with this definition.

EXHIBIT 1 Conceptual Model and Hypotheses



Research Method: Measures used in the study have been previously used ones whose standard and validity/dependability have been proven. In preparing survey form; (a) questions on perceived environmental uncertainty were provided from the measures of Dickson (1997) and Naktiyok (1999), (b) those on market orientation from the measures of Narver and Slater (1990), (c) those on strategic flexibility from the measures of Grewal et al. (2001), Eppink (1978), and Jones and Ostroy (1984), (d) and those on corporate entrepreneurship from the measures of Zahra (1993). The survey form has been academically evaluated and reformed. 5-point Likert scale was used in order to measure statements within the form. The data obtained have been tested by the SPSS 11.5 program.

TABLE 1 Measures Used

Measures used	
Perceived Environmental Uncertainty	Dickson (1997), Naktiyok (1999)
Marketing Orientation	Narver & Slater (1990)
Strategic Flexibility	Grewal et al.(2001), Eppink (1978), Jones & Ostroy (1984)
Corporate Entrepreneurship	Zahra (1993)

3.2. Analyzing Research Data and Interpretation of Findings

In order to test reliability of the used scale, Cronbach alpha values were computed. Variables were subjected to factor analysis and Regression Analysis was used in correlation analysis and testing the hypothesis. However, first KMO (Kaise-Meyer-Olkin Measure of Sampling Adequacy) Sample Adequacy Measure and Aphericity Degree (Barlett's Test of Aphericity) shall be in sufficient level in order to apply explanatory factor analysis. Due to the KMO value of the scale to be higher than 0.60 and the extent of globosity to be 0.000, it has shown the adequacy of sample and ability to obtain the significant factors from the research data. (Nakip, 2003: 409). KMO varies in-between 0 and 1, and KMO level 1 shows that variables can perfectly guess each other without any mistake. The acceptable lowest level of KMO sampling adequacy is 0.50 (Sipahi et al., 2006: 80).

In the study, KMO level of the perceived environmental uncertainty is 0.877, indicating a perfect adequacy in accordance with the above Table. Like wise, KMO level of the market orientation is 0.847, also possessing a perfect adequacy level. Furthermore, KMO levels of strategic flexibility and corporate entrepreneurship are 0.789 and 0.788, respectively, both showing good adequacy levels of factor analysis. Hence, while measuring adequacy of the factor analysis, *Measures of Sampling Adequacy (MSA)* level measures adequacy of every question one by one to factor analysis. In the cases where *MSA* levels are below 0.50, questions are excluded from analysis, and factor analysis is repeated (Sipahi et al., 2006: 81). In our study, upon examining *Anti-Image Correlation Matrix*, *MSA* level of the any question was not below 0.50, so none of the question was excluded from the survey. Cronbach alfa levels of the measures used were; (a) .9064 for perceived environmental uncertainty, (b) .8483 for marketing orientation, (c) .8111 for strategic flexibility, (d) and .8662 for corporate entrepreneurship. Measures were confident at high level.

Cronbach alfa test, the most common method, was used to evaluate confidences of the measures (internal consistency) (Ravichandran and Rai, 1999: 136-137; Jansson, 2000: 1452-11453). Literature has accepted that Cronbach alfa coefficient higher than 0.70 is adequate for internal confidence in social sciences (Baum

and Wally, 2003: 1107-1129). In all the measures used in our study, alfa levels were higher than 0.70, changing in-between 0.90 and 0.81. These levels indicate that confidences of the measures are very high.

TABLE 2 Demographic Peculiarities of the Managers

Demographic Peculiarities		F	%
Gender	Male	87	58
	Female	63	42
Age	25 and below	16	10,7
	26-35	24	16
	36-45	60	40
	46 and up	50	33,3
Education Level	Primary School	47	31,3
	High School	43	28,7
	University	60	40
Work Experience	1-5 Years	58	38,7
	6-10 Years	46	30,7
	11-15 Years	46	30,7

As shown in Table 2, 58% of the managers who responded the survey are male, 42% female, 10.7% 25 years old and below, 16% 26-35 years old, 40% 36-45 years old, and 33.3 45 years old and up. Moreover, 31.3% graduated from primary school, 28.7% from high school, and 40% from university. On work experience in the same firm, 38.7% have been working for 1-5 years, 30.7% for 6-10 years, and 30.7% for 11-15 years.

a) Evaluation of Factor Analysis Results

Basic component method and factor analysis of varimax rotation method have applied to determine basic dimensions of the measures.

TABLE 3 Variations of Perceived Environmental Uncertainty

Factors	Factor Weights	Eigen Value	Described Variations %	Total Variations %
Factor 1: Perceived Environmental Uncertainty		7,898	65,819	65,819
Number of external environmental factors affecting firm	,722			
Difference in the effect of external environmental factors	,587			
Influence among the external environmental factors	,546			
Limitation in guessing the effects of change	,821			
Frequency of unexpected case occurrences	,677			
Information influence on the results of decisions	,957			
Change speed	,952			
Chaos making rate of external environment developments	,849			
Effect of opposite influence in external elements to firm	,653			
Need of making environmental analysis	,674			
Meeting frequency with branches	,949			
Change need in structure, process, and strategy	,766			
Cronbach Alfa Coefficient for all Variations				,9064
KMO=,877				1528,241,000

Upon analysis, 12 variations qualifying perceived environmental uncertainty were combined under a sole factor, revealing 65.819% of total variance, and eigen value is 7.898.

TABLE 4 Variations of Market Orientation

Factors	Factor Weights	Eigen Value	Described Variations %	Total Variations %
Factor 1: Customer Orientation		5,213	35,015	35,015
Firm works continuously to create customer value	,711			
Firm gathers information continuously to understand customer needs	,921			
Firm measures customer satisfaction continuously	,915			
Firm tries to offer after-sale service perfectly	,651			
Firm tries to keep its promises given to customer	,904			
Cronbach Alfa Value				,7994
Factor 2: Competitive Orientation		2,79	29,681	64,696
Firm workers share information on competitors	,912			
Managers discuss competitors strategy continuously	,920			
Competitors action spread fast in the firm	,638			
Firm focuses on opportunities for competitive advantage	,907			
Cronbach Alfa Value				,7399
Factor 3: Interfunctional Coordination		1,158	15,030	79,726
Costumer call centers should be formed among the divisions of firm	,729			
Integration is done in firm strategies	,660			
Sources are shared with the other divisions in firm	,686			
Information in firm is shared among the functions	,751			
All the functions in firm contribute to creating customer value	,744			
Cronbach Alfa Value				,8483
Cronbach Alfa Coefficient for All Variations				,9246
KMO= ,847				1940,320 ,000

Upon analysis, variations determining market orientation were combined under 3 factors. A number of 5 variations indicating customer orientation reveal the 35.015% of the total variance, and the eigen value is 5.213. A number of 4 variations determining competitive orientation reveal the 29.681% of the total variance, and the eigen value is 2.79. A number of 5 variations indicating interfunctional coordination reveal the 15.030% of the total variance, and the eigen value is 1.158.

TABLE 5 Variations of Strategic Flexibility

Factors	Factor Weights	Eigen Value	Described Variations %	Total Variations %
Factor 1: Strategic Flexibility		2,868	57,361	57,361
In our firm, investments and costs are shared regularly and equally among the activities of the firm	,821			
We search for the ways to interest changes that occur around the firm	,672			
Firm strategy cares greatly opportunities that result from changes around	,704			
Firm underlies abilities of the workers while they are being employed	,883			
Firm follows a highly flexible strategy on managing risk, economic, politic and financial changes	,685			
Cronbach Alfa Coefficient for All Variations				,8111
KMO=,789				257,652 ,000

Upon factor analysis, a number of 5 variations determining strategic flexibility were combined under a sole factor, revealing 57.361% of the total variance, and eigen value is 2.868.

TABLE 6 Variations of Corporate Entrepreneurship

Factors	Factor Weights	Eigen Value	Described Variations %	Total Variations %
Factor 1: Innovation		5,196	37,115	37,115
Being in the first place on creating new products, techniques, and systems	,655			
Opening into new market areas with new products	,719			
Concentrating on search and development to create new products and technologies	,778			
Creating new job areas for present products	,510			
Taking new jobs and opening new businesses in new sectors along with present sectors	,599			
Cronbach Alfa Value				,7539
Factor 2: Proactivity		2,912	20,813	57,918
Instead of responding to competitors, competing with them or being in action	,786			
Applying highly risky projects	,512			
In the case of uncertainty, firm takes bold decisions	,886			
Choosing strategies which require courage	,809			
Cronbach Alfa Value				,7663
Factor 3: Self-Renewal		1,010	7,215	65,133
Redefining firm mission	,861			
Redefining firm concept	,616			
Reorganizing units and related divisions of the firm, or creating units that manage themselves/take joint actions	,542			
Creative and innovative works are rewarded in the firm	,520			
Through innovation, forming flexible organization structure	,851			
Cronbach Alfa Value				,7600
Cronbach Alfa Coefficient for All Variations				,8662
KMO= ,788				879,280,000

Upon the factor analysis done to determine dimensions of corporate entrepreneurship, variations were united under 3 factors. Eigen value of the 5 variations that determine renewal variations is 5.196, revealing 37,115% of the total variance.

A number of 4 variations that determine proactivity dimension reveal the 20.813 of the total variance, and eigen value is 2.912. Eigen value of the 5 variations determining dimension of renewal itself is 1.010, revealing 7.215 % of the total variance.

b) Evaluation of Correlation Results

Results of multicollinearity analysis performed to determine relationship between the perceived environmental uncertainty and the variations of market orientation, strategic flexibility and corporate entrepreneurship, are shown in Table 7.

TABLE 7 Results of A Multicollinearity Test Analysis Between Factors

Değişkeler	\bar{X}	S.S	MO	SF	CE	PEU
MO	3,75	,80	1,000	(r=,952)** ,000	(r=,803)** ,000	(r=,877)** ,000
SF	3,82	,83	(r=,952)** ,000	1,000	(r=,781)** ,000	(r=,839)** ,000
CE	3,75	,86	(r=,803)** ,000	(r=,781)** ,000	1,000	(r=,739)** ,000
PEU	3,76	,78	(r=,877)** ,000	(r=,839)** ,000	(r=,739)** ,000	1,000

**p<.01

Upon means of the variations; MO has a mean value, (\bar{X} =3.75). Like wise, mean value of the customer orientation was (\bar{X} =3.81), that of the competitive orientation was (\bar{X} =3.82), and that of the interfunctional

coordination was $\bar{X} = 3.62$. Thus, while mean value of the SF was ($\bar{X} = 3.82$), that of the CE was ($\bar{X} = 3.75$). Again, mean values of the innovation, proactivity, and self-renewal were ($\bar{X} = 3.69$), ($\bar{X} = 3.85$), and ($\bar{X} = 3.71$), respectively, all being the sub-dimensions of the CE.

In the multicollinearity analysis performed, it is clearly seen that there is a very high and statically significant relation between the MO and SF ($r=0,952$). The relation is relatively high and significant between the MO and CE ($r=0,803$), and between the MO and PEU ($r=0,877$). The relation is also high and significant between the SF and CE ($r=0,781$), and relatively very high and significant between the SF and PEU ($r=0,839$).

There is a high and significant relation between the CE and PEU ($r=0,739$). *H1, H2, H3, H4, and H5 hypotheses*, all formed with regard to previously indicated points, have been accepted.

c) Evaluation of Regression Analysis Results

In the study, to determine the effect of the perceived environmental uncertainty on market orientation, strategic flexibility, and corporate entrepreneurship, regression analysis was applied by using “enter” method. In analysis, while perceived environmental uncertainty was considered as dependent variation, market orientation, strategic flexibility, and corporate entrepreneurship were treated as independent variations. The results are shown in Table 8.

TABLE 8 Regression Analyses Showing the Effect of Perceived Environmental Uncertainty on Market Orientation, Strategic Flexibility, and Corporate Entrepreneurship

Factor	PEU				
	β	t	R ²	D.R ²	F
MO	,863 ,000	3,482	,768	,767	491,238 ,000
SF	,830 ,000	10,760	,704	,702	351,950 ,000
CE	,739 ,000	13,331	,546	,543	177,707 ,000

**p<0,001

As effect of the PEU on MO is examined, MO reveals nearly 77 % of the total variations ($R^2=.767$). Thereby, ($\beta=.863$), ($t=3.482$), and ($p<.000$). Hence, ($F=491.238$), which is significant at ($p<0.001$).

As effect of the PEU on SF is examined, SF reveals nearly 70% of the total variations ($R^2=.704$). Thereby, ($\beta=.830$), ($t=10.760$), and ($p<.000$). Hence, ($F=511.950$), which is significant at ($p<0.001$).

As effect of the PEU on CE is examined, CE reveals nearly 55% of the total variations ($R^2=.546$). Thereby, ($\beta=.739$), ($t=13.331$), and ($p<.000$). Hence, ($F=117.707$), which is significant at ($p<0.001$). All above indicates that PEU has very significant ($p<.000$) and positive effect on the MO, SF, and CE.

Results of correlation analysis performed to determine opinion of the managers of small and middle size firms in Kars upon whether perceived environmental uncertainty affects strategic flexibility, market orientation, and corporate entrepreneurship, and reject-accept table of the hypothesis are shown in Table 9.

TABLE 9 Reject-Accept Table of The Hypothesis on Opinion of The Managers of Small and Middle Size Firms in Kars upon whether Perceived Environmental Uncertainty affects Strategic Flexibility, Market Orientation, and Corporate Entrepreneurship

Hypotheses	Results
There is a positive and significant relationship between perceived environmental uncertainty and market orientation.	.877** (Hypothesis Accepted)
There is a positive and significant relationship between perceived environmental uncertainty and strategic flexibility.	.839** (Hypothesis Accepted)
There is a positive and significant relationship between perceived environmental uncertainty and corporate entrepreneurship.	.739** (Hypothesis Accepted)
There is a positive and significant relationship between market orientation and strategic flexibility.	.952** (Hypothesis Accepted)
There is a positive and significant relationship between strategic flexibility and corporate entrepreneurship.	.781** (Hypothesis Accepted)

**p<.01

As can be shown in the Table 11, the managers joined the survey think that there is a strong and positive relation ship between the PEU and MO, and *H1 hypothesis* has been accepted. This indicates that the managers are highly sensitive to the environmental uncertainty, which leads them to behave more markedly oriented. Being aware of the environmental uncertainty requires both to make environmental analysis better and to have strong market information intelligence.

A strong and positive relationship is seen between the PEU and SF, and thus, *H2 hypothesis* has been accepted. In the case of environmental uncertainty, the managers are sensitive against strategic flexibility. This sensitivity requires the businesses to re-organize their strategic plans against uncertainties, and to form products/services in accordance with changing conditions. Businesses with their market orientation respond to customer demands very fast, yet acquiring competitive advantages. Thanks to the strategic flexibility, managers, thus, both keep their business alive and activate their *corporate entrepreneurship* behavior. Therefore, it can be mentioned on the presence of a strong and positive relation of the strategic flexibility with being market oriented and corporate entrepreneurship. Therefore, *H4* and *H5 hypotheses* have also been accepted.

A strong and positive relationship is seen between the PEU and CE. Against uncertainties, managers being market oriented and flexible renew themselves through evaluating present/future opportunities very fast and creating new competition areas. Therefore, *H3 hypothesis* has been accepted.

The results suggest clearly that the managers joined this study perceive environmental uncertainty, and upon their action plan, follow the rules of being flexible, being market oriented, and being enterprise corporate.

4. Conclusion

With the results of this study we have evaluated the effects of the perceived environmental uncertainty on the market orientation, strategic flexibility, and corporate entrepreneurship, it can be said that managers perceive the environment they work at very high level ($\bar{X} = 3.76$). Moreover, mean values of the market orientation ($\bar{X} = 3.75$) and strategic flexibility ($\bar{X} = 3.82$), two important mechanism of the environment analysis to dismiss uncertainty and to be able to adapt to environment, have also been at very high levels. As sub-dimensions of the market orientation have been examined, means of the customer orientation, competitive orientation and coordination between the units have been found to be ($\bar{X} = 3.81$, $\bar{X} = 3.82$, and $\bar{X} = 3.62$), respectively. Against the environmental uncertainty, perceived customer orientation and competitive orientation of the managers have been observed to be higher than the coordination between the units.

Upon environmental uncertainty, mean of the corporate entrepreneurship is observed to be very high, ($\bar{X} = 3.75$). As means of sub-dimensions of the corporate entrepreneurship are observed, means of the innovation, proactivity, and renewal are very high ($\bar{X} = 3.69$, $\bar{X} = 3.85$, $\bar{X} = 3.71$), respectively. Proactivity is at higher level as compared to the others. Hereby, it can be concluded that the managers approach to uncertainty effectively. This then leads to creating new products/services and renewing/transforming the business.

Upon perceived environmental uncertainty, there is an important relationship seen among the market orientation, strategic flexibility, and corporate entrepreneurship. This also leads to an increase in the level of managers' perceived environmental uncertainty, which in turn augment the value of the market orientation, strategic flexibility, and corporate entrepreneurship in the eyes of the managers.

Managers use market orientation, strategic flexibility, and corporate entrepreneurship as instruments on dealing with environmental uncertainty. There is a positive and strong relationship among all variations. Besides, environmental uncertainty possesses a highly strong and positive effect on the market orientation, strategic flexibility, and corporate entrepreneurship.

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THREE MAIN SKILLS OF A STRATEGIC LEADER: MALATYA SMALL AND MEDIUM ENTERPRISES (SME) APPLICATION

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ABSTRACT

The decisions of top leaders are highly important because they bear a determinative function for the survivalists of an enterprise. Top leaders who are planning strategies while maintaining those functions; taking all the precautions for making those strategies apply and managing all the controls before applying them are the "Strategic Leaders". For the strategic leaders to be effective, they need to have three main skills. These are strategic thinking, strategic behavior and strategic influence.

Starting from this fact; the aim of this study is "to scrutinize the strategic leadership abilities of top leaders of SME's which has stable capacity reports and registered to Malatya Chamber of Industry and Commerce, in terms of the perception of subordinates."At the end of the research, we have seen that the strategic leadership skills of top leaders with respect to perfection are; strategic thinking, strategic behavior and strategic influence.

INTRODUCTION

The importance of integration problems within the global market has been steadily increasing with the recent globalization issue. In this globalization process, substituting national economic values with global values creates risks and hazards as well as opportunities. Firms have to be able to develop strategies suitable to the route determined by globalization to maintain their competition superiority. The responsibility of developing such strategies lies upon the top leaders, who are at the top of the hierarchy and are responsible for the entire organization. Decisions of these top leaders bear so much importance for the existence of firms, since these decisions have a determining function for the survival of all firms. These leaders, with all official or symbolic power, are the people who directly affect the performance and the working process of the firms.

We see quick transformations on leadership manners parallel to the diversities of the information societies in which change is one of the main characteristic. With the transition to information societies; we need leaders who calculate events beforehand, give flexibility to the organization at adjusting to new situations and gives authorization to subordinates for applying necessary strategic changes to new situations.

Leaders who are able to satisfy those needs are called " Strategic Leaders" and for strategic leaders to be effective they need to have three main skills which are strategic thinking, strategic behavior and strategic influence as well as other leader skills.

This study, which aims to evaluate the top leaders of 293 SME's which has stable capacity reports and registered to Malatya Chamber of Industry and Commerce, in terms of strategic leadership abilities, has two main sections. First section contains theoretical knowledge related to subject, where as the second one is composed of methodology and application.

We had worked on samples which had chosen by simple random sampling because there was no way to reach all the main mass due to high cost and lack of time. To be able to measure the strategic leadership ability of the top leaders of the sample enterprises, we made a survey including three components and collected data evaluated using frequency distribution in "SPSS 12.0 for Windows", Z hypothesis test and One-Way ANOVA test. Derived findings presented by means of tables and graphics.

ABILITIES OF STRATEGIC LEADERSHIP

The importance of integration problems within the global market has been steadily increasing with the recent globalization issue. In this globalization process, substituting national economic values with global values creates risks and hazards as well as opportunities (Dulupçu, 2001:3). Firms have to be able to develop strategies suitable to the route determined by globalization to maintain their competition superiority. The responsibility of developing such strategies lies upon the top leaders, who are at the top of the hierarchy and are responsible for the entire organization (Hatipoğlu, 1979:249). Decisions of these top leaders bear so much importance for the existence of firms, since these decisions have a determining function for the survival of all firms. These leaders, with all official or symbolic power, are the people who directly affect the performance and the working process of the firms. (Hout & Carter,1998:84)

Leadership theories discussed the Factors which transform managers into effective and successful leaders. Characteristics theory examines successful leadership from the aspect of the leader's characteristics. (Akat and oth., 1994:326) Another leadership theory, "behavioral leadership theory", which was developed later, concentrates on the issue that "what makes leaders effective and successful are not their individual characteristics, but their behaviors displayed during the leadership process. (Koçel, 1999:332) According to a third theory of Situational Leadership Theory "leader's personality coming together with the complexity and the structure of the situation and determines the leader's behavior type" (Koçel,1999:338)

Parallel to the information society's main feature of change, top leadership styles have also going through a fast transformation process. There has been an increasing need for leaders with ability of envisioning the future, flexibility to adapt to new situations and delegating authority to subordinates to accomplish the strategic change needed. Strategic management, as job of strategic leaders who lead the organization to a point much higher than the current and from the current position and effects the followers, has a wider scope than the daily management issues.

Strategic management is a process of strategic planning by research, study, assessment and selection of the strategy, and determining essential steps to implement this strategy, and controlling those steps prior to put them in action. (Eren, 2000:18).Leaders who are capable to fulfill these requirements are called "strategic leaders". Strategic leader is the person responsible from the process of determining, implementing and assessing of the any organization or a strategic organization (Dinçer, 2003: 339) as well as the person thinks and predicts the future, builds the organizational flexibility for necessary change, has capability of empowering the others to make strategic change possible. (Hitt and oth.1999:439). So, strategic leadership requires the ability to see and understand your work environment. It requires objectivity and an ability to separate you from the maelstrom of daily events, and look at the bigger picture (CMOE, www.cmoec.com).

Strategic leadership, also, may be described as the process in which the workers are empowered in order to manage strategic management and strategic leaders are persons who change behaviors, thoughts and feelings in an environment of uncertainty due to the complexity of the global competition environment. That's why human resource management is one of the most crucial skills of a strategic leader.

Strategic leadership enhances an organization's sustainable competitive advantage through not only its strategy but also its vision, values, culture, climate, leadership, structure, and systems. (Beatty & Hughes, 2005:3)

To appreciate the nature importance of strategic leadership, it is helpful to distinguish it from operational leadership. Strong operational leaders are known for their orientation toward results and their ability to marshal resources to get the job done. Most senior executives have progressed in their organizations because they have strong operational skills, (Beatty & Hughes, 2005:3) Effective strategic leadership requires following strategic management which also includes strategic actions related to the execution of the strategy.Effective leadership consists of 6 basic components: (Hitt and oth. 1999:440-449)

- Deciding over the strategic direction of the firm.
- Taking advantage of firm's basic capability.
- Developing firm's current human sources.
- Effective support of the organization culture.
- Attaching importance to ethical practices.
- Balancing organizational control topics.
- Determining a clear vision and focusing all activities on this direction (www.insankaynaklari.com)

In order to be effective, strategic leaders should possess three main competencies besides skills mentioned earlier. Those are; strategic thinking, strategic acting and strategic influencing.

STRATEGIC THINKING

Strategic Thinking, involves having a vision of what the organization can and should become; it offers new ways of understanding the organization's challenges and opportunities through scanning the internal and external environments for trends, patterns, and other factors that may influence the business both now and in the future. A particularly critical competency for strategic leaders is systems thinking, which allows leaders to discern the complex interrelationships among the variables that contribute to organizational success. Strategic thinking has some significant characteristics. Those are: (Adair, 2005:44)

- Strategic thinking neither is a science nor can be thought
- Strategic thinking is about means, ways and objectives.
- Strategic thinking deals with crucial issues rather than ordinary or unimportant ones.
- Strategic thinking should transform into strategic plan when required.
- Strategic thinking requires synthesis besides analysis
- Strategic thinking is abstract as well as concrete.
- Strategic thinking is nonlinear as well as linear.
- Strategic thinking is visual as well as verbal.
- Strategic thinking is implicit as well as explicit.
- Strategic thinking engages the heart as well as the head.

Strategic thinking is the process of four basic steps: (www.cd.org ; Hughes & Beatty, 2005:53-67)

Scanning

Though the strategic learning process can actually begin anywhere, it typically begins with assessing where the organization is. This involves examining the organization's current strategic situation, and it includes an analysis of the opportunities and threats in the industry as well as the strengths and weaknesses inside the organization. This is commonly called a SWOT analysis; the acronym stands for strengths, weaknesses, opportunities, and threats.

Visioning

A vision represents a view of what the organization (or a department, group, or other unit) can and should become. There can be formal expressions of organizational aspiration, as in official vision statements or core values. Since visioning is so closely connected to organizational aspirations, it's especially useful in *understanding who we are and where we want to go*.

Reframing

Reframing involves the ability to see things differently, including new ways of thinking about an organization's strategic challenges and basic capabilities. It involves questioning or restating the implicit beliefs and assumptions that are often taken for granted by organization members. It plays a critical role in the *formative* phases of the strategic learning process from *assessing where we are* through *learning how to get there*.

Making Common Sense

One of the most important things leaders do—especially strategic leaders—is to help others in their organizations make sense of the world around them, the challenges they collectively face, and how they will face them together. Increasingly, groups and organizations face problems and challenges that belie easy definition and resist routine solutions. When facing ambiguous situations or ill-defined problems, the temptation of many leaders might be to create structure and certainty by imposing a personal view of the situation: in a sense, to make everyone else adopt their own sense of it. In truly ambiguous situations, however, that's often a dangerous path to take. In the long run it is often more constructive to *make common*

sense of the situation-meaning to create a shared understanding of the situation, not to assume one person's interpretation of it is correct.

Strategic thinking demands focus on issues and challenges of different levels, environmental changes, and response accordingly. In other words, it is assumed that there is close relation between alternative thinking levels in complex situations and response to those issues. At this perspective, there are three general thinking level: Issues, behavioral patterns and systematic structure. As the thinking level gets higher, understanding, comprehension and learning gets deeper. (Dalay and oth., 2002:10) According to Rhinesmith, the most important level of thinking is forming a global thinking level (Rhinesmith, 2000:38)

STRATEGIC ACTING

Strategic thinking and strategic acting have a close connection to one another and to strategic influencing. In most organizations, translating strategic thinking into priorities for action is one of the most challenging aspects of strategic leadership. Strategic acting is important in every aspect of strategy as a learning process, but it is a critical part of *learning how to get there, making the journey, and checking our progress* many factors make it difficult to translate strategic thinking into action. As noted in Chapter One, these factors include the lack of clear strategic focus, the difficulty of aligning tactics with strategy, and the difficulty of integrating short-term objectives with long-term ones.

To transform thinking into action, strategic leaders must be ready to act in the face of uncertainty. They must set clear priorities, act with short- and long-term interests in mind, and allocate resources that match the strategic choices the organization makes. They must create conditions under which others can be effective, including ways they and others can learn from their individual and collective actions. (Hughes& Beatty,2005:85) That's why; a strong acting net should be structured in order to follow necessary steps mentioned below: (Keçecioglu, 2003:74)

- Supporting relations must be formed with the necessary basic resources on implementing strategies.
- Cooperation, commitment and obligation should be in the center of team activities.
- A core group should be ambitious to make vision real.

Strategic acting is the optimum utilization of the resources in order to attain competitive advantages. After the strategic thinking, despite the ambiguity and complexity, strategic acting takes off by dedicating resources on strategic direction decisively. Strategic acting requires six general competencies: (Hughes & Beatty,2005:86) Set clear priorities.

- Create conditions for others' effectiveness.
- Make strategy a learning process.
- Act decisively in the face of uncertainty.
- Act with the short term and the long term in mind.
- Have the courage of your convictions.

STRATEGIC INFLUENCE

Influence or persuasion is just another word for selling. You may feel that good ideas should sell themselves, but life is not like that. Everyone resists change and anything new is certain to be treated with suspicion.(Armstrong,2004:104)

Based on an examination of the influence literature, 15 prominent proactive influence tactics were found. Previous research has typically categorized influence tactics as soft, neutral, and hard . Using this same classification, the specific tactics can be grouped accordingly. Soft tactics would thus include avoidance, coalition, crying, having a tantrum, ingratiation, inspirational appeals, laying the groundwork for future success, personal appeals, and soft selling. Neutral tactics involve consultation, exchange, and rational persuasion. Finally, hard tactics include being directive, and using legitimating tactics, pressure, and rewards.(Cocivera & Earn, www.open.uoguelph.ca)

If the strategic leader has provided the capability of persuasion and/or affect the subordinates and strategy team, clarity, commitment and synergy would flourish among the organization.

Strategic influence is how leaders engender commitment to the organization's strategic direction and learning. It is absolutely essential to sustaining competitive advantage in contemporary organizations. But the complex, chaotic environment in which organizations operate makes it difficult for their leaders to set a plan, get others on board, and implement a strategy in some lockstep fashion. Organizations and the people in them must adapt and learn on the fly. Leading them through strategic influence is a never-ending quest. Like any quest worthy of the name, it is rife with challenges. Strategic leaders often know the path to pursue (through their strategic thinking) and might be decisive and confident enough to walk that path despite the uncertainty (through the courage of strategic acting), but enlisting others in the effort can be much more difficult. It is often the most critical element of building sustainability. (Hughes & Beatty, 2005:128)

Effectiveness of the leader relies on the leader's group happiness about the responsibilities they exercise. (Harari, 1996:104) Accordingly, it is revealed that leaders share ideas goals and ideas with the followers rather than dictating them. (Holley, 1996:94) Ones who seek to be a strategic leader should develop and sustain organizational culture and system. Renowned ideologue Lao Tzu states that accepted leaders are the persons from whom subordinates don't afraid, who respect others and share the success with workers. (www.stratejiyonetim.com)

Strategic leaders must create influence in four basic direction. (Hughes & Beatty, 2005:129)

Upward Influence

Influencing upward is a necessary yet delicate art. Subordinate level executives and managers have information and perspectives that are important for their superiors to hear, particularly because those lower in the organization are often closer to the customer. But someone who exercises strategic influence upward is attempting to change the direction that might have been set by those same individuals in the first place. It's an easier task when senior managers open themselves up to be influenced by asking for different perspectives and seeking input from those throughout the organization, but this does not always happen. Later in this chapter, we discuss the importance of establishing and maintaining credibility as a critical component of strategic influence. This component is particularly important when one is attempting to influence senior executives in the organization.

Peer Group Influence

Influencing one's peers is also delicate. Strategic leaders are frequently acutely aware of the competition that can exist between peers: competition for resources in the organization, for attention, for power, for praise, and for the next promotion. So influence attempts can be met with skepticism and mistrust. Later in this chapter, we discuss the importance of building trust as part of engendering "unnatural" relationships. Building trust between peers is particularly important for strategic influence to be successful.

Downward Influence

At first glance, downward strategic influence may seem to be the easiest. After all, isn't it true that all you need to do to influence your direct reports is to tell them what you want? From that point of view, you might not even think of downward influence as strategic at all insofar as it might involve the implementation of strategic initiatives. If influence is to be mutual, however, then methods of downward influence should not undercut the kinds of relationships in which two-way communication is enhanced. Similarly, helping people understand the strategy to see how their work fits into that strategy and the long-term success of the organization is critical. Later, we discuss specific ways to do this by involving others in the process and by connecting with them at an emotional level.

Environmental Influence

Finally, a strategic leader who is working to ensure an organization's sustainability in the environment cannot ignore the importance of influencing that environment. The environment includes any stakeholders with an impact on the organization: customers, suppliers, strategic partners, community, governments and regulating bodies, analysts, even competitors. Executives might consider their organization's relationship with the external world as more reactive, such that their job is to be the most agile reactor to what is happening in the environment. While that certainly is true, it is limiting to think that an

organization cannot reach out and influence its environment. Consider, for example, the impact various government regulations can have on an industry. If organizations do not attempt to influence those regulations, they can suffer.

METHODOLOGY AND APPLICATION

METHODOLOGY

The aim of this study is “to scrutinize the strategic leadership abilities of top leaders of SME's which has stable capacity reports and registered to Malatya Chamber of Industry and Commerce, in terms of the perception of subordinates”. The environment of the research is composed of 1000 employees who are working for the 230 SME's in question. It was worked on samples due to the cost and time. We had worked on 66 survey forms all of which were reliable and chosen by simple random sampling.

Data of this research was obtained by means of surveys which are designed according to threesome choice principal. Survey consists of 24 questions. We used Richard L.Hughes and Katherine Colarelli Beatty’s “Becoming Strategic Leader” study as a guideline. Survey consists of 24 questions, nine of which are related to strategic thinking and eight of which are related to strategic influence skills. These surveys were performed by trained pollsters and were filled in face to face interviews. We have find out at the end of the reliability analysis that Crombach Alpha coefficient was as high as 98% which shows the reliability.

These data evaluated using frequency distribution in ”SPSS 12.0 for Windows”, Z hypothesis test and One-Way ANOVA test. Derived findings presented by means of tables and graphics.

APPLICATION

Strategic Thinking Skills

Distribution of data about strategic influence skills is shown at Chart-1

Chart 1: Distribution of data about strategic thinking skills.

VARIABLES	N	Mean	Std. Deviation	Z Test Values
Q.1. What is your supervisor’s affinity level on investigating the environmental opportunities to increase the competitive power against opponent companies?	66	2,24	,766	2,66
Q.2. What is the level of your supervisor’s affinity on paying attention to all required data while deciding?	66	2,36	,737	3,96
Q.3. What is the level of your supervisor’s ability to determine the important factors between plenty of factors while evaluating important issues about the company?	66	2,33	,810	3,30
Q.4. What is the skill degree of your supervisor on watching the conditions from different point of views while evaluating the extremely important subjects about the company?	66	2,32	,727	3,55
Q.5. What is the skill level of being aware of his/her preconception and his/her ability for not being affected by these preconceptions on his/her acts?	65	2,11	,831	1,10
Q.6. What is the ability degree at seeing the correlation between data which looks non-related and seeing the relations between departments and taking care of these ?	65	2,18	,788	2,00
Q.7. What is the skill degree on developing original and creative ideas and propose these?	65	2,26	,834	2,60
Valid N (listwise)	64			

Accepted hypothesis after hypothesis tests about strategic thinking:

1. “Top administrators’ affinity to investigate the environmental opportunities to increase the competitive power against opponent companies is high” hypothesis calculated $Z=2,66 > Z_{chart}=1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.
2. “ Top administrators affinity to pay attention to all required data while deciding is high” hypothesis calculated $Z = 3,96 > Z_{chart}=1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.
3. “Supervisor’s ability to determine the important factors between plenty of factors while evaluating important issues about the company is high ” hypothesis calculated $Z=3,30 > Z_{chart}=1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.
4. “Top administrator’s ability to watch the conditions from different point of views while evaluating the extremely important subjects about the company is high” hypothesis calculated $Z=3,55 > Z_{chart}=1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.
5. “ Top administrator’s ability to see the correlation between data which looks non-related and seeing the relations between departments and taking care of these is high” hypothesis calculated $Z =2,00 > Z_{chart}=1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.
6. “Supervisor’s ability to develop original and creative ideas and suggest them to the necessary people is high” hypothesis calculated $Z =2,60 > Z_{chart}=1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.

As the tests applied about hypothesis about strategic thinking; “Top manager’s awareness of his/her preconception and his/her ability for not being affected by these preconceptions on his/her acts is high” hypothesis calculated $Z =1,10 < Z_{chart}=1,64$. As a result it was, with a degree of 0,05 statically not significant and has been rejected.

Strategic Acting Skills

Distribution of data about strategic influence skills is shown at Chart-2

Chart 2: Distribution of data about strategic acting skills.

VARIABLES	N	Mean	Std. Deviation	Z Test Values
Q.8. What is the level of fixity under uncertain conditions	64	2,22	,826	2,20
Q.9. What is the administrative skill level to administrate the situation when short term purposes and long term purposes do not match?	65	2,23	,825	2,30
Q.10. What is the level of the ability at bringing in the general strategies?	63	2,22	,792	2,20
Q.11. what is the level of the ability to make the goals which were developed in different departments compatible to the general goals of the company?	62	2,19	,807	1,90
Q.12. What is the level of the ability of your supervisor to give you the chance to use initiative while showing you the goals?	66	2,05	,812	0,50
Q.13. What is the ability degree to give you the chance of using initiative while showing you the objectives?	63	2,05	,851	0,50
Q.14. What is the ability degree to adopt current plans to the varying situations?	64	2,28	,826	2,80
Q.15. What is the ability degree of your administrator to use his past experiences for future decisions and actions?	64	2,20	,820	2,00
Q.16. What is the level of your administrator’s level of canceling the wrong acts which he prior thought was right and insisted on doing?	64	2,12	,807	1,20
Valid N (listwise)	58			

Accepted hypotheses are after hypothesis tests about strategic attitudes:

1. "Top administrator's level of fixity under uncertain conditions is high" hypothesis calculated $Z = 2,20 > Z_{chart} = 1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.
2. "The administrator's ability to administrate the situation when short term purposes and long term purposes do not match is high" hypothesis calculated $Z = 2,30 > Z_{chart} = 1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.
3. "The administrator's ability to bring in the general strategies is high" hypothesis calculated $Z = 2,20 > Z_{chart} = 1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.
4. "The administrator's ability to make the goals which were developed in different departments compatible to the general goals of the company is high" hypothesis calculated $Z = 1,90 > Z_{chart} = 1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.
5. "The administrator's ability to adopt current plans to the varying situations is high" hypothesis calculated $Z = 2,80 > Z_{chart} = 1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.
6. "The ability of the supervisor for using the past data for the future decisions and actions is high" hypothesis calculated $Z = 2,00 > Z_{chart} = 1,64$. As a result it was, with a degree of 0,05 statically significant and has been accepted.

Rejected hypothesis after hypothesis tests about strategic attitudes:

1. "The administrator's ability to give you the chance of using initiative while showing you the objectives is high" hypothesis calculated $Z = 0,50 < Z_{chart} = 1,64$. As a result it was, with a degree of 0,05 statically not significant and has been rejected.
2. "The administrator's ability of encouraging the sub workers to take suitable risks is high" hypothesis calculated $Z = 0,50 < Z_{chart} = 1,64$. As a result it was, with a degree of 0,05 statically not significant and has been rejected.
3. "The ratio of canceling the acts which are wrong but looks right to the administrator and done by administrator earnestly is high" hypothesis calculated $Z = 1,20 < Z_{chart} = 1,64$. As a result it was, with a degree of 0,05 statically not significant and has been rejected.

Strategic Influence Skills

The distribution of data about strategic influence skills is shown at Chart-3

Chart 3: Distribution of data about strategic influence skills.

VARIABLES	N	Mean	Std. Deviation	Z Test Values
Q.17. What is the degree of the ability of your supervisor at understanding whether the other administrators and workers are working cooperatively or not?	65	2,08	,816	0,80
Q.18. What is the degree of the ability of your supervisor at communicating efficiently with people which he/she has to get in touch rarely because of his/her job?	65	2,12	,820	1,20
Q.19. What is the degree of the ability of your supervisor at administrating worker groups without bruising the reliability?	64	2,12	,882	1,09
Q.20. What is the degree of the ability of your supervisor at developing an ideal but hard to achieve vision?	65	2,15	,755	1,66
Q.21. What is the degree of the ability of your supervisor at understanding his/her sub workers' thoughts and aims in their hearts and their minds and give the necessary excitement?	65	2,03	,809	0,30
Q.22. What is the degree of the ability of your supervisor at transforming taboos into arguable topics?	66	2,23	,780	2,50
Q.23. What is the degree of the ability of your supervisor at forming empathy about his/her sub workers?	65	2,06	,788	0,66
Q.24. What is the degree of the ability of your supervisor at understanding his/her sub workers' needs and approaches; impressing them using these data in communications?	63	2,08	,789	0,88
Valid N (listwise)	60			

Accepted hypothesis after hypothesis tests about strategic influence ability:

1. “Administrator’s ability to form empathy to understand the workers perspectives is high” hypothesis calculated $Z = 2,50 > Z_{chart} = 1,64$. As a result it was, with a degree of 0,005 statically significant and has been accepted.
2. “Administrator’s ability to develop a vision which is ideal but hard to accomplish is high” hypothesis calculated $Z = 1,66 > Z_{chart} = 1,64$ As a result it was, with a degree of 0,005 statically significant and has been accepted.

Rejected hypothesis after hypothesis tests about strategic influence ability:

1. “Top manager’s ability to understand whether the other administrators and workers are working cooperatively or not is high” hypothesis calculated $Z = 0,80 < Z_{chart} = 1,64$. As a result it was, with a degree of 0,005 statically not significant and has been rejected.
2. “Administrator’s ability to communicate efficiently with people which he/she has to get in touch rarely because of his/her job is high” hypothesis calculated $Z = 1,20 < Z_{chart} = 1,64$. As a result it was, with a degree of 0,005 statically not significant and has been rejected.
3. “Top manager’s ability to administrate the workers groups without bruising the reliability is high” hypothesis calculated $Z = 1,09 < Z_{chart} = 1,64$. As a result it was, with a degree of 0,005 statically not significant and has been rejected.
4. “Administrator’s ability to understand his/her sub workers’ thoughts and aims in their hearts and their minds and giving them excitement about these is high” hypothesis calculated $Z = 0,30 < Z_{chart} = 1,64$. As a result it was, with a degree of 0,005 statically not significant and has been rejected.
5. “Administrator’s ability to understand his/her sub workers’ needs and approaches; when communicating with them , by using these data, ability to impress them is high ” hypothesis calculated $Z = 0,66 < Z_{chart} = 1,64$.As a result it was, with a degree of 0,005 statically not significant and has been rejected.
6. “Administrator’s ability to understand his/her sub workers’ needs and approaches; when communicating with them , by using these data, ability to impress them is high ” hypothesis calculated $Z = 0,88 < Z_{chart} = 1,64$.As a result it was, with a degree of 0,005 statically not significant and has been rejected.

CONCLUSION AND ARGUMENTS

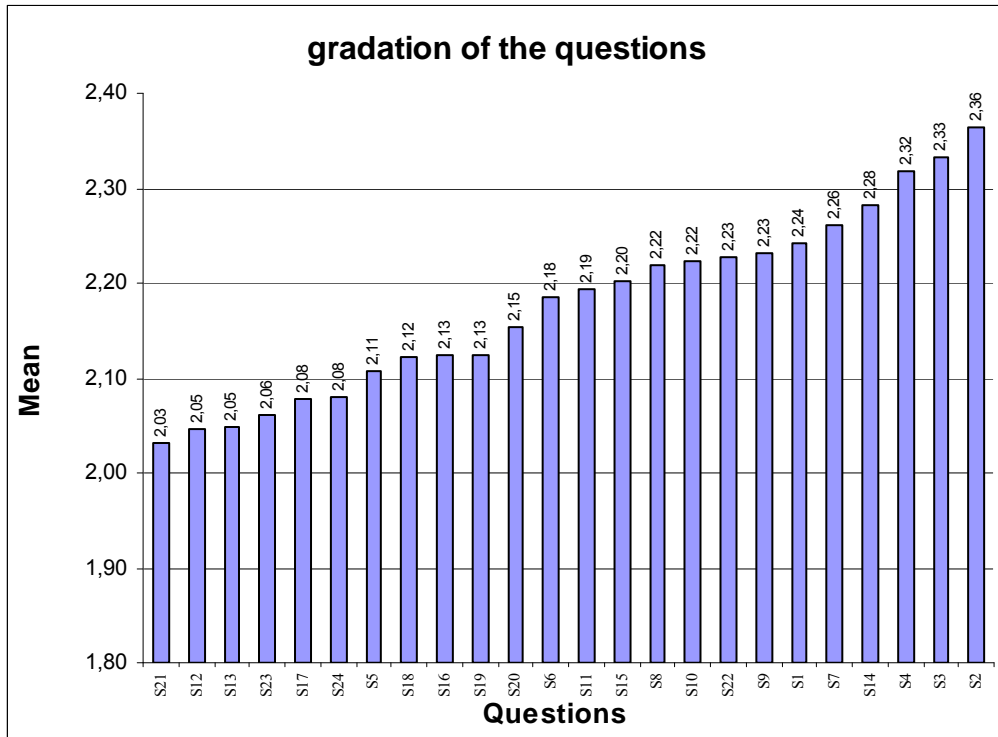
The chart that shows the data related to the strategic leadership ability is chart4 .And also the graphic1 was examined and reached the above mentioned conclusions.

Chart 4:Distribution of the data about the strategic leadership ability.

Variables	N	Mean	Std dev
S21	65	2,03	0,81
S12	66	2,05	0,81
S13	63	2,05	0,85
S23	65	2,06	0,79
S17	65	2,08	0,82
S24	63	2,08	0,79
S5	65	2,11	0,83
S18	65	2,12	0,82
S16	64	2,13	0,81
S19	64	2,13	0,88
S20	65	2,15	0,75
S6	65	2,18	0,79
S11	62	2,19	0,81
S15	64	2,20	0,82
S8	64	2,22	0,83
S10	63	2,22	0,79
S22	66	2,23	0,78
S9	65	2,23	0,82

S1	66	2,24	0,77
S7	65	2,26	0,83
S14	64	2,28	0,83
S4	66	2,32	0,73
S3	66	2,33	0,81
S2	66	2,36	0,74
Overall Average		2,17	

Graph 1: Gradation of the question averages about the strategic leadership ability.



The answers about the strategic leadership ability where involved in the second question “The affinity of top administrators to take into account all the necessary data when deciding” are inclined to right and this ability has the highest average (2,36). That means the best strategic leadership ability of the managers is ; “ their efficiency on involving all the data when making important decisions”. On the other hand the sub workers’ answers about this topic are very similar.

The answers about the strategic leadership ability where involved in the 21. question “The affinity of top administrators to understand the expectations of the workers for the future and ability to create excitement and emotion about this” are inclined to left and this ability has the lowest average (0,30). That means the worst strategic leadership ability of the managers is ; “ the ability to understand the workers’ expectations about the future and help them about creating excitement and emotion”. On the other hand the similarity of the sub workers’ answers about this topic is at an average rate.

An important conclusion of the research is “the ranking of the top managers’ leadership abilities forms an order like; strategic thinking, strategic behavior and strategic influence”. So it can be suggested for these administrators to improve their abilities about strategic influence first and then strategic behavior.

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CREATING CORPORATE ENTREPRENEURSHIP THROUGH STRATEGIC LEADERSHIP

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ABSTRACT

Strategy is not what it used to be. To compete effectively, large businesses must respond quickly, creatively and innovatively to develop an entrepreneurial environment to assist this response. Strategic leadership is crucial to develop the organizational environment needed to increase the entrepreneurial orientation in established businesses. The purpose of this article is to determine if the salient organizational factors that aid in the development of the corporate entrepreneurship (CE) capability are applicable in the South African context. A cross sectional telephone survey of 315 South African companies indicated that strategic leadership of an enterprise is crucial to develop and support CE. Strategic leadership which encourages autonomy and provides rewards for entrepreneurial behaviour creates a supportive organizational structure to strengthen corporate entrepreneurship.

Keywords: strategic leadership, corporate entrepreneurship, organizational structure

INTRODUCTION

Strategy is not what it used to be. Rapid and continuous changes in the competitive environment have rendered traditional management approaches obsolete (Leibold, Probst & Gibbert, 2002; Drucker, 2003; Rigby, 2003; Planting, 2006; Morris, Kuratko & Covin, 2008). Today's organisations need strategic leadership to take advantage of uncertainty by being flexible, innovative, creative and managing entrepreneurial behaviour. However the management of innovation and corporate entrepreneurship (CE) is complex, challenging and filled with risk (Ahmed, 1998:30). The implementation of innovation and CE cannot be achieved by paying "lip service" to the ideal of increased innovative activity (Hof, 2004). A firm commitment to building the CE capability and a supportive organizational climate is needed for an organization to become "entrepreneurial" (Fahden, 1998; Mokoena, 1999). However, a certain kind of leadership is necessary to create and support this entrepreneurial orientation. Strategic leadership has been put forward by various authors as an approach to establish an innovative environment conducive to build organizational, human, social and structural capabilities (Hitt & Ireland, 2002; Bennis, 1997; Goffee & Jones, 2000; Ireland & Hitt, 1996).

This article aims to achieve this objective by firstly reviewing the CE and leadership literature, secondly examining the relationship between a supportive organizational climate and the CE capability and formulating research hypotheses; thirdly by reporting the research design and results and finally by examining the implications for theory and managerial practice.

DEFINING CORPORATE ENTREPRENEURSHIP (CE)

Corporate entrepreneurship (CE), generally, refers to the development of new business ideas and opportunities within large and established corporations. In most cases, CE describes the total process whereby established enterprises act in an innovative, risk-taking and pro-active way (Zahra, 1993; Dess, Lumpkin & McGee, 1999; Bouchard, 2001). This behaviour has various outcomes, such as the new products, services, processes or business development. CE may be chosen as a strategy to result in increased

financial performance. It also leads to other non-financial benefits, such as increased morale of employees, collaboration and a creative working environment (Hayton, 2005). It may result in “new” organizations being created as “spin-out ventures” (Hornsby, Naffziger, Kuratko & Montagno, 1993; Altman and Zacharckis, 2003) or it may involve the restructuring and strategic renewal within an existing enterprise (Volberda, Baden-Fuller and Van den Bosch, 2001). CE is a multi-dimensional phenomenon. Corporate venturing, intrapreneurship and strategic renewal are, therefore, different components of CE (Hisrich and Peters, 2002; Covin and Slevin, 1989). In this study, the authors propose that CE be regarded as a process through which both formal and informal initiatives are encouraged, aimed at the creation of new products, services, processes and businesses to improve and sustain a company’s competitive position and financial performance.

Many authors subscribe to the view that firm-level entrepreneurial orientation serves as an indicator of the CE capability. Firm-level entrepreneurial orientation is reflected by three dimensions: innovativeness, pro-activeness and risk-taking (Miller & Friesen, 1983; Covin & Slevin, 1991; Zahra, 1991; Knight, 1997). However some authors, such as Lumpkin and Dess (1996) argue that five dimensions, not three should be used to measure entrepreneurial orientation (EO), namely autonomy, competitive aggressiveness, pro-activeness, innovativeness and risk-taking. In contrast with their views, this article argues that autonomy is an internal organizational driver of CE, which influences the organizational climate for CE. Furthermore, competitive aggressiveness forms part of the pro-activeness dimension and do not represent a separate dimension. Other researchers also support this view (Morris, Allen, Schindehutte and Avilla, 2006; Kreiser et al., 2002). The traditional school of thought view these three dimensions as contributing equally and in the same direction to entrepreneurial orientation (Miller & Friesen, 1983; Zahra, 1991; Barringer & Bluedorn, 1999), while the other school of thought led by Kreiser et al. (2002) and supported by Lumpkin and Dess (1996) argue that the three dimensions vary independently of one another. For the purposes of this article, the authors subscribe to the views of Kreiser et al. (2002) in this regard.

The international CE literature acknowledge that innovativeness, risk-taking and pro-activeness, as dimensions of the CE capability are influenced by the organizational climate within an enterprise (Ahmed, 1998; Morris & Kuratko, 2002; Hornsby, Kuratko & Zahra, 2002; Ngo & Lau, 2004; Martins & Terblanche, 2003).

FACTORS INFLUENCING THE ORGANIZATIONAL CLIMATE FOR CORPORATE ENTREPRENEURSHIP

Hornsby *et al.* (2002) built on the work of other authors and identified a set of organizational factors that are important facilitators of CE activities. These factors are strategic leadership and support for CE, empowered, autonomous employees, the use of appropriate rewards for CE, the availability of resources, especially time, and a supportive organizational structure. Based on extensive research in the field, Hornsby *et al.* (2002) developed and refined the Corporate Entrepreneurship Assessment Instrument (CEAI) to measure the five internal drivers of CE in enterprises.

Strategic leadership and support for corporate entrepreneurial strategy

The first factor as a facilitator for CE activities is strategic leadership. Ireland and Hitt (1999:42) defines strategic leadership as “a person’s ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization.” The same authors elaborate on describing this viable future of the organization as one of creating value, and where the resources are configured that capabilities can be leveraged in ways to create competitive advantages (Hitt & Ireland, 2002). Other authors describe strategic leadership as the ability to create fit and alignment in all business levels (Beer, Voelpel, Leibold & Tekie, 2005), to establish the basic vision of the organization (Hough, Thompson, Strickland, Gamble, 2008), to appropriately balance the induced and autonomous processes with matching cycles of strategic dynamics (Burgelman & Grove, 2007), managing resources and that these managerial activities are a vital part of what is often a demanding work load for executives (Kotter, 1982). The link between strategic leadership and innovation (Elenkov & Wright, 2005), leadership and strategic management (Westley & Mint berg, 1989), strategic leadership and super-growth companies (Tonge, Larsen & Ito, 1998) is well known.

New research confirms the linkages between strategy and leadership (Montgomery, 2008), leadership, strategy and competition (Porter, 2008), strategy and performance, (Kaplan & Norton, 2008) and leadership, ownership and value orientation (Kanter, 2008). These strategy experts agree that (strategic) leadership is the driver to add value to the firm and to ensure that companies' use their capabilities to differentiate themselves from their competitors.

The above discussion provides a solid base for "strategic leadership" and its various attributes to support viable and sustainable innovation, competitive advantages and capabilities for the firm. It captures the encouragement and willingness of managers to facilitate CE activities within an enterprise (Hornsby *et al.*, 1993; Goosen, 2002). These types of support should encourage employees to solve problems in innovative ways, seek opportunities in a pro-active manner and embark on moderately risky projects; therefore the following hypothesis is postulated:

Hypothesis 1: Strategic leadership and support for CE is positively related to innovativeness, pro-activeness and risk-taking, thus to firm-level entrepreneurial orientation..

Empowered, autonomous employees

The second organizational factor facilitating CE activities is the degree to which employees are empowered and function autonomously in their jobs. This factor refers to the discretion and extent that employees are empowered to make decisions about performing their own work in the way they believe is most effective. In entrepreneurial work environments employees are allowed to make decisions about their work processes and are seldom criticised for making mistakes when innovating (Hornsby et al., 2002). This tolerance of failure should facilitate innovative, pro-active and risk-taking behaviours in employees, therefore the following hypothesis is postulated:

Hypothesis 2: Autonomy and empowerment of employees is positively related to innovativeness, pro-activeness and risk-taking, thus to firm-level entrepreneurial orientation.

Rewards for corporate entrepreneurship

A third organizational factor encouraging entrepreneurial behaviour is the appropriate use of rewards for CE. Rewards and reinforcement develop the motivation of individuals to engage in innovative, proactive and moderate risk-taking behaviour (Kanter, 1989; Fry; 1987; Goosen, 2002). Theorists, therefore, stress that an effective reward system that spurs entrepreneurial activity must consider goals, feedback, emphasis on individual responsibility, and performance-based incentives. The use of appropriate rewards can also enhance managers' willingness to assume the risks associated with entrepreneurial activity. Innovative organizations are characterised by providing rewards based on performance, offering challenges, increasing responsibilities, and promoting the ideas of innovative people throughout the organization (Kuratko & Hodgetts, 2004). Therefore, it is expected that:

Hypothesis 3: Rewards for CE is positively related to innovativeness, pro-activeness and risk-taking, thus to firm-level entrepreneurial orientation.

Time and resource availability

The fourth organizational factor supporting the CE capability is the availability of resources, which seems best to be portrayed by time availability. To consider acting in entrepreneurial ways, employees need to perceive resources as accessible for CE activities (Pinchot, 1985; Covin & Slevin, 1991; Kreiser *et al.*, 2002). For new and innovative ideas to thrive, individuals should have time to incubate their ideas. Organizations should be reasonable in assigning the workload of their employees and allow employees to work with others on long-term problem solving. In entrepreneurial work environments, employees are allowed to conduct creative, entrepreneurial experiments in a limited portion of their work time (Von Hippel, 1977; Kanter,

1989; Morris, 1998). Thus, the following hypothesis can be postulated with regard to time and resource availability:

Hypothesis 4: Time availability is positively related to innovativeness and pro-activeness.

Supportive organizational structure and organizational boundaries

The final organizational factor facilitating CE is the existence of a supportive organizational structure and boundaries (Morris, 1998; Lumpkin & Dess, 1996). A supportive organizational structure provides the administrative mechanism by which ideas are evaluated, chosen, and implemented (Goosen, 2002). However, a bureaucratic organizational structure leads to perceived boundaries, preventing people from noticing problems outside their own jobs. People should be encouraged to look at the organization from a holistic perspective. Organizations should avoid having standard operating procedures for all major parts of jobs and should reduce dependence on narrow job descriptions and rigid performance standards (Kuratko, Montagno & Hornsby, 1990; Hornsby *et al.*, 2002). Thus, the following hypothesis can be postulated:

Hypothesis 5: Supportive organizational structures and boundaries are positively related to innovativeness and pro-activeness.

To summarise, the key factors of a supportive organizational climate facilitating CE should be characterised by strategic leadership and support for CE, rewards for CE, empowered employees who enjoy intrapreneurial freedom and autonomy, resource and time availability for CE and a supportive organizational structure and limited boundaries between departments.

RESEARCH DESIGN

The sample of firms that participated in the study included 315 companies, operating in South Africa. The following criteria was employed to select the sample (1) awareness of innovation practices and processes, by participating in the annual SA e-business survey, conducted by Trialogue (Hartley & Worthington-Smith, 2004); (2) active in e-business, since technological changes over the last five years have forced many enterprises to overcome technological challenges in innovative manners (Hartley & Worthington-Smith, 2004); and (3) accessibility to firms, since few comprehensive updated databases exist in South Africa. The two main groups in the sampling frame were companies listed on the Johannesburg Stock Exchange (JSE) and companies operating in the information and communication technology industry (ICT). JSE companies were identified by using the register of all listed JSE operating companies at the end of 2004. ICT companies were identified, using the database obtained from IT Web in February 2005 (IT Web, 2005). The initial sample consisted of 715 companies. The key respondent (informant) targeted in JSE companies was the Information Technology (IT) manager or the Chief Information Officer (CIO), while the Chief Executive Officer (CEO) or Sales Manager was the key respondent in ICT companies.

Data was collected by a cross-sectional telephone survey between August to October 2005. The administration of the telephone surveys was preceded by a pilot study, involving interviews with middle and senior level managers of 41 companies in Gauteng, South Africa. The purpose of the pilot study was to assess the face validity and reliability of the measurement instrument. Based on the results of the pilot study the questionnaire was refined.

The telephone interview was based on a questionnaire which included scales designed to assess EO, the indicator used in this study to capture CE capability, and the organisational factors which create a supportive climate for corporate entrepreneurship. The ENTREscale was used to assess the EO of firms (Knight, 1997; Morris & Kuratko, 2002) and the CEAI (Hornsby *et al.*, 2002) was used to measure the five organisational factors. Each of the multi-item measures was based on a 9-point Likert scale, since it is easier for respondents to visualise a 9-point scale during a telephone interview, as opposed to a 7-point scale. Cronbach alpha coefficient values of 0.66 and 0.70 were obtained for EO and the organisational factors respectively. These coefficients would appear to satisfy Nunnally's (1978) suggested minimum criterion for

internal reliability. Coefficients lower than 0.50 are regarded as questionable, coefficients close to 0.70 as acceptable and coefficients of 0.80 as good (Sekaran, 1992).

DATA ANALYSIS AND HYPOTHESES TEST RESULTS

Data analysis was conducted using Statistica (StaSoft, 2007) and Lisrel (Jöreskog & Sörbom, 1998). Correlation coefficients were used to determine the associations between constructs and structural equation modelling was used to achieve the objectives of the article. The findings of these analyses are subsequently presented.

The correlation matrix shown in Table I indicate statistically significant correlations for the CE dimensions and three of the five organizational factors, which facilitate CE activities.

Table I: Correlation matrix for the variables assessed

Variable	1	2	3	4	5	6	7	8
1. Innovativeness								
2. Risk-taking	0.34							
3. Pro-activeness	0.42**	0.42**						
4. Entrepreneurial orientation	0.77**	0.77**	0.77**					
5. Strategic leadership and support for CE	0.29**	0.29**	0.31**	0.38**				
6. Autonomy	0.18**	0.29**	0.14**	0.27**	0.55**			
7. Rewards for CE	0.30**	0.18**	0.13*	0.27**	0.53**	0.44**		
8. Time availability	0.07	0.04	-0.01	0.05	0.26**	0.26**	0.20**	
9. Organizational structure	0.04	-0.02	0.03 [†]	0.02	-	-	-	-
					0.21**	0.24**	0.31**	0.14*

n = 315

[†]p<.10; *p<0.05; **p<0.01

The correlation matrix shown in Table I was used to determine associations between constructs. The findings indicate correlations are statistically significant ($p<0.05$) between innovativeness, risk-taking and proactiveness, the three dimensions of EO. Three of the five organisational factors, namely strategic leadership and support for CE, autonomy of employees and rewards for CE also show statistically significant correlations between themselves and the dimensions of EO ($p<0.05$). Proactiveness is also correlated with organisational boundaries at the 90% confidence level ($p<0.10$). As the correlation matrix indicates, the intercorrelations among the dimensions of EO included in the study are significant, but lower than 0.60, thus multicollinearity is not considered to be a problem in this dataset (Hair et al., 2006). A high level of multicollinearity can result in unstable regression coefficients in linear regression models (Pedhazur, 1982).

Based on the CE literature, it was decided to construct a simple structural equation model of the influence of the organizational climate factors on the entrepreneurial orientation of firms. It was decided to modify the theoretical model, by omitting the measures, which did not contribute significantly to a construct, for example time availability and organizational structure. The subsequent Structural Equation Model (SEM) generated is shown in Figure I.

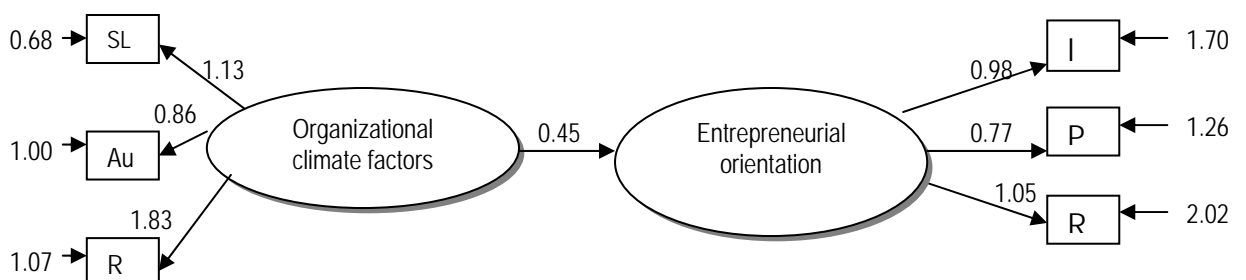


Figure I: A representation of the modified Structural Equation Model for the internal organizational factors and firm-level entrepreneurial orientation

Figure I shows that strategic leadership (SL) and support for CE, autonomy (Au) and rewards for CE (R) contribute significantly to assess the organizational climate factors, since the paths from these variables exceed the 0.70 threshold (Hair, Black, Babin, Anderson & Tatham, 2006). Entrepreneurial orientation is measured by innovativeness (I), pro-activeness (P), and risk-taking (RT), which paths also exceed the 0.70 threshold recommended by Hair et al., (2006:747). The organizational climate factor construct has a significant influence (0.45) on the CE capability. This finding suggests that the entrepreneurial orientation is a construct that could be managed and improved by focusing on the organizational climate factors of strategic leadership and management support for CE, rewards for CE and allowing employees to function autonomously.

The multiple fit indices of the SEM for firm-level EO influenced by the organizational climate factors are compared to recommended guidelines, shown in Table II. Several of the fit indices evaluate different aspects of fit, and therefore it is important to evaluate fit based on multiple fit statistics, so that judgments will not be an artefact of analytical choice (Grimm & Yarhold, 2000).

Table II: A summary of multiple fit indices for the SEM model and recommended guidelines for the fit indices

Single Fit Indices	Overall Model	Recommended Guideline Hair et al. (2006:747)
Joreskog GFI	0.96	0.95
Normed Fit Index (NFI)	0.94	0.90
Non Normed Fit Index (NNFI)	0.99	0.90
Comparative Fit Index (CFI)	0.99	0.90
Adjusted Population Gamma Index	0.99	0.95
RMSEA	0.03	Below 0.05 - 0.10

Examining the multiple fit indices in Table II, the SEM model, shown in Figure I indicates a good fit. The overall model achieved a value of 0.96 for the Joreskog GFI, which meets the threshold of 0.90. The values for NFI, NNFI and CFI were 0.94, 0.99 and 0.99 respectively. These values exceed the recommended threshold of 0.90. The Adjusted Population Gamma Index was 0.99, which exceeds the recommended threshold for this fit index of 0.95. Finally, the RMSEA value of the overall model was 0.03, which is below the recommended threshold value of 0.05 to 0.10 (Hair et al., 2006:747). To summarise, all the fit indices reviewed exceed the recommended guidelines for good fit and, therefore, it could be concluded that the model reflects adequate measurement characteristics and statistical fit.

The previous statistical analyses aid in assessing the hypotheses. The correlation analysis and structural equation modeling support the first hypothesis. For the firms in the sample, there is a positive relationship between strategic leadership and support for CE and the three dimensions of EO: innovativeness, risk-taking and pro-activeness. Regarding hypothesis two, a positive relationship exists between the autonomy of employees and risk-taking ($p < 0.01$), however no relationship was found between autonomy and innovativeness or pro-activeness. The structural equation modeling supports the assertion that empowered, autonomous employees facilitates the CE capability.

Concerning hypothesis three a positive relationship exists between rewards for CE and innovativeness ($p < 0.001$), however no relationship was found between rewards for CE and pro-activeness or risk-taking. The structural equation modeling supports the assertion that rewards for CE facilitates the CE capability.

Hypothesis four and five were assessed on the basis of the correlation analysis, since these two factors were not suitable in the initial SEM-model. Hypothesis four, which postulated a positive relationship between time availability and innovativeness and pro-activeness, was not supported, on the basis of the correlation analysis. The failure of this hypothesis may be due to a bias in the data or measurement problems. Hypothesis five, which postulated a positive relationship between loose organizational boundaries and innovativeness and pro-activeness, was also not supported. Loose organisational boundaries only show a

positive relationship with innovativeness, based on the correlation analysis. No relationship was found between loose organisational boundaries and proactiveness.

CONCLUSION

The results of this study suggest that the dimensions of firm-level entrepreneurial orientation are most strongly influenced by strategic leadership and support for CE, autonomy of employees and rewards for CE, thus creating a supportive organizational structure. Autonomy of employees showed the strongest relationship with risk-taking, while rewards for CE encourage innovativeness.

On the basis of the SEM, the organizational climate factors strategic leadership, rewards and autonomy are significant and enable managers to focus on building a supportive organizational climate for CE inside their organizations. Thus, the most crucial organizational factor which facilitates CE is strategic leadership and top management support for CE.

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ROLE OF THE STRATEGIST FEATURES OF ENTREPRENEURS ON THE SUCCESS OF LOCAL DEVELOPMENT STRATEGIES: A RESEARCH ON THE ENTREPRENEURS IN KARABUK, TURKEY

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ABSTRACT

This study aims, in its narrowed context, to determine whether the entrepreneurs, which are effective in the local development, have strategist profile, and the relationship between strategist profile and features of the enterprise, in terms of the type and sector of enterprise. For this purpose, the conceptual aspect and the actual situation in the life were investigated. Conceptual part of the study was performed as the literature review, and the application part was conducted by questionnaire made on entrepreneurs in Karabuk City and its district. One Sample T-test was used to analyze the data obtained from the questionnaire and the hypotheses related to strategist profile, and One-way ANOVA- Scheffe test was used to test the hypotheses related to the relationship between the entrepreneurs, and the type and sector of the enterprise.

Results showed that entrepreneurs have most of the strategist features except for three of them, which are; having employees who use their abilities freely in the interest of the enterprise, including line managers to strategic planning activities, and being lucky in the life. Considerations on whether there is a significant difference among the features of enterprises (types and sectors) in terms of strategist profiles of entrepreneurs revealed that; public and independent entrepreneurs are more effective than the others in terms of having entrepreneurial vision, public entrepreneurs are better in having enterprise philosophy, independent enterprises and enterprises in the industry sector can point out their directions and take new approaches better, and public enterprises make the most contributions to the development of society and themselves.

According to these results it can be suggested that; intrapreneurs in the private sector should be included to vision determination activities of the enterprise, corporate philosophy should be developed by promoting independent entrepreneurship and intrapreneurship philosophies in private sector, the enterprises which are not effective in pointing out their directions and taking new approaches should intensify their strategic management activities, private sector enterprises should keep an optimum balance between their strategic cost management and social responsibility to improve their contribution to the development of society and themselves.

INTRODUCTION

In today's world, in which complex dialectic of globalization and localization may be seen in many areas, appearing failure of conventional from top to down development policies led these development approaches to be interrogated. Local development approach has loomed large as a result of this trend and several policies and strategies began to be realized. Turkey now has to review its policies on regional development and eliminating the interregional imbalance which it has begun to execute by the planned period. This is why Turkey has entered to a reconstructing process leaving its old policies and instruments and models related to local development. The main characteristics of this new structure are; local initiative, participation and cooperation, integration, decentralization, and being innovative.

Harmonized cooperation of local resources, public and private enterprises, strategist entrepreneurs, and NGOs is the kernel of this process. Besides, the interaction of this local structure with its supra-systems should be taken into consideration adequately and accurately. This consideration can be made effectively only by strategist features of entrepreneurs.

CONCEPTUAL FRAMEWORK

Development

The concept, *development*, means many things to different people. For example, to some capitalists the end of development is “an expansion in the opportunities available to humanity and a decrease in material and political limits on human being’s individual judgment”. However, liberal and social democrats think of development as implying the ongoing defense of the principles of liberty. Such liberties that must be defended according to the liberal and social democrats include:

- A rule of law independent of the whims of an elite.
- A tolerance for nonviolent political opposition.
- Willingness to consult the people’s judgment.
- A realization that mediating institutions such as religion, family, education, and legal have the right to function outside the state’s embracing arms.
- A guarantee of an open criticism from the press, pulpit, or assembly.
- A marked hesitancy on the part of government to invade people’s privacy and to treat their work, village, family, and self as mere extensions of state power

In the views of Karl Marx (1933 and 1946) the process of economic development involves replacing the domination of individuals over chance and circumstances Adjibolosoo (2006;3).

Scholars have provided different definitions of development. One of the earlier definitions is that the development is the “process by which an economy is transformed from one whose rate of growth of per capita income is small or negative to one in which a significant self-sustained rate of increase of per capita income is a permanent long run feature”. Development is generally defined as positive structural changes in a society.

Development level of the countries differs as a result of historical and geographic reasons. While some countries are called as developed countries some of them called as developing countries. Development is not only a problem for the countries in the world, but it is also problem for regions and provinces in the countries. These regional differences also exist in Turkey. Marmara, Aegean, Mediterranean and some parts of Central Anatolia contains more developed provinces than the others. In contrast, Southeast Anatolia and Eastern Anatolia regions have relatively less developed provinces. However there are some provinces in Aegean, Mediterranean, Central Anatolia and Black sea regions which are in similar development level with the provinces in southeast Anatolia and Eastern Anatolia Atik (2005;2).

Local Development

The local level is admittedly an elusive concept that escapes precise definition. It may mean different things in different contexts and assumes changing meanings over time and space. But this should not discourage us from attempting to define it. Also, we need not think of the local as being confined to a single level: rather, it may encompass a multi-tiered system of areas, institutions and actors with shared or overlapping responsibilities, as occurs, for example, between districts, municipalities and boroughs Sengenberger (1993;314). The meaning of the word *Local* is determined according to the aim of the study. Thus it would be useful to consider local concept relatively in this context.

The local development is building up the total dynamic capacity of a local area to improve its economic, social and cultural situations as well as the quality of life for all. It is a process by which public, business and non-governmental organizations work collectively to create better conditions for economic growth and employment generation. Local development focuses on specific sectors and areas in order to improve a region’s sustainable and continuous competitiveness, consider its weakness and strength, and determine and execute proper development strategies to achieve basic development targets Çetin (2007;158). There are several types of local development in terms of content and scope such as; economic, cultural, social, sustainable, humanitarian, regional, urban, and rural etc.

Local development approach is an approach which aims to motivate the local dynamics to develop local society by improving their physical, economical, social, cultural, political and administrative conditions. Although it differs from globalization, it is affected and directed by the global actors. There is a consensus over the argument that the concept *Local Development* which evolved over time, is now comprised of the main issues like sustainable development, structural change in production manner, technological

advancement, social, political, administrative and institutional renewal which lead to a widespread improvement in the life quality of the people Darıcı (2007;215).

Local development can not and should not be the concern of local people alone nor should it be seen as the remedy for all social and economic ills. It needs to be embodied in a larger policy framework that includes supra-local considerations and objectives. As well as links with supra-local actors the limit of the local approach to development are clearly brought out by the following consideration.

- Critical economic and political parameters affecting the health of local economies are still set at the national level and increasingly, in some parts of the world, at international level.

- Inter and supra-regional policies may be required to deal with inequality of local development among regions, that is, disparities in the levels of growth, income and welfare. Efforts have to be made to avoid a situation where small numbers of dynamic regions or local areas stand out as islands in a sea of stagnation.

- Local units have a limited capacity to deal with problems that transcend individual areas, requiring an overarching approach and resources on a large scale that a region cannot provide on its own: for example unplanned urbanizations, speculation in the housing market and deterioration in the educational system Sengenberger (1993; 324-325).

Local development is conducted by a combination of manifold local programs, and local development is based on many parallel local strategies. In local development, many independent local actors participate in the process. In local development, no single organization can assume sovereign leadership over other actors Harmaakorpi and Niukkaen (2007;80-81). Trans-organizational development is a collective action and effort that is being shaped and constructed among the network of organizational participants Boje and Rosile (2003;10).

Capital formation is crucial to the economic growth and development process. People can put their development train into motion through the building and development of machines and other infrastructure. In addition to these, human factor and technology are deemed to be vital factors in the development process.

In general, aspects of technology that are critical to development include science, management, engineering, entrepreneurship and strategist entrepreneurship. While it is believed that the effective and efficient use of a combination of these factors will lead to economic growth and sustained human-centered development, development expert usually advise local leaders and strategists to concentrate their financial resources, human energy, combined efforts and time on ensuring that these factors are available in abundance to power the engine of the development train. Doing well in achieving growth and development requires the ability to unfetter the free market forces to do their work as efficiently and effectively as expected. Adjibolosoo (2006;5).

Local Development Strategies

It is known that the development level of the regions and countries are different. The information about the relative development of the regions is important in planning development strategies Atik (2005;3). For example natural resources and tourism were the focal point of a development strategy in Africa which was used to promote economic growth and development Banae and Yandell (2002;114-118). Features such as partnership, vision, leadership, cooperation, trust, and synergy are part of the standard vocabulary of most local development strategies Polese and Shearmur (2005;28). Regions cannot depend on developing only specific capacities, but rather general capacities which ensure a flexible workforce. Since we do not know which specific capacities will be required in the future, the best strategy is to prepare individuals who can transfer and translate skills into diverse industries as the need emerges. That is, human capital development must assume a central role in local development strategies Felbinger and Robey (2001;65).

Local development strategies should be developed by conducting strategic analyses in the context of regional values, demands and resources, and these strategies should be a road map for all private and public foundations which provides goods and services to their region, from its region to the country even to the world. Any effective local development strategy in a global environment must rely on partnership between state and local governments, public and private firms, non-profit organizations, universities and foundations Felbinger and Robey (2001;66)

For local development strategies to be executable, the quality, timeliness, accuracy and appropriateness of economic and administrative settings is very important Erden and Çakmak (2005;16). Globalization and

integration prepares a suitable environment for local development strategies to be supported and realized. Successful countries in benefiting from this suitable environment may be taken as model Çetin (2007;155-158). However, there are some arguments which states that; some developed countries misdirect developing countries to preserve the long distance between them and the developing countries Gökalp and Baldemir (2006;218).

Local Development Strategies for Declining Regions

Local development faces many restricting and limiting factors by its nature. There are several approaches which can be used separately or in combination to minimize the negative effects of these problems. Some of them which are related to the scope of this research are described below.

Coordination of strategies and efforts

Development requires both a specific role for those participation and specific strategies, at various levels, which in combination will produce the desired results. Interregional gaps in development, for example, have to be redressed under policies formulated at national or international level. Ideally, the development of an LED strategy should be an integral part of the broader strategic planning process for a sub-national region, city, town or rural area. Sound LED strategic planning ensures that priority issues and critical problems of the society are addressed and scarce resources are well targeted

Cooperation between regions

This involves the Exchange of information and experience in local development and the establishment of links in production, trade and infrastructure and in the social and cultural domains, as well as joint policies and programmes for research and development energy transport communication.

The aim of interregional cooperation here is to gain mutual complementary benefit from the Exchange of various kinds of resources including information experience and technical assistance. It has also been found that joint discussion of common developmental problems can spur the imagination and creativity of each region on to finding better solutions.

Organization of knowledge and learning

Knowledge in development has been perceived as a one-way commodity that developed nations could bring 'down to' the level of 'developing countries'. Sharing knowledge is generally seen as a North-South operation. This vertical approach to knowledge in development echoes the vertical approach to development in general, whereby knowledge is perceived as an ingredient of the technical assistance given by those who have it to those who do not. However, no organization can offer social transformation or knowledge sharing if it is not itself engaged in an internal learning process that systematically questions certainties, authorities, and decision making. Learning is a complex process of acquiring knowledge, both within the organization that facilitates social change and among the subjects of and partners in social change Dagon (2006;593).

In the current information society, globalizing economy and evolving democracy, ICT are regarded as overwhelming determinants for the competitiveness of cities regions and local areas. There are a few underlying issues related to the reasons why ICT can be an innovation kernel for the development of cities and local areas. Knowledge and communication should go hand in hand in the development arena, and unless the whole vertical visibility approach is replaced by a communications method that gives prominence to local voices it will be very difficult to claim real success in development.

One fundamental argument motivating the relevance of ICT in socioeconomic development comes from the acknowledgment that they entail innovation, and, more specifically, a peculiar type of innovation. Underlying this notion of innovation, in fact, are two inter-linked components:

- the hard component, which is the tangible part of the innovation, i.e. a type of commodity, a technological artifact, an idea, a behavior
- and the soft component, a bundle of intangible aspects related to its operation, which enables the creation of knowledge potentials for both the users, i.e. novel possibilities for agents to learn about their surrounding world and the organizations users belong to (i.e., new roles and functionalities for firms, institution, cities, and regions) Pollone and Occelli (2006;94-95).

Strategist Entrepreneurs

There are several different definitions of entrepreneurship which can be seen in every kind of organization and has technical, economical, sociological and physiological aspects. Entrepreneurship in Turkey is somehow different from the one in the West. In western societies entrepreneurship is related with only the

personal identity of the individual, isolated from the social relationship. However entrepreneurs in Turkey feels themselves more comfortable and confident as much as the social identity gains strength Yazıcı and Şahin (2006;26).

A definition of entrepreneurship appropriate for the scope of this study can be like this: Entrepreneurship is the process of discovering new resource components, investigating and discovering new opportunities, gathering production factors by taking risks and developing new organizations and works which will produce added value. Briefly it is a process by which new components of products, processes, organizations and markets are developed Ağca and Yörük (2006;58 and 160-161). Entrepreneurship is the developments process of new and unknown profound knowledge Tikici et al. (2005;167). Entrepreneurs with strategist profile are needed during the course of development, application and revision of local development strategies. Entrepreneur must have a radical vision which can challenge the ordinary and settled opinions in the society in order to provide new opportunities to the society Kızılkaya (2005;35 and 41).

In the current global economy which is going faster every day, entrepreneurs are one of the most important actors which plays role in development. The physical effort of human being spent on the products is now being replaced by the mental power which depends much more on knowledge. This is the point which entrepreneurship arises with rare and new knowledge Özkul (2007; 343-344).

The importance of entrepreneurship is well recognized in regional and local development as well as national development. Besides, fast changes in economy and society observed in inter-regional and inter-provincial level raised the importance of, and attracted attention to entrepreneurship along with macro policies and resulted in a considerable amount of studies on these issues Tikici and the others (2005; 166-167). Entrepreneur in business world is and innovative and great strategist that finds new methods to penetrate new markets. Importance of entrepreneurship comes from determining social needs, making appropriate investments to meet these needs and increasing employment, income, and life quality. Entrepreneurship also contributes to social welfare through development of science and technology, promoting the reputation of the region in other societies and markets, and bringing inert resources into production. The social mission of entrepreneurship is to support the development and preservation of the democratic system.

The term strategist can mean different things in the strategic management of the organizations. Strategists in a business are executive managers, line managers, and consultants who determine the business goals and execute the strategic management processes. Strategists in this definition can have different importance levels according to business, and time Ergin, (1992; 31); Eren, (2002; 18-19). Another definition of strategist includes everybody responsible for the strategic activities in all management levels, whether they are manager or not Ülgen and Mirze (2004; 59).

Strategists always try to forecast the future and construct goals, strategies and activities needed to manage the future. Thus the organizations directed by strategists have competitive advantages compared to other organizations. Strategist has various critical roles in the organizations. They take risk, and participate to help establish the mission, objectives and vision for the business. In the implementation stage, strategist is the manager/reviewer of the strategic management process, insuring it is implemented and modified as needed Daniel, (1992; 103).

Strategist Entrepreneurs should learn to look at the world with entrepreneurial eyes. Strategist should incorporate large doses of creativity and intuition in order to design a comprehensive strategy for the organization. Strategist should follow a systematic process of environmental competitive internal analysis and build the organization's strategy on this foundation. Strategist must identify key decision criteria and then develop systematic resources to glean current and reliable data that can readily drive these decisions.

METHOD OF THE RESEARCH

Scope and Rationale of the Research

The important effects of strategists on the local development strategies and performance cannot be ignored. So it can be argued that the strategist profiles of local entrepreneurs should fit to the local development strategies. Strategist profiles vary mainly with the individual, culture and environment as well as many other factors. Therefore the questionnaire study was performed on the local entrepreneurs in Karabuk province, as limiting the research to a specific area can give more reliable results.

Therefore, the study was performed on independent entrepreneurs, intrapreneurs in private sector, and public entrepreneurs interacted with them. Since Karabuk has become province by the help of state entrepreneurship mainly on iron-steel industry, private sector entrepreneurship hasn't been able to develop as well as state entrepreneurship. Today, strategist entrepreneurs, in both public and private sector, are needed more than ever to reverse the recent decline in the local development trend of the province, which is caused by the domination of state entrepreneurs.

Research Objective

The main objective of this study is to determine both the strategist profiles of the entrepreneurs in Karabuk province and the relationship of their profiles with the properties (type and sector) of enterprise. According to the results of the study, some suggestions will be discussed for the enterprises in view of local development in Karabuk.

Research Model

Descriptive research model was used to determine the strategist profiles of entrepreneurs in the study. Among numerous factors known, a limit of ten questions was selected as a restriction for the study, which were taken from the study of Hinterhuber and Popp (1992: 105-113). Figure 1 shows the model of research.

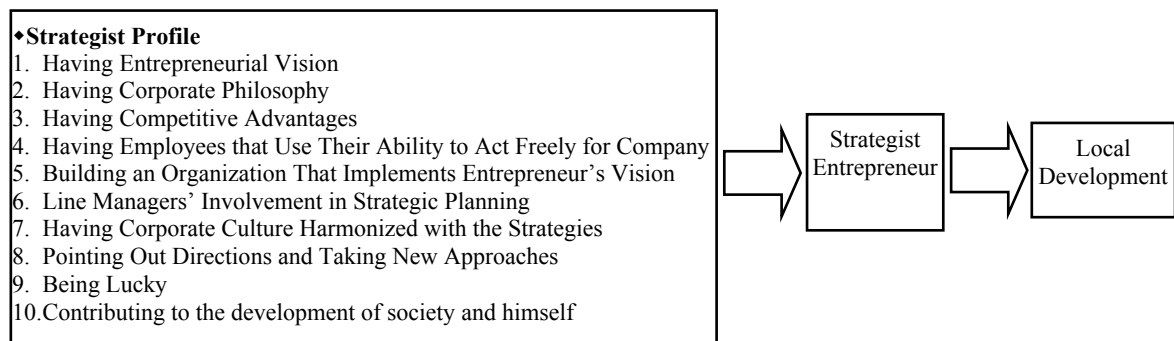


Figure 1: Research Model

Hypotheses of Research

10 hypotheses were determined related to the strategic features of entrepreneurs. Considering a significance lower limit of 70 % for the mean point taken from any factor, alternative hypotheses were constructed as higher than 70 %. For example the mathematical statement of the feature in the first question is;

$$H_0: P_0 = 0,7 \quad \text{Mean Point is equal to 70 \%, entrepreneur doesn't have entrepreneur vision}$$

$$H_1: P_0 > 0,7 \quad \text{Mean Point is greater than 70 \%, entrepreneur has entrepreneur vision.}$$

In order to determine whether there is a significant difference between the strategist features and the features of enterprises statistically, 60 hypotheses were constructed among 10 strategist features and 6 enterprise groups. For instance hypothesis between 9th question and the enterprises in service sector is as follows;

$$H_0: \text{There is no significant difference between the enterprises in service sector and luck of the entrepreneur.}$$

$$H_1: \text{There is a significant difference between the enterprises in service sector and luck of the entrepreneur.}$$

Sampling and Data Gathering Method

By the date of this research, there were about 1500 active businesses in Karabuk doing commercial and industrial activities, and there are about 3000 entrepreneurs in these businesses. In addition to this number, there are about 500 people in state organizations. Therefore, it is estimated that there are about 3500 entrepreneurs in Karabuk, which constitutes the total mass of this study.

Research data was gathered by face-to-face questionnaire. In the questionnaire, there were 17 questions in total. The first 5 questions were about the demographical features of entrepreneurs, 2 questions were about type and sector of the enterprise, and 10 questions were for determining the strategist profiles of the entrepreneurs. 10 questions about the functional variables were prepared in accordance with the five-item Likert Scale.

Data Analysis

Answers of the demographical feature questions and the features of the enterprises are given in Table 1 and Table 2 respectively as numbers and percentages.

Table 1: Demographical Features of Entrepreneurs

Features	Groups	Number	%
Duty	Top Manager	111	32
	Line Manager	121	35
	Business Owner	115	33
Occupation	Technical	78	22
	Social/Administrative	132	38
	Health	21	7
	Craftsmanship	116	33
Experience	5 years or less	83	24
	6 to 10 years	79	23
	More than 11 years	185	53
Gender	Female	56	16
	Male	291	84
Education	High school and below	153	44
	University and above	194	56

Table 2: Features of Enterprise

Features	Groups	Number	%
Type	Independent Entrepreneur	107	31
	Public Entrepreneur	95	27
	Intrapreneur	145	42
Sector	Industry	148	43
	Services	104	30
	Public	95	27

Hypotheses Test

One Sample T-test was used to analyze the data related to strategist profile and One-way ANOVA-Scheffe test was used to analyze the relationships. The statistical results of 10 strategist features investigated in the study are presented in Table 3.

Table 3: Statistical Results of Strategist Features

Questions	Mean	Std. Dev.	T	Significance	
1	4,3977	,94825	17,635	,000	P < 0,001***
2	4,6859	,73075	30,230	,000	P < 0,001***
3	3,6715	1,29533	2,466	,014	P < 0,05*
4	3,6138	1,21200	1,750	,081	P > 0,05 ^{ns}
5	3,6571	1,11763	2,618	,009	P < 0,01**
6	3,6138	1,27929	1,658	,098	P > 0,05 ^{ns}
7	3,6686	1,35673	2,315	,021	P < 0,05*
8	3,6945	1,30541	2,776	,006	P < 0,01**
9	3,6138	1,24726	1,700	,090	P > 0,05 ^{ns}
10	4,6225	,69170	30,229	,000	P < 0,001***

As it can be seen from Table 3 that answers of 7 question out of 10 is significant and thus it can be said that investigated total mass has strategist profile. A deeper consideration reveals that the significance levels of the seven question i.e., having entrepreneurial vision, corporate philosophy, competitive advantages and corporate culture harmonized with the strategies, building an organization that implements entrepreneur's vision, pointing out directions and taking new approaches, and contributing to the development of society and himself, show that investigated entrepreneurs have strategist profile. The results of the other three questions (4, 6, and 9th questions) were found insignificant.

Statistical results of the strategist profile and the features of enterprise were given in Table 4.

Table 4: Strategist Profile and the Features of Entrepreneurs

Features	Question	Groups	Mean Dif.-Gru	Significance
Type	1	Independent- Intrapreneur	,35830*	,012
		Public- Intrapreneur	,34374*	,022
	2	Public- Intrapreneur	,35354*	,001
	8	Independent-Public	,48893*	,029
	10	Public- Intrapreneur	,28929*	,006
Sector	8	Industry- Public	,44523*	,034

As it can be seen from Table 4 that, all types of entrepreneurs are significantly different from each other in terms of having entrepreneur vision; public entrepreneurs are different from intrapreneurs in terms of having business philosophy; independent entrepreneurs are different from public entrepreneurs in terms of pointing out directions and taking new approaches; public entrepreneurs are different from intrapreneurs in terms of contributing to the development of society and themselves; entrepreneurs in industry sector is different from the ones in public sector in terms of pointing out directions and taking new approaches.

FINDINGS AND CONCLUSIONS

The findings of the study can be classified into two categories as; the strategist profile of the entrepreneurs investigated in the study, and the differences between the strategist profile of the entrepreneurs and the properties of enterprises.

From the strategist entrepreneur profile point of view in the context of this study, it was determined that having entrepreneur vision, having corporate philosophy, and contributing to the development of the society and themselves are highly significant ($p < .001$). Having an organization which can implement entrepreneur's vision and pointing out a direction and having new approaches are very significant ($p < .01$). Having competitive advantages and having corporate culture harmonized with the strategies are significant ($p < .05$). Having Employees that Use Their Ability to Act Freely for Company, Line Managers' Involvement in Strategic Planning and Being Lucky in the life are insignificant ($p > .05$) in terms of developing entrepreneur profile.

According to this result, arrangements that help employees to use their capabilities for the benefit of the business can be useful. Improvement and empowerment of the employees along with delegation by leaders can encourage employees to take initiatives. Process can be shared by including the line managers into the strategic management studies. This situation would be beneficial to the success of the strategic planning process. Luck, to some extent, may be effective on the success of the strategic entrepreneurs if they benefit from the opportunities they encounter in their business life. When features of enterprises are compared to each other in terms of strategist entrepreneur features it can be concluded that; public and independent enterprises are more effective than intrapreneurs in having entrepreneur vision.

The differences between the type and sector of the enterprise in terms of entrepreneur's strategist profile features were determined accordingly. As it can be seen from the Table 4 that, in terms of the type of the enterprise, there is a highly significant ($p < .001$) difference between the Public Entrepreneurs and Intrapreneurs for question number 2 (Figure 1). It means that Public Entrepreneurs are more efficient in having corporate philosophy. There is a very significant ($p < .01$) difference between Public Entrepreneurs and Intrapreneurs for question 10. Public Entrepreneurs are more efficient in contributing to the development of society and themselves. In terms of having an entrepreneurial vision (question 1), Independent Entrepreneurs are more efficient than Intrapreneurs, and also Public Intrapreneurs are more effective than Intrapreneurs; and in terms of pointing out directions and taking new approaches (question 8), Independent Entrepreneurs are more efficient than Public Entrepreneurs with a significance value of ($p < .05$). On the other hand, in terms of sector of the enterprise, Industry sector is more efficient than Public sector for question 8 ($p < .05$). The rest of the hypotheses in the study were all found non-significant ($p > .05$).

According to these results, private sector intrapreneurs' lack of entrepreneur vision is a major deficiency for both themselves and the region. This deficiency may have stemmed from the lack of planning, especially strategic planning, in private sector in contrast to public sector.

Strategic management activities should be conducted more seriously in private sector organizations. Public enterprises are better than intrapreneurs in terms of having business philosophy. This may be because the public enterprises are mostly founded with a predefined business philosophy. Other reasons may be micro and macro uncertainties and inconvenient market conditions which prevent entrepreneurs to have a well-defined business philosophy.

Private sector organizations should develop and adopt a philosophy considering the dominant factors in their environment, and also realize the importance of having a well-defined business philosophy. Independent enterprises and industrial entrepreneurs can point out their directions and take new approaches better than public enterprises. On the other hand, public sector is weak in pointing out its direction and having new approaches due to its monopolistic position and bureaucracy which slows down its operation. Therefore the public sector should be open to competition with private sector, limit bureaucracy as far as possible to boost up the functionality of the organization.

Public enterprises contribute to the development of society and themselves more than intrapreneurs. Public entrepreneurs, with its nature, have a better understanding of social responsibility and thus they have more tendency to contribute to the development of the society. Since service or responsibility is the primary subject matter in public sector, cost management is kept in the background. Cost management in private sector is more critical than public sector and thus contributing to the development of the society stays behind in private sector.

Development is related to many factors. Thus the variables which are interacted with the subject should be handled as a whole. And the findings and suggestions in this study shouldn't be considered separately. Although the strategist profiles of the entrepreneurs are adequate, inappropriate local structure and organization type can bear the disharmony between the strategist entrepreneur and the organization. To eliminate this disharmony, local structure and organization's proactive measures should be determined, spread, implemented, coordinated, and feedback of these activities should be taken. Since development is strongly related to the uncertainties and chaotic structure in the society and dynamic environmental conditions, it is very difficult to propose certain and concrete solutions to local development problems.

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THE INFLUENCE OF PERSON-ORGANIZATION FIT ON THE EMPLOYEE'S PERCEPTION OF ORGANIZATIONAL PERFORMANCE

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ABSTRACT

The study explores the pair-wise relationships across person-organizational fit in multiple Turkish companies and the financial and qualitative components of Organizational performance. The person-organizational fit developed by Netemeyer, Boles, McKee and McMurrian (1997) is tested on 1288 staff and managers from 74 different informatics and dockyards organizations. As expected, person-organization fit is found to relate positively to both performance components. Implications of the results for individuals and organizations are discussed.

Keywords: Person-Organization Fit, Organizational Performance, Qualitative Organizational Performance, Quantitative Organizational Performance

INTRODUCTION

Organizational performance has become a central research in the strategic management literature. It is the key issue and the ultimate dependent variable in virtually all business disciplines. Accordingly, numerous studies have been conducted in diverse areas of business to reveal the factors that most critically impact the multiple dimensions of the firm performance construct. The dimensions of organizational performance studied most frequently include financial performance indicators (i.e., sales and profitability indicators and ratios), operational performance indicators (i.e., non-financial indicators such as product quality) and overall organizational effectiveness (i.e., broader general and conceptual definitions) (Shart and Palmer, 2003).

In recent years management scholars have expressed growing interest in the concept of person-environment fit (PEF), due mainly to its many benefits for employee attitudes and behaviors (Lauver and Brown, 2001). Furthermore, the positive effects of person-organization fit (POF) on work attitudes including job satisfaction, organizational commitment, job performance and negative effects on turnover intentions and behaviors have been established in a number of industries (Chatman 1991; Kristof, 1996; Sheridan, 1992; Caldwell and O'Reilly, 2002; Verquer, Beehr, and Wagner, 2003; Hoffman and Woehr, 2005). According to Kristof (1996) person-organization fit research is concerned with the antecedents and consequences of compatibility between persons and the jobs they perform or the organizations in which they work. However, research about relationship between person-organization fit and organizational performance in informatics organizations is very sparse. When looking at the relationship between person-organization fit and quantitative and qualitative components of organizational performance, it is worth noting since previous research has focused only on the link between person-organization fit and work attitudes, in other words qualitative organizational performance (Kristof, 1996; Sheridan, 1992; Caldwell and O'Reilly, 1990; Verquer, Beehr, and Wagner, 2003; Hoffman, Woehr, 2005). The present study contributes to this large

research stream by examining the effects of person-organization fit on both the perceived quantitative and qualitative performance levels in different types of organizations.

Person-Organization Fit

Chatman (1989; 339) defines person-organization fit as "the congruence between the norms and values of organizations and the values of persons", according to Kristof (1996; 1) person-organization fit is the "compatibility between people and organization in which they work". The emphasis here is on the match of an individual's values with the value system in a specific organizational context and the potential effects that this match has on employees' behaviors and attitudes within the organization (Goodman and Svyantek, 1999). Person-organization fit is a sub-component of the broader concept of Person-environment fit, which historically arises out of the fundamental notion credited to Lewin (1935) that behavior is a joint function of the individual and his or her environment. Interesting research on PEF has revealed that there are benefits such as satisfaction, productivity, creativity and stability when the characteristics of individuals are compatible with the characteristics of their environment (Vilela et al, 2008).

Research on person-organization fit is diverse and rich. According to Kristof (1996) POF research is concerned with the antecedents and consequences of compatibility between persons and the jobs they perform or the organizations in which they work. Van Vianen (2000) reports that the findings of such research indicate that individuals choose work environments as a result of many different factors, including their attitudes, values, abilities, personality, and various job dimensions, as well as factors relating to organizational structure and culture (Markman and Baron, 2003:281).

Several attempts to study person-organization fit have been undertaken by a number of research studies (Dawes, 1988; Rothstein and Jackson, 1980; Sims and Kroeck, 1994; Snyder, Berscheid and Matwyck, 1988). POF has been conceptualized in several ways (Kristof, 1996). Distinctions are made between supplementary and complementary fit and between supplies-values and demands-abilities fit. Supplementary fit occurs when an individual possesses characteristics that are similar to those of others in the environment. Complementary fit occurs when an individual's characteristics add to the environment what is missing. This is the case when a person has special skills that are beneficial for functioning of the work team (Van Vianen, 2000).

Several researchers have used individuals' goal congruence with organizational leaders and peers to operationalize POF. The ASA framework is based on the premise that similar people are attracted to and selected by organizations whose goals are similar to their own or will enable them to attain their individual goals. Thus, it uses P-O fit as an explanation for the increase of within-organization homogeneity over time (Kristof, 1996). Person-organization fit requires that two types of fit be achieved in the hiring process: (1) between the KSAs (knowledge, skills and abilities) of the individual and the task demands or critical requirements for the job; and (2) between the overall personality of the individual (e.g. needs, interests, and values) and the climate or culture of the organization (Bowen, 1991). POF research suggests that the closer the match between individuals' attitudes, values, knowledge, skills, abilities and personality, the better their job satisfaction and performance (Markman and Baron, 2003).

Qualitative Organizational Performance

Quality is an abstract concept depending on the desire of the individuals involved with a primary emphasis on the satisfaction of customer's needs and wants. One important point to note about the meaning of quality is the multidimensional nature of the concept. To direct employees' efforts towards the goal of customer satisfaction, a common understanding of the term *quality* is required. Viewed from this perspective, quality has become a critical strategic issue rather than an operational one (Lai and Chang, 2003). Quality management system emphasizes the organizational ability to satisfy customer needs precisely and profitably involving all members of an organization. In our study, it was asked the respondents their perceptions about product/service quality, high work force quality, customer satisfaction, job satisfaction, new product development and employee commitment in order to assess qualitative organizational performance level.

Quantitative Organizational Performance

It is difficult to obtain objective financial measures of performance, such as profit growth, profit margin, sales increase, market share, return on investment, etc. Further, objective measures of organizational performance are hard to compare across units with different technologies, product lines, and competitive priorities (Kathura and Davis, 2001). Further, the organizational performance measure is due to many people and factors beyond the direct control of a manufacturing manager. The managerial performance has been viewed as an aggregate measure of seven items that include accuracy of work, quality of work, productivity of the group, customer satisfaction, operating efficiency, quantity of work, and timeliness in meeting delivery schedules, for the purposes of this research. In previous study, in order to assess quantitative organizational performance level, it was investigated the respondents perception about return on assets, return on equity, market share, sales growth, overall performance of the organization.

The Link between Person-Organization Fit and Organizational Performance

POF theory suggests that shared values between individuals and organizations lead to positive outcomes for the employee and favorable outcomes with regard to achieving organizational goals. When people do not “fit” into their environment, they experience feelings of incompetence and anxiety (Chatman, 1991). When they do fit, they experience more positive and less negative effects and are likely to choose to remain in that environment (Vilela, et al. 2008).

Empirical evidence has shown that POF is related to a wide variety of important company outcomes, including job satisfaction and organizational commitment (Cable and Judge; 1996; O’Reilly, Chatman and Caldwell, 1991; Boxx et. al.1991; Valentine, Godkin and Lucero, 2002), and adjustment to the work group and on the job performance (Kristof, 1996; Sheridan, 1992). Many studies (O’Reilly, Chatman and Caldwell, 1991; Chatman, 1991) consistently show that a good POF is negatively related to propensity to quit or voluntary turnover. Verquer, Beehr and Wagner (2003), presents a meta-analytic review of 21 studies on relations of person–organization fit with job satisfaction, organizational commitment and intent to turnover. Four specific moderators were investigated: the type of fit measure, method of calculating fit, dimensions of fit and use of an established measure of person–organization fit.

Hoffman and Woehr (2005) extend the meta-analysis of Verquer, Beehr, and Wagner (2003) by providing a meta-analytic review of the relationship between person–organization fit and behavioral criteria (job performance, organizational citizenship behaviors, and turnover). Their results indicate that POF is weakly to moderately related to each of these outcome variables.

Additionally some results of research indicated that POF is related to a variety of behavioral outcome variables including task performance and organizational citizenship behaviors (Verquer, Beehr, and Wagner, 2003; Hoffman and Woehr, 2005; Boorman and Motowidlo, 1997). Despite the mixed results for task performance, there are several reasons to believe that employees’ perceptions of POF might have a greater influence on contextual performance. Contextual performance has volition and predisposition, rather than proficiency, as its major source of variation and is not likely to be role-prescribed. Because its activities are not specific to any one job with the organization, contextual behaviors are likely to be influenced by organizational, rather than job-specific fit. However, there is some evidence for a positive relationship between value congruence and self-reported extrarole behaviors (O’Reilly & Chatman, 1986). In addition, Goodman and Svyantek (1999) reported that organizational values and individuals’ preferred values predicted contextual performance better than either type of value alone (Lauver and Kristof-Brown, 2001). These results are consistent with research by Motowidlo and colleagues (Motowidlo et al., 1997; Motowidlo & Van Scotter, 1994), who found that underlying psychological traits, rather than job skills or ability, contribute most directly to the habits, skills, and knowledge that lead to contextual performance. Because values are deeply held beliefs that guide individual behavior, it is likely that they influence the motivation to engage in contextual performance.

Organizational behavior literature argues that it is likely that POF has an impact on OCB through job satisfaction (Van Dyne, Graham & Dienesch, 1994) and organizational commitment (MacKenzie et al., 1998). Similarly, Vilela, Gonzales and Ferrin (2008)’s study tries to improve the understanding of the perceptual determinants of salespeople’s OCB by evaluating the indirect influence of POF on OCB through the effect it has on job satisfaction and organizational commitment. The results especially confirm the

mediating role of job satisfaction in the relationship between POF and OCB. When a salesperson feels that there is a strong similarity between their values and the values of their organization, they will experience a higher level of organizational commitment to the organization and will be more satisfied at work, which, in turn, will have a positive influence on OCB.

In addition, a research by Chan's (1996) building on Kirton's Adaption-Innovation Theory (1976, 1977) of problem-solving style at work, relationships among cognitive misfit, job performance, and actual individual turnover after 3 years were examined in a sample of 253 engineers in either a Staff engineering function or a Research and Development (R&D) engineering function. Results from logistic regression analyses showed that cognitive misfit was uncorrelated with job performance, but provided significant and substantial incremental validity in predicting actual turnover over the predictability provided by performance. The Staff function and the R&D function corresponded to a work context predominant in adaptive-style demands and a work context predominant in innovative-style demands, respectively.

In summary, POF predicts employee attitudes and that attitudes predict organizational performance and profitability. Tepeci and Bartlett's (2002) research indicates that several measures of fit between person and situation influence attitudes and behavioral intentions and that perceived fit influences them even beyond the combined effect of perceived and preferred culture. To the extent that POF predicts employee attitudes and that attitudes predict organizational performance and profitability, the POF construct deserves continuing attention from researchers and practitioners alike. Dependently, it can be inferred that the greater congruence between individual values and preferences, and the presence of these in the organizational environment (person-organization fit) will be related to higher levels of both qualitative and quantitative organizational performances. Therefore, we can construct these hypotheses;

H1: Perceived POF is expected to influence Qualitative organizational performance.

H2: Perceived POF is expected to influence Quantitative organizational performance.

METHOD

Participants and Procedure

Data were collected from 74 different informatics and dockyards organizations. 2500 questionnaires were distributed to the 200 organizations agreeing to participate, and 1288 completed questionnaires were received. The sample characteristics are as the following: 38 % of the respondents were women and 68.5 % of the respondents had university degree and 20% of them had high school degree. The 60% of the sample was office staff and 24.5 % of the respondents were middle level managers.

TABLE 1: FACTOR LOADINGS FOR ORGANIZATIONAL PERFORMANCES AND PERSON-ORGANIZATION FIT ITEMS

	Components		POF
	Qualitative Org. Perf.	Quantitative Org. Perf.	
Product/service quality	,785		
High work force quality	,766		
Customer satisfaction	,737		
Job Satisfaction	,721		
New product development	,680		
Employee commitment	,666		
Return on assets		,926	
Return on Equity		,918	
Market Share		,810	
Sales growth		,715	
Overall performance of the organization		,610	
This organization has the same values as I do with regard to concern for others.			,888
This organization has the same values as I do with regard to honesty.			,866
This organization has the same values as I do with regard to fairness.			,848
I feel that my personal values are a good fit with this organization.			,776

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a Rotation converged in 5 iterations.

Measures

All constructs were measured using existing scales. All items were measured on a five point Likert-type scale where 1 = strongly disagree and 5 = strongly agree. Mean scale scores were calculated for all measures. We used the Cronbach's Alpha to estimate reliability for scales. Person-organization fit was measured with 4 items, which adapted from scales of Netemeyer, Boles, McKee and McMurrian (1997). And organizational performance was measured with 11 items which were developed by the authors.

FINDINGS

As illustrated in Table 1, one POF and two organizational performance dimensions emerged from the factor analysis as expected. The factor loadings for organizational performance and Person-organization fit items are displayed in this Table. Reliability analysis indicated that the coefficient alpha estimate for the four-item POF scale was .89. Coefficient alpha for the six-item Qualitative organizational performance scale was .87 and coefficient alpha for the five-item Quantitative organizational performance scale was .90 (Table 2).

TABLE 2: DESCRIPTIVES, CORRELATIONS AND ALPHA RELIABILITIES OF THE MEASURES

	Mean	Std. Deviation	N	1	2	3
POF	3,4114	,93310	1221	$\alpha = .89$.		
Qualitative Org. Perf.	3,4480	,81999	1150	,487(**)	$\alpha = .87$	
Quantitative Org. Perf.	3,6618	,88185	1134	,271(**)	,549(**)	$\alpha = .90$

** Correlation is significant at the 0.01 level (2-tailed).; α = Cronbach's Alpha

The correlations between variables are provided in Table 2. Correlation analysis revealed that Person-organization fit significantly positively predicted both Qualitative and Quantitative Organizational Performance. This provides support for hypothesis 1 and hypothesis 2.

TABLE 3: THE EFFECTS OF PERSON-ORGANIZATION FIT ON THE QUALITATIVE ORGANIZATIONAL PERFORMANCE

	β	t
POF	.487	18.53**
Model F : 343.47, Model R ² : 247, Sig: .000		
**p< .01 *p<.05		
Dependent variable: qualitative organizational performance		

To examine the effects of person-organizational fit on qualitative and quantitative organizational performance, we developed regression models (Table 3). In the regression analysis shown in Table 3 examined the effects of person-organization fit on the qualitative organizational performance. As indicated in Table 3 person-organization fit has positive effect ($\beta=.487$) on the qualitative organizational performance.

TABLE 4: THE EFFECTS OF PERSON-ORGANIZATION FIT ON THE QUANTITATIVE ORGANIZATIONAL PERFORMANCE

	β	t
POF	.271	9.29**
Model F : 86.46, Model R ² : 071, Sig:.000		
**p< .01 *p<.05		
Dependent variable: quantitative organizational performance		

In the regression analysis shown in Table 4, we investigated the effect of person-organization fit on quantitative organizational performance. The results of regression analysis indicated that person-organization

fit has positive effect ($\beta=.271$) on the quantitative performance. As it seen on Table 3 and Table 4 all regression models are statistically significant ($F=343.47$ $p<0.001$, $F=86.46$ $p<0.001$).

DISCUSSION

Research on person–organization fit is diverse and rich (Chatman, 1991; Kristof, 1996; Cable and Judge, 1997; Sheridan, 1992; Van Vianen, 2000; Vilela, Gonzales and Ferrin, 2008) but most of research focused on relationship between person-organization fit and qualitative performance including job satisfaction, organizational commitment and turnover intention. On the contrary, a few research focused on the effect of person-organization fit both qualitative performance and financial performance such as profit growth, profit margin, sales increase, market share, return on investment. This research examines the effects of person-organization fit on both qualitative and quantitative or financial organizational performance.

Overall, the results of this study provide strong support for the hypothesized model. The results especially confirm the positive effect of person-organization fit on qualitative organizational performance. When employees feel that there is a strong similarity between their values and the values of their organization, qualitative organizational performance will increase. This result is also consistent with previous research (Kristof, 1996; Sheridan, 1992; O'Reilly, Chatman and Caldwell, 1991, Sheridan, 1992; Van Vianen, 2000; Tepeci and Bartlett, 2002; Vilela, Gonzales and Ferrin, 2008). Additionally results of this research indicated that person-organization fit has positive effect on quantitative organizational performance.

Person-organization fit theory suggests that shared values between individuals and organizations lead to job satisfaction for the employee and favorable outcomes with regard to achieving organizational goals. When people do fit, they experience more positive and less negative effects and are likely to choose to remain in that environment (Vilela, et al. 2008). Results of this research confirm that POF theory has positive effect on the work attitudes such as job satisfaction and organizational commitment. Additionally, research indicates that POF theory has direct and positive effects on the quantitative performance. Consequently, the findings of this research suggest several implications from theoretical and practical perspectives. So, managers who want to increase the qualitative and quantitative organizational performance should understand the importance for person-organization fit on qualitative and quantitative performance. Supervisors and top managers should also understand the antecedent person-organizational fit and take necessary actions to strengthen the positive influences of such factors if they are willing to increase both quantitative and qualitative organizational performance.

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ENTREPRENEURIAL INTENTIONS OF YOUNG EDUCATED PUBLIC IN TURKEY

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ABSTRACT

The main objective of this study is to analyze the factors that determine the entrepreneurial intention of young educated public in Turkey. The model of our study includes the effects of demographics, contextual factors and the components of Theory of Planned Behaviour (TPB) on the entrepreneurial intention of the individuals. Based on the model a questionnaire was developed and distributed to 324 students of a state university in Istanbul. The results showed that gender, having entrepreneurial parents, subjective norm, perceived behavioral control; attitudes, favorable environmental conditions, and academic support were the determinants of entrepreneurial intention.

INTRODUCTION

Today knowledge and globalization are the forces that drive the national economies of the countries in the world. In order to keep up with these challenges, creativity, innovation, and flexibility have to be promoted. This implies that the economies have to be entrepreneurial. The entrepreneurial economies can be created through individual entrepreneurs and the firms they establish (Sariaslan, 2001).

Entrepreneur is the person who establishes his/her own firm (Gartner, 1988). Entrepreneurs play a key role in creating jobs, promoting innovation, creating economic wealth, and thus increasing the general health and welfare of the economy (Morrison, Breen and Ali, 2003; Poutziouris, 2003). Therefore, entrepreneurs are crucial for national and regional economic development (Sadler-Smith, Hampson, Chaston and Badger, 2003).

In that sense entrepreneurship is a strategic issue and it has to be analyzed at macro level. When governments realize the importance of entrepreneurs for the economic development of the nation, they can include entrepreneurial issues in their national economic development plans. Entrepreneurship can be supported through nation wide. Entrepreneurial issues can even take its place in the education policy of the nation. Factors that lead the individuals to become entrepreneurs in that country can thoroughly be investigated so necessary adjustments can be done in the higher education system to foster the entrepreneurial intention of the youth in that country.

Consequently, academic research on different aspects of entrepreneurship is on the rise (Davidsson, 1995). Although entrepreneurial intention is an important field in entrepreneurship, the reasons and determinants of entrepreneurial intention still lacks empirical evidence (Davidsson, 1995). In order to fill this gap, this study aims to shed light on the antecedents of entrepreneurial intention among young educated public in Turkey.

ENTREPRENEURIAL INTENTION

“Entrepreneurial intention” is one’s willingness in undertaking entrepreneurial activity, or in other words become self employed. The opposition of self-employment is becoming a waged or salaried individual (Tkachev and Kolvereid, 1999). From this perspective, measuring entrepreneurial intentions may be regarded as measuring latent entrepreneurship (Verheul, Thurik and Grilo, 2005).

In literature several factors that influence the willingness to take entrepreneurial activity have been noted (Kolvereid, 1996; Verheul et al., 2005). Demographic factors such as age and gender have been proposed to

have an impact on entrepreneurial intention (Kristiansen and Indarti, 2004). In literature, it is argued that females are less likely to establish their own business than men (Phan, Wong, and Wang, 2002; Verheul, et al, 2005). Age can be an important factor in entrepreneurial intention. Research shows that people mostly decide to establish their own firms between the ages of 25 to 45 years old (Storey, 1994). This tendency increases especially between the ages of 25 to 34 (Delmar and Davidsson, 2000). In addition, empirical studies also focused on individual background characteristics such as education, prior employment experience and parental role models to explain entrepreneurial intention (Kristiansen and Indarti, 2004). There are contradictory findings on educational level and entrepreneurial activity. Some argue that education have a positive impact on self employment (Bates, 1995) whereas others find a negative relationship and disagree with his proposition (Reynolds, 1995). It can be argued that for people with lower educational levels, self-employment can be the only option. In other words, their probability of getting into an organization as a waged salary is low. On the other hand, people with higher education have better chances for success both as an entrepreneurs and a waged employee (Davidsson, 1995). Entrepreneurial experience in other words previous ownership is the number of involvements and role of the entrepreneur in new venture creation (Lee and Tsang, 2001). This type of experience is also expected to have a positive impact on entrepreneurial intentions (Phan et al., 2002; Tkachev and Kolvereid, 1999). Involving in the establishment of different firms will provide the entrepreneur the opportunity of knowing the risks and problems associated with new venture formation (Barringer, Jones and Neubaum, 2005; Welter, 2001). Role models are important factors in the determination of career choices. Role modeling refers to learning by examples rather than direct experience. In role modeling, the individual adopts the behavior by informal and unintentional observation (Tkachev and Kolvereid, 1999). Especially role models in the family setting are considered as the most influential factor in the career choices of people. Having *entrepreneurial parents* is considered to be an important factor for entrepreneurial intentions. Entrepreneurial parents form a role model and create management know-how for the individual entrepreneur (Papadaki and Chami, 2002). The children of entrepreneurs learn the factors involved in running a business and consider establishing a new organization as a natural career option (Cooper, Gimeno-Gascon, and Woo, 1994; Papadaki and Chami, 2002; Sandberg and Hofer, 1987).

Another field of research that focused on entrepreneurship and entrepreneurial intention is personality traits (Kristiansen and Indarti, 2004). The aim of this personality approach is to identify a group of traits that can differentiate entrepreneurs from non-entrepreneurs. The main assumption of this approach is that people who choose self-employment as a career option have a different personality profile than people who prefer organizational employment (Kolvereid, 1996). Need for achievement, locus of control and risk taking propensity can be examples of most commonly studied personality traits of entrepreneurial behavior (Phan et al., 2002). These personality traits are usually associated with entrepreneurial behavior (Begley and Boyd, 1987; Hornaday and Aboud, 1971; Lee and Tsang, 2001). According to this view, the entrepreneurs are expected to have higher levels of need for achievement, internal locus of control and risk taking propensity. Although personality traits are widely used in the explanation for entrepreneurial behavior, this approach is often criticized for having small explanatory power, predictive validity and moreover inconsistent findings across studies. In short, this approach did not lead to satisfactory results in explaining entrepreneurship (Krueger et al., 2000).

Recent studies propose that intentions influence the behavior. In other words, actual behavior is determined by intentions (Ajzen, 1991). There are two similar and dominant models in this approach: Shapero's "entrepreneurial event" (SEE) model and Ajzen's theory of planned behavior (TPB). Shapero's SEE model argues that potential entrepreneurs have to consider entrepreneurship as a "credible" career alternative. This "credibility" occurs when the potential entrepreneur perceives the venture as both desirable and favorable (Kolvereid, 1997). TPB also aims to explain how intentions can predict actual behavior. This is a commonly used theory that aims to explain and predict why people behave in certain ways. The TPB proposes three main reasons for intention. The first one is the appraisal of the behavior, which is the extent to which a person has favorable or unfavorable attitude towards behavior. The second determinant is the subjective norm that is the social pressure to perform the behavior. The perceived difficulty to perform the behavior is called perceived behavioral control which is the third element for intention (Ajzen, 1991; Kolvereid, 1997; Tkachev and Kolvereid, 1999). According to this theory, in order to increase a person's intention to perform a behavior, the attitude and subjective norm towards that behavior has to be more favorable and the perceived behavior control has to be greater (Kolvereid, 1997). Although these are two separate theories of intention, they have overlapping notions. For instance, they are both linked to perceived self-efficacy. Perceived behavioral control in TPB is similar to perceived feasibility in (SEE) model. In addition, SEE) model's perceived desirability covers subjective norm and attitude dimension of TPB (Kolvereid, 1997; Krueger and Brazeal, 1994).

In literature, contextual elements are also included in the studies of entrepreneurial intention. Contextual elements are the environmental factors that might have an impact on entrepreneurial intention. Economic, political and cultural climate, administrative complexities, having access to resources, and physical and institutional infrastructure can be regarded as environmental factors (Kristiansen and Indarti, 2004; Verheul, et al., 2005). Administrative complexities refer to the degree of administrative complication in establishing a business. These activities can be very time consuming and expensive which eventually discourage acts of entrepreneurship. Access to information is an important element for the intention to establish a new business (Kristiansen and Indarti, 2004). Having access to business information is the availability of information in the environment about establishing a new venture and how to run a business. Access to finance is the ability of the individual to find financial support to establish a business since most of the investors and banks are not willing to make investments in new ventures. Availability of capital is regarded as one of the common obstacles to establish a new business by potential entrepreneurs (Kristiansen and Indarti, 2004). General economic climate is the availability of entrepreneurial opportunities and risks associated with them (Verheul, et al, 2005). In studies of entrepreneurial intention, it is recommended to study environment at the perceptual level because rather than the actual environment the perceptions of the individual are important for determining the opportunities and resources in the environment. According to his/her perceptions about the environment, one can determine whether to undertake entrepreneurial activities or not. Therefore measuring the actual environment may not be relevant in studies of occupational choices; in this case self employment (Kristiansen and Indarti, 2004; Verheul et al, 2005).

Based on the literature review, our proposed research model is as follows:

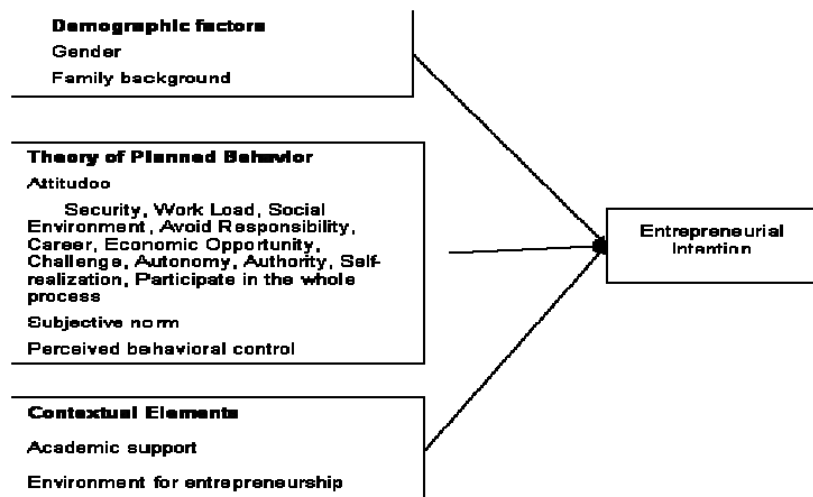


Figure 1: Proposed Research Model

Based on the proposed research model, the following hypotheses are developed for empirical analyses.

- H1. Demographic factors as gender and family background have an influence on entrepreneurial intention.
- H2. Attitudes have an impact on entrepreneurial intention.
- H3. Subjective Norm has an impact on entrepreneurial intention.
- H4. Perceived behavioral control has an impact on entrepreneurial intention.
- H5: Contextual elements as academic support and environment for entrepreneurship are significant predictors of entrepreneurial intention.

METHODOLOGY

Survey Instrument

As a research instrument, a structured survey was used because it provides the researchers the opportunity to gather data about variety of factors and reach a larger sample. The questionnaire is composed of 4 parts

which are TPB, demographic factors, contextual elements and entrepreneurial intention. The questionnaire has 46 items in total.

TPB index is composed of 3 parts; occupational status choice attitude index, subjective norm and perceived behavioral control. In this study, Kolvereid (1996)'s occupational status choice attitude index was used. This index has its origins from the TPB and aims to measure the attitude towards self-employment. This index includes five motives for choosing organizational employment and six motives for becoming self-employment. The scale has a total of 33 items. The scale was composed of statements related to the security, work load, social environment, avoid responsibility, career, economic opportunity, challenge, autonomy, authority, self realization and participate in the whole process. The participants were asked to indicate their degree of agreement with these statements on a six-point scale ranging from "strongly disagree"=1 to "strongly agree"= 6.

The items measuring subjective norm were taken from by Kolvereid (1996) and one item was added from the study of Autio, Keeley, Klofsten, Parker and Hay (2001). The four items aimed to measure the belief of the participant about the social support s/he will get if s/he pursues a career as self-employed. For example the first question was "If I became an entrepreneur, my family would consider it to be good". The participants were asked to indicate their degree of agreement with these four statements on a six-point scale ranging from "strongly disagree"=1 to "strongly agree"= 6. Motivation to comply was measured by four items referring to each of the belief questions. An example for motivation to comply is "To what extent do you care about what your closest family think when you are to decide whether or not to pursue a career as self-employed?" The participants were asked to indicate their degree of agreement with these four statements on a six-point scale ranging from "do not care at all"=1 to "I care very much"= 6. The belief items were re-coded into a bipolar scale then multiplied with the respective motivation to comply item and finally the scores added in order to obtain an overall measure of subjective norm (Cronbach's $\alpha=0.81$).

In order to measure perceived behavioral control 6-item measure developed from Kolvereid (1996) and Autio et al. (2001). The participants were asked to indicate their degree of agreement with these statements on a six-point scale ranging from "strongly disagree"=1 to "strongly agree"= 6.

The contextual elements had two components; academic support and environmental factors. The academic factors were adopted from Autio et al. (2001). The environmental factors were taken from the study of Verheul et al., (2005). This scale had 8 questions in total. The respondents were asked to rate their degree of agreement with items on a six-point scale ranging from "strongly disagree"=1 to "strongly agree"= 6.

In this study gender and family background are taken as indicators of entrepreneurial intention.

In this study the entrepreneurial intention which is the ultimate dependent variable is measured by the index of Davidsson (1995). Davidsson (1995) measured entrepreneurial intention on an index of three questions: (1) 'Have you ever considered founding your own firm?'; and (2-3) 'How likely do you consider it to be that within one (or five) years from now you'll be running your own firm?' The respondents were asked to rate their degree of agreement with items on a six-point scale ranging from "strongly disagree"=1 to "strongly agree"= 6. The construct was thus based on these three statements. The Cronbach Alpha for this construct was 0.75.

Study Sample

University students were our unit of analysis. Data were collected from 324 3rd and 4th year university students of Faculty of Economics and Administrative Sciences and Engineering Faculty of a state university in Istanbul. 3rd and 4th year university students were chosen because they are at the stage of making career choices.

Findings

In this study, the collected data was initially analyzed by reliability and factor analysis. The relationships between dependent and independent variables were tested by multiple regression analysis.

Reliability and Factor Analysis of Occupational Status Choice Attitude Index

After the first factor analysis, 2 factors emerged. One item with a factor loading lower than 0.50 was eliminated. Factor analysis was run again and again resulted in 2 factors. The findings of the analysis can be found in table 1.

Table 1. Reliability and Factor Analysis of Occupational Status Choice Attitude Index

	Factor loadings	Variance Explained	Cronbach alpha	Number of items
<i>Autonomy and Authority</i>		16.026	0.923	6
Have power to make decisions	0.838			
Have authority	0.794			
Be able to choose your own tasks	0.768			
To be your own boss	0.757			
Independence	0.742			
Freedom	0.689			
<i>Economic Opportunity and Challenge</i>		14.950	0.907	8
To have a challenging job	0.749			
To have an exciting job	0.728			
To have a motivating job	0.697			
To receive compensation based on merit	0.696			
To have an interesting job	0.633			
To keep a large proportion of the result	0.632			
Economic opportunity	0.630			
Self realization	0.535			
<i>Security and Work Load</i>		10.102	0.799	5
Job stability	0.777			
Job security	0.753			
Not having to work long hours	0.750			
To have fixed working hours	0.735			
Not to have a stressful job	0.526			
<i>Avoid Responsibility</i>		9.748	0.819	4
Not taking on too much responsibility	0.886			
Avoid responsibility	0.872			
Avoid commitment	0.746			
Have a simple, not complicated job	0.695			
<i>Self realization and Participation</i>		9.538	0.819	4
To create something	0.727			
To take advantage of your creative needs	0.712			
To follow work tasks from a to z	0.664			
Participate in the whole process	0.603			
<i>Social Environment and career</i>		8.473	0.824	4
Participate in a social environment	0.842			
To be a member of a social "milieu"	0.789			
Have opportunity for career progress	0.705			
Promotion	0.696			
Total Variance Explained		68.838	0.917	31
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.876			
Bartlett's Test of Sphericity				
App. Chi-Square	5658.10			
df	9			
Sig.	465			
	0.000			

Reliability and Factor Analysis of Perceived Behavioral Control Index

The perceived behavioral control index resulted in two factors after the first factor analysis. One item was eliminated due to low factor loadings. When the factor analysis was run again, two factors emerged. As seen in Table 2, they were labeled as "perceived confidence" and "perceived behavioral control".

Table 2. Reliability and Factor Analysis of Perceived Behavioral Control Index

	Factor loadings	Variance Explained	Cronbach alpha	Number of items
<i>Perceived Confidence</i>		38.433	0.759	3
I am confident that I would succeed if I started my own firm.	0.913			
I have the capabilities skills required to succeed as an entrepreneur.	0.854			
I have the skills required to succeed as an entrepreneur.	0.567			
<i>Perceived Behavioral Control</i>		32.757	0.600	2
It would be easy for me to start my own firm.	0.833			
To start my own firm would probably be the best way for me to take advantage of my education.	0.811			
Total Variance Explained		71.190	0.736	5
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.678			
Bartlett's Test of Sphericity				
App. Chi-Square	387.101			
df	10			
Sig.	0.000			

Reliability and Factor Analysis of Academic Support

The 4 items measuring academic support were loaded on a single factor which was labeled “academic support” with Cronbach's $\alpha=0.783$.

Table 3. Reliability Analysis of Academic Support Scale

	Cronbach alpha	Number of items
<i>Academic Support</i>	0.783	4
I know many people in my university who have successfully started up their own firm.		
In my university, people are actively encouraged to pursue their own ideas.		
In my university, you get to meet lots of people with good ideas for a new firm.		
There is a well functioning support infrastructure in place to support the start-up of new firms.		

Reliability and Factor Analysis of Environment for Entrepreneurship

The 4 items measuring environment for entrepreneurship were loaded on a single factor which was labeled as environment for entrepreneurship (Cronbach's $\alpha=0.739$).

Table 4. Reliability Analysis of Environment for Entrepreneurship

	Cronbach alpha	Number of items
<i>Environment for Entrepreneurship</i>	0.739	4
It is difficult to start one's own business due to a lack of available financial support.		
It is difficult to start one's own business due to the complex administrative procedure		
It is difficult to obtain sufficient information on how to start a business.		
The current economic climate is not favorable for people who want to start their own business.		

Multiple Regression Results for TPB on Entrepreneurial Intention

Among the components of TPB, only five significant results were obtained ($R^2=0.317$, $F=16.061$, $p=0.000$). Economic opportunity and challenge has a positive and the highest contribution to entrepreneurial intention ($\beta= 0.405$). Security and work load has a negative contribution to entrepreneurial intention with $\beta= - 0.248$. Self realization and participation in the whole process also has a significant but negative contribution to entrepreneurial intention ($\beta= - 0.169$). According to these findings, H3 is accepted. However, H2 and H4 are partially accepted.

Table 5. Multiple Regression Significant Results for TPB on Entrepreneurial Intention

Independent Variables		Dependent Variable	
	β coefficients	Entrepreneurial Intention	$R^2=0.317$ $F=16.061$ $p=0.000$
Perceived Behavioral Control	0.324		
Economic Opportunity and challenge	0.405		
Security and Work Load	-0.248		
Self realization and participation in the whole process	- 0.169		
Subjective Norm	0.141		

Multiple Regression Results for Contextual Elements and Entrepreneurial Intention

Contextual elements have positive and significant contributions to entrepreneurial intention ($R^2=0.137$, $F=20.005$, $p=0.000$). Environment for entrepreneurship has a positive and the highest contribution to EO which means that entrepreneurial intention increase if one perceives the environment for entrepreneurship as supportive ($\beta= 0.342$). Academic support also had a positive contribution to entrepreneurial intention with $\beta=0.173$. H5 is accepted.

Table 6. Multiple Regression Significant Results for Contextual Elements on Entrepreneurial Intention

Independent Variables		Dependent Variable	
	β coefficients	Entrepreneurial Intention	$R^2=0.137$ $F=20.005$ $p=0.000$
Environment for entrepreneurship	0.342		
Academic support	0.173		

Multiple Regression Results for Demographic Factors and Entrepreneurial Intention

In order to analyze gender and family back ground with regression analyses, they had to be recoded. In gender, females were recoded as 0 and males were recoded as 1. For family background, respondents with entrepreneurial families were recoded as 1 and no entrepreneurial family history was recoded as 0. The results of the regression analysis show that gender and family background are significant contributors to entrepreneurial intention ($R^2=0.150$, $F=19.650$, $p=0.000$). Therefore, H1 is accepted according to the results of this study.

Table 7. Multiple Regression Significant Results for Demographic Factors on Entrepreneurial Intention

Independent Variables		Dependent Variable	
	β coefficients	Entrepreneurial Intention	$R^2=0.150$ $F=19.650$ $p=0.000$
Gender	0.341		
Family Background	0.170		

RESULTS AND IMPLICATIONS

In accordance with literature, the findings of this study showed that demographics, attitudes, and contextual factors were important for self-employment intentions of university students.

The multiple regression analysis results showed that gender and having entrepreneurial parents had significant and positive contributions to entrepreneurial intention. The multiple regression analysis results for TPB revealed that perceived behavioral control, subjective norm and economic opportunity and challenge had positive contributions to entrepreneurial intention. In addition, security and workload had significant but negative contribution to entrepreneurial intention. This means that students prefer to become waged or salaried employees because of job security and work load.

TPB is a well-established predictor of entrepreneurial intention. An interesting finding of this study was; self realization and participation contributed negatively to self-employment intention. This contradicts with the entrepreneurship literature because people are expected to establish their own business in order to accomplish self-realization and participate in the whole work process. But for the Turkish university students working as a waged employee in a firm was regarded as a better approach in order to accomplish self realization and participation.

In addition contextual elements also revealed significant and positive results with entrepreneurial intention. Favorable environment for entrepreneurship and academic support also affected the individual's entrepreneurial intention to establish his/her own business

This study has also several implications for researchers, universities, and policy makers. For researchers, the application of these scales in a different cultural setting has some important implications. After factor analysis, factors our scales grouped differently than the original scales. In addition, one dimension of attitude, which is self-realization and participation, revealed negative results with entrepreneurial intention. Therefore, some dimensions of these concepts have to be redefined in different cultures.

It is important to understand the would-be entrepreneurs. If these characteristics and problems are identified, then the universities, government and other interested parties could develop programs that turn these latent entrepreneurs into nascent entrepreneurs (Phan et al., 2002; Verheul et al., 2005). In order to foster entrepreneurship, it is necessary to understand and find ways to develop and encourage latent entrepreneurs when they are still students (Wang and Wong, 2004). University students are in fact an important source for entrepreneurship. Their perceptions about entrepreneurship and establishing their own business will affect their career choices. Especially universities and educational institutions should develop programs that facilitate entrepreneurship so that more university graduates will be encouraged to establish their own businesses in the future (Wang and Wong, 2004).

It is widely believed that entrepreneurship and small firms are the major solutions to unemployment and economic development problems (Davidsson, 1995). In order to promote entrepreneurship in an economy, the policy makers have to focus on the ways to encourage entrepreneurship among well-educated university students and graduates (Wang and Wong, 2004).

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NORMATIVE, SOCIAL AND COGNITIVE PREDICTORS OF ENTREPRENEURIAL INTEREST OF COLLEGE STUDENTS IN TURKEY

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ABSTRACT

Entrepreneurship is an important concept of the strategic management. Entrepreneurs start their own businesses and try to build them up. The purpose of this study is to address normative, social and cognitive factors related to interest in becoming an entrepreneur in Turkey. It was inspired from the comparative study of Baughn et al. (2006; 57-77) related to China, Vietnam and The Philippines. This study was conducted on 163 business administration and international trade majors college students in a private foundation university in Istanbul in Turkey. The entrepreneurial interests of Turkish students were found and compared with the findings of Baughn et al. (2006; 57-77). The hypotheses and questionnaire used by Baughn et al. (2006; 59-74) were used for this study. There are 35 questions in five categories namely entrepreneurial interest, national norms, close support for entrepreneurship, parent/sibling ownership, family responsibilities and self efficacy in the questionnaire. A five point Likert Scale (attitude rating scale) was used to answer most of the questions. Yes/no (simple-dichotomy) questions were asked for determining parent/sibling ownership of their own business and family responsibilities of students. A frequency distribution analysis, mean analysis, two-tailed t tests, correlation analysis and multiple regression analysis were applied to the data. The findings of this study were expected to emphasize the importance of developing both self-efficacy and close social support in enhancing potential for entrepreneurial activity in Turkey.

INTRODUCTION

Entrepreneurship is the crucial component of the strategic management. Entrepreneurs initiate new ventures and conduct strategic management in their businesses to have personal achievements and make contributions to their countries. They can lead corporate entrepreneurship in their organizations by supporting their employees to act entrepreneurially to search the opportunities and get the advantage of them to have competitive advantages in both local and global market. The purpose of this study is to address normative, social and cognitive factors related to interest in becoming an entrepreneur in Turkey.

Perceiving entrepreneurship as a career option is the major source of the entrepreneurship of a country. It may reflect the conduciveness of an environment to entrepreneurship (Begley et al., 2005; 35-55). Entrepreneurship helps to facilitate economic growth in several countries which include formerly planned economies (Chow and Fung, 1996; 489-505). SMEs are important for economic development in developing and transitional economies (Cook, 2001; 17-40). Both developed and developing countries have undertaken efforts such as government support programs in Russia, China, Hungary, Slovenia, Finland, Mexico and India to promote entrepreneurial activity (Reynolds et al., 2001). The Turkish government also promotes entrepreneurship by providing support programs via KOSGEB (SME Development Organisation). Baughn et al. (2006; 57-77) conducted a multi-country study to examine the factors leading to interest in entrepreneurial activity. They considered the entrepreneurship as “the creation of new enterprise”. The literature review of this paper focuses on normative support-country norms regarding entrepreneurship, social capital-close support of family and friends, parent/close family ownership, family demands and cognitive capital-self-efficacy.

1. LITERATURE REVIEW

Environmental factors such as economic, financial and legal environments can enable or hinder entrepreneurship (Cook, 2001; 17-40, Reynolds et al., 2001). The normative, social and cognitive dimensions in this study show country differences on the environmental variables and personality related variables associated with entrepreneurial potential (Mueller and Thomas, 2001; 51-75, Mueller and Goić, 2002; 399-414). Normative issues show the extent to which a culture, norms, and values of the country support entrepreneurial activity (Baughn et al., 2006; 58). The social dimension which shows the interpersonal connections and social support for the entrepreneur constitutes the social capital. Cognitive issues show the knowledge and skills required to establish and operate a new business (Spencer and Gómez, 2004; 1098-

1107). Cognitive and normative dimensions are included in the conception of “country institutional profiles” to support entrepreneurship (Busenitz et al., 2000; 994-1003). Cultural, historical, political and economic contexts in different countries can shape the normative, social and cognitive underpinnings of entrepreneurship (Baughn et al., 2006; 59).

1.1. Normative Support: Country Norms Regarding Entrepreneurship

The importance of normative beliefs in predicting attitudes and intentions has been recognized (Ajzen, 1991; 1-63). Some researchers believe that the degree to which a society respects and admires entrepreneurs could be a better predictor of domestic entrepreneurship than more general measures of culture (Spencer and Gómez, 2004; 1098-1107). Differences in the social acceptability of an entrepreneurial career have been discussed by several researchers who have examined national differences in entrepreneurship (Busenitz et al., 2000; 994-1003, Mueller and Thomas, 2000; 51-75). A cultural context which is positive toward entrepreneurship can increase interests of people in starting a new venture (Baughn et al., 2006; 59). Therefore, the following hypothesis is formulated:

H1: *Entrepreneurial interest is positively related to perceived country norms supporting entrepreneurship.*

1.2. Social Capital: Close Support of Family and Friends

Social capital reflected by parent ownership of a business and family and friend encouragement is related to the emergence of entrepreneurs (Davidsson and Honig, 2003; 301-331). The impact of family and close friends can be more critical than normative support which determines the perceived desirability in starting a new venture (Baughn et al., 2006; 60). Greve and Salaff (2003; 1-22) stated the importance of family in the entrepreneurs' social networks. Collectivist cultures emphasize the development of cohesive groups which provide social identity and protection in exchange for loyalty. Family interdependence and the emphasis of collective goals can have impacts on predispositions of the person (Hofstede, 2001). Family and friends can serve as both normative and resource support (Baughn et al., 2006; 60). Therefore, the following hypothesis is formulated:

H2: *Entrepreneurial interest is positively related to the support of close family and friends for such activity.*

1.3. Parent/close Family Ownership

People whose family members have established their own businesses can understand the risks and rewards involved, and develop critical skills needed to make the venture viable. Family members can be role models for people for starting new ventures (Krueger, 1993; 5-21). Therefore, the following hypothesis is formulated:

H3: *Entrepreneurial interest is positively related to the entrepreneurial activity of one's close family members.*

1.4. Family Demands

The roles of people in their families can conflict with the requirements to start and run their own businesses. (Miller, 2000; 87-103). People can avoid the instability in entrepreneurial careers and lose their entrepreneurial interest because of family demands and responsibilities (Baughn et al., 2006; 60-61). Self-employment can be a barrier for people to spend time with their children. The amount of time spent caring for children is negatively related to success in many countries (Williams, 2004; 467-485). Therefore, the following hypothesis is formulated:

H4: *Entrepreneurial interest is negatively associated with the perception that such activity would interfere with family obligations.*

1.5. Cognitive Capital: Self-efficacy

The ability of entrepreneur to identify business opportunities, markets, and sources of funding can determine the success of the new venture. If the person feels that he/she does not possess these skills, he/she may be discouraged at the beginning (Krueger et al., 2000; 411-432). The desirability of starting a new venture is found significantly related to self-efficacy (Begley and Tan, 2001; 537-553). Therefore, the following hypothesis is formulated:

H5: *Entrepreneurial interest is positively related to the individual's perception that he/she possesses the skills (self-efficacy) to initiate and sustain a new business.*

1.6. Country Context Shaping Normative, Social and Cognitive Supports

Turkey is somehow similar to China, Vietnam and The Philippines in terms of normative, social and cognitive supports. Although entrepreneurship is encouraged in Islam, entrepreneurship was not valued in the wider society during the existence of the Ottoman Empire. Turkish people were encouraged to be soldiers or

farmers. When the Turkish Republic was established, entrepreneurship was supported. However, the government controlled the economy and was the major entrepreneur. It established companies to provide necessary products and services for society because of a lack of private financing. After the 1980's, Turkey has moved to the market-oriented economy and the privatization efforts have started. Thus, most of the government owned companies have been sold or closed.

In the 21st century, almost 99% of companies are SMEs in Turkey (Tutar, Küçük, 2003; 163). SMEs are mostly family businesses. The Turkish government has developed support programs for entrepreneurs via KOSGEB and the government owned banks to promote the establishment and development of SMEs (www.kosgeb.gov.tr; April 3, 2008). Universities teach business administration and entrepreneurship courses to students whereas KOSGEB provides training in these fields to the entrepreneurs. There are entrepreneurs in most of the families.

Confucian philosophy and government control on the economy discouraged people from being entrepreneurs in China. The influence of China, Confucianism and (anti-materialist) Buddhism also discouraged Vietnamese people from being entrepreneurs. However, the American presence in the Philippines from the late 19th century to independence in 1946 provided some entrepreneurial role models. The Philippine government established government institutions to promote entrepreneurship and SMEs during the second half of the 20th century. Entrepreneurs have started new ventures. Nowadays, China and Vietnam have moved to being more market-oriented economies where entrepreneurship is promoted. Over half of country GDP now stems from private companies in China and Vietnam (Baughn et al., 2006; 62-63).

2. METHODOLOGY

The purpose of this study is to address normative, social and cognitive factors related to interest in becoming an entrepreneur in Turkey. It was inspired from the comparative study of Baughn et al. (2006; 57-77) related to China, Vietnam and The Philippines. The hypotheses and questionnaire used by Baughn et al. (2006; 59-74) were used for this study. The questionnaire was translated in Turkish and then it was translated in English to eliminate the translation mistakes. This study was conducted on 163 business administration and international trade majors college students in a private foundation university in Istanbul in Turkey. The entrepreneurial interests of students in Turkey were found and compared with the findings of Baughn et al. (2006; 57-77). There are 35 questions in five categories namely entrepreneurial interest, national norms, close support for entrepreneurship, parent/sibling ownership, family responsibilities and self efficacy in the questionnaire. A five point Likert Scale (attitude rating scale) was used to answer most of the questions. Yes/no (simple-dichotomy) questions were asked for determining parent/sibling ownership of their own business and family responsibilities of students. A frequency distribution analysis, mean analysis, two-tailed t-test, correlation analysis and multiple regression analysis were applied to the data. The subjects for this study are junior and senior students who are business administration and international trade majors in a foundation university which enrolls students based on the national university entrance exam. Baughn et al. (2006; 57-77) conducted a study on junior and senior business students (782) in colleges in China (181-92 male, 89 female), Vietnam (451: 265 from Hanoi-130 male and 135 female and 186 from HCMC-93 male and 93 female) and the Philippines (150-72 male and 78 female). The average age was 21.5. They conducted their study in large universities which enroll students nationally.

2.1. Measurements

The measures and the questionnaire of Baughn et al. (2006; 64-74) were used for this study. The measures used in this questionnaire are described below. The items for these scales and scale reliabilities are presented in the results section.

Entrepreneurial Interest: It is a five-item scale and assesses the desirability and perceived feasibility of starting a business. Items which included questions are based on those developed by Krueger et al. (2000; 411-432).

Normative Support: National Norms. It is comprised of four items which is taken from Busenitz et al. (2000; 994-1003). It measures normative beliefs regarding entrepreneurial activity.

Social Support: Close Personal Support. It was assessed using six items which reflects the approval and support of family and friends to entrepreneurial activity. The scale is the combination of a two subscales which measure the support of the family and the support of friends.

Parent/Sibling Ownership: It was measured by asking subjects whether their parents or any brothers or sisters had ever started their own business. This item was coded "0" if the answer was no where as it was coded "1" if the answer was yes.

Family Demands: Two questions of this study, "Family responsibilities would make it difficult for me to start my own business" and "Starting my own business would take a big portion of time away from family"

were considered as separate, single-item scales. These items were coded “0” if the answer was no where as it was coded “1” if the answer was yes. Baughn et al. (2006, 57-77) used a five point Likert Scale to answer this question.

Perceived Self-Efficacy: Subjects were asked to rate their abilities on 15 critical entrepreneurial tasks (see Analysis). These items were derived from an entrepreneurial self-efficacy scale (DeNoble et al., 1999; 73-87).

The 16th item of this measure is “Do you have necessary abilities (knowledge, skill and experience) to start a new business?” was presented independently of this list.

Alpha is a function of the items in a scale and the average inter-item correlation (Cortina, 1993; 98-104). As can be seen in the analysis, coefficient alphas for entrepreneurial interest, national norms, and self-efficacy are greater than 0.70. On the other hand, the coefficient alphas for close support (alpha = 0.66) and its subscales family support (alpha = 0.56) and friend support (alpha = 0.59) are smaller than 0.70.

3. RESULTS

3.1. Frequency Distribution Analyses

Table 1- Major and Class of Students

	Major		Total (n)
	Business (n)	International Trade (n)	
Junior	36	41	77
Senior	39	47	86
Total	75	88	163

Table 2- Sex and Class of Students

	Sex		Total (n)
	Male (n)	Female (n)	
Junior	35	42	77
Senior	30	56	86
Total	65	98	163

Table 3-Entrepreneurial Interest (alpha = 0.82)

	1-very unattractive n(%)	2-unattractive n (%)	3-no unattractive, no attractive n(%)	4-attractive n (%)	5-very attractive n (%)	Total n (%)
Is starting your own business an attractive idea to you?	6 (3.7)	9 (5.6)	11 (6.8)	68 (42.0)	68 (42.0)	162 (100.0)
	1-very undesirable n (%)	2-undesirable n (%)	3-no undesirable, no desirable n (%)	4-desirable n (%)	5-very desirable n (%)	Total n (%)
How desirable is it for you to start your own business?	5 (3.1)	6 (3.7)	16 (9.9)	77 (47.5)	58 (35.8)	162 (100.0)
	1-very unlikely n (%)	2-unlikely n (%)	3-no unlikely, no likely n (%)	4-likely n (%)	5-very likely n (%)	Total n (%)
What is the likelihood that you will start your own business in the next five years?	28 (17.2)	43 (26.4)	44 (27.0)	26 (16.0)	22 (13.5)	163 (100.0)
	1-very impractical n (%)	2-impractical n (%)	3-no impractical, no practical n (%)	4-practical n (%)	5-practical n (%)	Total n (%)
How practical is it for you to start your own business?	9 (5.5)	20 (12.3)	58 (35.6)	47 (28.8)	29 (17.8)	163 (100.0)
	1-very unlikely n (%)	2-unlikely n (%)	3-no unlikely, no likely n (%)	4-likely n (%)	5-very likely n (%)	Total n (%)
If you started a business in the near future, what is the probability that it would succeed?	3 (1.9)	8 (5.0)	61 (37.9)	67 (41.6)	22 (13.7)	161 (100.0)

Table 4-National Norms (alpha = 0.73)

	1-strongly disagree n (%)	2- disagree n (%)	3-no disagree, no agree n (%)	4-agree n (%)	5-strongly agree n (%)	Total n (%)
Entrepreneurs are admired in my country	1 (0.6)	13 (8.0)	59 (36.2)	76 (46.6)	14 (8.6)	163 (100.0)
To turn a new idea into businesses is an admired career path in my country	1 (0.6)	15 (9.2)	50 (30.7)	74 (45.4)	23 (14.1)	163 (100.0)
Creative thinking is viewed as a route to success in my country	1 (0.6)	18 (11.0)	31 (19.0)	89 (54.6)	24 (14.7)	163 (100.0)
People in this country tend to greatly admire those who start their own businesses	3 (1.8)	16 (9.8)	49 (30.1)	77 (47.2)	18 (11.0)	163 (100.0)

Table 5-Close Support for Entrepreneurship (alpha = 0.66)

	1-strongly disagree n (%)	2- disagree n (%)	3-no disagree, no agree n (%)	4-agree n (%)	5-strongly agree n (%)	Total n (%)
My family would think that it is a very good idea that I start my own business	1 (0.6)	14 (8.6)	30 (18.4)	74 (45.4)	44 (27.0)	163 (100.0)
If I started a new business, my family members will help me to succeed	1 (0.6)	1 (0.6)	11 (6.8)	62 (38.3)	87 (53.7)	162 (100.0)
If I started a new business, some members of my family would work with me	4 (2.5)	21 (12.9)	26 (16.0)	85 (52.1)	27 (16.6)	163 (100.0)
My friends would want me to start my own business	0 (0.0)	4 (2.5)	41 (25.3)	83 (51.2)	34 (21.0)	162 (100.0)
If I started a business, my friends would help me to succeed	2 (1.2)	3 (1.8)	27 (16.6)	86 (52.8)	45 (27.6)	163 (100.0)
If I started a business,some of my friends would work with me	5 (3.1)	11 (6.8)	58 (36.0)	65 (40.4)	22 (13.7)	161 (100.0)

The first 3 items in this scale constitute a subscale of Family Support (alpha = .56), where are the second 3 items in this scale constitute a subscale of Friend Support (alpha = .59)

Table 6-Parent/Sibling Ownership

	0-no n (%)	1- yes n (%)	Total n (%)
Have any of your parents, brothers or sisters ever started their own businesses?	40 (25.5)	117 (74.5)	157 (100.0)

Table 7-Family Responsibilities

	0-no n (%)	1- yes n (%)	Total n (%)
Family responsibilities would make it difficult for me to start my own business	130 (80.2)	32 (19.8)	162 (100.0)
No time for family	120 (75.5)	39 (24.5)	159 (100.0)
Starting my own business would take a big portion of time away from family	98 (60.9)	63 (39.1)	161 (100.0)

Table 8-Self-Efficacy (alpha = 0.85)

	1-strongly disagree n (%)	2- disagree n (%)	3-no disagree, no agree n (%)	4-agree n (%)	5-strongly agree n (%)	Total n (%)
I can identify potential capital sources for the venture.	1 (0.6)	18 (11.0)	35 (21.5)	96 (58.9)	13 (8.0)	163 (100.0)
I can develop relationships with people who connect to sources of funds.	1 (0.6)	7 (4.3)	28 (17.2)	105 (64.4)	22 (13.5)	163 (100.0)
I can find market information for the products of my venture.	0 (0.0)	3 (1.8)	21 (12.9)	108 (66.3)	31 (19.0)	163 (100.0)
I know how to legally protect a new venture.	11 (6.8)	37 (22.8)	58 (35.8)	51 (31.5)	5 (3.1)	162 (100.0)
I can create products that fulfill customer's unmet needs.	2 (1.2)	12 (7.4)	43 (26.4)	88 (54.0)	18 (11.0)	163 (100.0)
I can react quickly to unexpected changes.	1 (0.6)	6 (3.7)	46 (28.6)	91 (56.5)	17 (10.6)	161 (100.0)
I can identify new areas for potential growth in the future.	1 (0.6)	4 (2.5)	34 (20.9)	106 (65.0)	18 (11.0)	163 (100.0)
I can work productively in stressful situations.	4 (2.5)	29 (17.9)	40 (24.7)	72 (44.4)	17 (10.5)	162 (100.0)
I can communicate effectively with others.	0 (0.0)	3 (1.8)	13 (8.0)	109 (66.9)	38 (23.3)	163 (100.0)
I can manage effectively cash.	1 (0.6)	4 (2.5)	33 (20.2)	93 (57.1)	32 (19.6)	163(100.0)
I can handle effectively personal selling	3 (1.9)	13 (8.0)	37 (22.8)	77 (47.5)	32 (19.8)	162(100.0)
I can manage my time effectively.	0 (0.0)	12 (7.4)	32 (19.6)	87 (53.4)	32 (19.6)	163(100.0)
I can manage risk effectively.	0 (0.0)	14 (8.6)	59 (36.2)	72 (44.2)	18 (11.0)	163(100.0)
I can be persistent even when things go wrong.	0 (0.0)	7 (4.3)	39 (23.9)	92 (56.4)	25 (15.3)	163 (100.0)
I can plan for the future.	0 (0.0)	4 (2.5)	13 (8.0)	97 (59.9)	48 (29.6)	162(100.0)
	1-none of the abilities n (%)	2-some of the abilities n (%)	3- much of the abilities n (%)	4-most of abilities n (%)	5-all abilities n (%)	Total n (%)
Do you have necessary abilities (knowledge, skill and experience) to start a new business?	5 (3.1)	23 (14.2)	29 (17.9)	87 (53.7)	18 (11.1)	162 (100.0)

3.2. Analyses of Statistical Means and Two-tailed T Test

Table 9. Country Means

Variable	Turkey	China (C)	Vietnam		Philippines (P)
			Hanoi (N)	HCMC (S)	
Ent. Interest	3.61	3.50	3.65	3.78	4.05
National Norms	3.61	3.46	3.56	3.71	4.08
Close Support	3.91	3.38	3.53	3.62	3.81
Family Support	4.00	3.36	3.59	3.73	3.88
Friend Support	3.83	3.40	3.48	3.51	3.75
Parent/Sibling Own ^a	.75	.39	.19	.35	.45
Family Responsibility ^b	.20	2.96	2.77	2.56	2.89
Time away from family ^c	.39	3.48	3.55	3.40	3.33
Self-Efficacy	3.74	3.56	3.64	3.70	3.89
Sex ^d	.60	.51	.49	.50	.48
Age	22.23	21.35	22.01	22.25	19.98
N	163	181	265	186	150

For all countries: ^aparents or siblings have owned a business = 1, otherwise= 0; ^dfemale = 0, male = 1.

For Turkey: ^bFamily responsibilities would make it difficult for me to start my own business = 1, otherwise = 0

^cStarting my own business would take a big portion of time away from family = 1, otherwise = 0

A five point Likert Scale was used to determine entrepreneurial interest, national norms, close support, family support, friend support and self-efficacy of students in Turkey and in other countries. Yes and no questions were used to determine parent/sibling ownership of a business, family responsibility, time away from family, and sex of respondents in Turkey. Baughn et al. (2006, 57-77) used yes and no questions to determine parent/sibling ownership of a business and sex of respondents in their study. They used a five point Likert Scale to determine other scales. Table 9 presents the statistical means of scales, sex and age for Turkey, China, Vietnam (Hanoi and HCMC regions) and the Philippines. The statistical means of an entrepreneurial interest, national norms and self-efficacy of Turkey are similar to the statistical means of Vietnam. The statistical means for close support, family support, friend support and parent/sibling ownership are higher for Turkey than the statistical means for China, Vietnam and the Philippines. There are more female respondents in this study than the study conducted by Baughn et al. (2006, 65). The statistical means of family responsibility and time away from family are lower for Turkey than the statistical means of other countries. It can be summarized that, Turkish students enjoy more close support including family and friend support than students in other countries in the study conducted by Baughn et al. (2006, 65). More Turkish students have family members who run their own businesses than students in other countries. On the other hand, Turkish students do not have family responsibilities as much as students in other countries. They believe that they can spend more time with their family if they start their own businesses when compared to students in other countries in the study conducted by Baughn et al. (2006, 65).

Two tailed t-tests with Levene's test were applied to determine the statistically significant differences for questions and scales based on class, major and sex ($p < 0.05$ and when variances are homogenous). There is a significant difference between juniors and seniors on managing effectively cash, managing effectively risk, having abilities to start a new business, self-efficacy and age. There is a significant difference between males and females on starting his/her own business being an attractive idea. There is a significant difference between business major students and international trade major students on admiration towards entrepreneurs in the country and people's tendency to admire those who start their own businesses.

3.3. Correlation Analyses

Table 10 presents the correlations between entrepreneurial interest and the independent variables for Turkey and four regions covered in the study conducted by Baughn et al. (2006, 67). The magnitude of relationships between entrepreneurial interest and the predictors of national norms, close support, family support, friend support, and self-efficacy are similar in Turkey and Vietnam. Parent/sibling ownership appears weaker in Turkey than in Vietnam but it appears stronger than in China and the Philippines. Family responsibility in Turkey is close to the Philippines. Time away from family in Turkey is stronger than in Hanoi whereas it is weaker than in HCMC and the Philippines. Sex in Turkey is weaker than in China and Hanoi region. Age appears to have the lowest relationship in Turkey compares to four other regions. Overall, self-efficacy and close support are the most significant predictors of entrepreneurial interest in Turkey. These findings are similar to the findings of Vietnam (Hanoi region).

Table 10. Comparison of Correlations Between Entrepreneurial Interest and Independent Variables

	Turkey	China	Vietnam		Philippines
			Hanoi	HCMC	
National Norms	.18(*)	.24**	.20**	.26***	.27**
Close Support	.41 (**)	.23**	.37***	.31***	.30***
Family Support	.36(**)	.23**	.32***	.38***	.42***
Friend Support	.32 (**)	.19**	.31***	.15*	.08
Parent/Sibling Own ^a	.18 (*)	.03	.24***	.24**	.00
Family Responsibility ^b	-.24 (**)	-.12†	-.01	-.05	-.28**
Time away from family ^c	-.18 (*)	.10	-.06	-.23**	-.27**
Self-Efficacy	.48(**)	.33***	.56***	.47***	.49***
Sex ^d	.11	.17*	.16**	-.11	-.10
Age	-.01	.06	-.10	.10	-.20*
<i>n</i>	163	181	265	186	150

For all countries: ^aparents or siblings have owned a business = 1, otherwise= 0; ^dfemale = 0, male = 1.

For Turkey: ^bFamily responsibilities would make it difficult for me to start my own business = 1, otherwise = 0

^cStarting my own business would take a big portion of time away from family = 1, otherwise = 0

†*p* < .10; **p* < .05; ***p* < .01; ****p* < .001.

3.4. Multiple Regression Analyses

Table 11. Multiple Regression Analyses Predicting Entrepreneurial Interest

Independent Philippines Variables ^a	Turkey	Three Other Countries	Three Other Countries	China	Vietnam	
	National Norms	.06	.08*	.08*	.21*	.02	.12†
Close Support	.31	.10**				
Family Support	.13		.19***	.09	.21***	
Friend Support	-.13		-.08*	-.08	-.03	-.08
Parent/Sibling Own	.12	.05	.05	-.04	.18***	-.15*
Family Responsibility	-.33	-.08*	-.08*	-.22**	.03	-.07
Time away from family	-.08	-.08*	-.08*	.07	-.12**	-.21**
Self-Efficacy	.62	.35***	.35***	.23**	.42***	
Sex	.28	.06	.06	.18*	.05	-.06
Age	-.02	.01	.02	.10	.05	
Country Dummy 1 ^b		-.08*	-.06			
Country Dummy 2 ^c		.10*	.11**			
F	15.48	31.54***	31.05***	4.63***	28.02***	14.11***
R ²	.33	.29	.31	.20	.36	.48
Adj. R ²	.31	.28	.30	.15	.35	.44

^aStandardized regression coefficients are tabled for each independent variable; ^bCoded to contrast China (1) with the other two countries (0); ^cCoded to contrast the Philippines (1) with the other two countries (0).

†*p* < .10; **p* < .05; ***p* < .01; ****p* < .001.

Table 11 presents the results of multiple regression analyses predicting entrepreneurial interest. Baughn et al. (2006, 68) applied two regression equations for China, Vietnam and the Philippines. The first equation utilizes the close support variable, while the second equation utilizes the family support and friend support variables that make up the close support measure. Separate regressions for China, Vietnam and the Philippines are presented for the analyses involving the family and friend support measures. R² is .33 in Turkey which is close to R² (.31) in the second equation of three other countries and close to R² in Vietnam. The R² is lower in China whereas it is higher in the Philippines than in Turkey. Self-efficacy is consistently a significant predictor of entrepreneurial interest for all of the regressions. Self-Efficacy, family responsibility, close support and sex are the most critical variables in predicting of entrepreneurial interest in Turkey. Family responsibility has a negative sign but it attains statistical significance in Turkey. On the other hand, age, national norms and time away from family are the least critical variables in the predicting of entrepreneurial interest in Turkey. Age and time away from family have negative signs but they do not attain statistical significance in Turkey. Age, national norms and time away from family do not attain statistical significance in both of the three other countries equations.

4. DISCUSSION

This study presents several findings in predicting the attractiveness of entrepreneurial activity in Turkey. It also compares the results in Turkey with the countries in the study conducted by Baughn et al. (2006, 57-77). However, the study has limitations which affect the inferences to be drawn from the study. First, all measures are gathered by a single survey. For example, national experts can provide ratings of normative support for entrepreneurship. Expert ratings, subject ratings, and entrepreneurial interest of subjects can be analyzed empirically. Testing of entrepreneurial knowledge of subjects can supplement the self-assessments. This testing can solve response bias in ratings of self-efficacy from actual knowledge. The study focuses on entrepreneurial interest among a limited subset of citizens (only university students) in Turkey. The country means provided in Table 9 should be considered as assessments by this subset, rather than ratings that can be generalized to the larger population. The sample and measures consider the pursuit of entrepreneurship as an opportunity rather than as a necessity.

4.1. Entrepreneurial Self-efficacy

The consistent relationship between entrepreneurial self-efficacy and entrepreneurial interest is the strongest finding in this study. This relationship was observed in the correlation analysis and multiple regression analysis. Therefore, Hypothesis 5 received substantial support in Turkey. It also received substantial support in the study conducted by Baughn et al. (2006, 70). The construct of self-efficacy links perceived skills and entrepreneurial motivation. The self-efficacy is also related to the support of family and friends and perceptions of normative support in this study. These findings are similar to the findings of Baughn et al. (2006, 70). The measure of self-efficacy reflects perceived abilities in activities such as managing risk and raising capital and access to a social network and more optimistic orientation to oneself and one's environment. Future research can separate the skills component from other factors that are considered in assessments of self-efficacy (Baughn, 2006, 70). There are more female respondents in this study and they score higher than males on self-efficacy.

4.2. Family Support

The second hypothesis received the second highest level of support in this study. Family support showed strong relationships with entrepreneurial interest in the correlation analysis and multiple regression analysis in Turkey. According to the correlation analysis, friend support is weaker than family support in Turkey. On the other hand, friend support has a similar but negative significant effect on an entrepreneurial interest in the multiple regression analysis in Turkey. These findings are similar to the findings of the Baughn et al. (2006, 70). Family support is important to enhance normative support and provide the required capital and labor resources to start a new venture. Future research can develop the measures of family support.

4.3. National Norms

Hypothesis 1 received support in the correlation analysis in this study. People can be interested in entrepreneurship if they perceive admiration and respect for entrepreneurs in their country. This finding is similar to the finding of Baughn et al. (2006, 71). On the other hand, the measure of national norms is less significant in both regression and correlation analysis in this study than in the study conducted by Baughn et al. (2006, 67-68).

4.4. Family Demands

Hypothesis 4 received support in this study. Family demands has a negative significant affect on an entrepreneurial interest both in the correlation analysis and multiple regression analysis in this study. It has more significant affect on the entrepreneurial interest of Turkish students than the students in the study of Baughn et al. (2006, 67-68). On the other hand, the measure of starting one's own business would take a big portion of time away from family has similar significance on entrepreneurial interest in the multiple regression in Turkey and in three other countries in the study of Baughn et al. (2006, 67-68). Females did not evidence greater levels of concern about these issues than did their male counterparts in this study. These findings are similar to the findings of Baughn et al. (2006, 71).

4.5. Family Start-ups

Hypothesis 3 received support in this study. There is a positive correlation between family ownership of a business and entrepreneurial interest in Turkey. On the other hand, parent/sibling ownership is also the significant predictor of entrepreneurial interest for the multiple regression analysis in this study. This measure has more significant affect on the entrepreneurial interest of Turkish students than the students in the study of Baughn et al. (2006, 67-68).

4.6. Implications for the Development of Entrepreneurial Interest

This study shows that educated people have tendency to be entrepreneurs. They have the necessary skills, abilities, relations with social networks and close support. Parent/sibling ownership of business and national norms support students to start their own business. Family responsibilities can be considered as a barrier to be an entrepreneur. But, students can overcome with this problem by doing planning and time management. Although, there are economical, social, cultural, and religious differences among Turkey, China, Vietnam and the Philippines, most of the findings of this study is similar to the findings of Baughn et al. (2006, 57-77). All of these countries can be considered as developing countries. Further studies can be conducted in developed and underdeveloped countries to examine the differences or similarities in the entrepreneurial interests of university students. Future research should also be conducted on other groups besides university students in different types of countries to examine the differences or similarities with these studies. Normative support for entrepreneurship is low among students in Turkey. There should be efforts to enhance the perceived respect and admiration for entrepreneurs in Turkey. The Turkish government should focus on supporting entrepreneurship in its strategic development plans. It can emphasize using media (TV, radio, press, etc.) more effectively to improve the image of the entrepreneurs. It should provide more funds, consulting, training and assistance via KOSGEB, universities and other institutions to attract young and educated people to choose to be entrepreneurs. Thus, the number of start ups can increase; they can grow and make contributions to the development of Turkey.

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***ISSUES IN STRATEGIC
MANAGEMENT AND
DECISION MAKING***

THE EVOLUTION OF STRATEGIC EXECUTION: PAST, PRESENT, AND FUTURE

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ABSTRACT

Given the last fifty years or so, this study aims to explore the origin which the strategic management comes in modern times, and towards which direction the strategic management is progressing, and in the light of this progress, to examine some lessons of potential importance for executives. There seem to be different environmental conditions and managerial responses to them to divide the evolution period to three phases: the strategic planning, the competitive strategy, and the knowledge-based strategy phases. Each phase differs from the others in terms of dominating environmental conditions, primary focus and concern of the executives working under these conditions. After making a brief comparative analysis of the phases, the study proceeds to draw a framework within which main strategic issues and problems can be taken up and discussed from a practical point of view, given the views and recommendations of the academic and consultant communities to the executives regarding how to succeed in the coming decades.

INTRODUCTION

The evolution of the field of strategic management within the last two decades has been impressive. From its “humble” beginnings as the limited content of a capstone general management course in the business school curriculum, strategic management is now a firmly established field in the study of business and organizations.

In this respect, the greatest challenge, and at the same time, the most interesting aspect, of strategic management as a scholarly discipline is the ever-evolving nature of its thinking and research. This article is going to explore the origin which the strategic management comes in modern times, and towards which direction the strategic management is progressing, and in the light of this progress, what are the lessons that we can draw for the executives to manage their organizations strategically.

Towards this end, the aim of this historical analysis is to find out what environmental conditions are dominating our period or going to dominate in the future. Besides that, what is the primary focus and concern of the executives working under these conditions? And, finally, what are the recommendations of academic and consultant communities to the executives regarding how to succeed in coming decades.

To answer these questions, first we begin with a brief history of how the strategic thinking evolved, and then progress on to examine some lessons of potential importance.

The field of the strategic management has substantially advanced both in the theoretical domain and the empirical research, over the last 50 years. While the doctrines of the field can, perhaps, be traced back as early as 320 BC to the work of Sun Tzu, the evolution of the field in the last few decades has been dramatic (Hitt, 2005). To explore the evolution of strategic thinking in the last decades, we can look at the characteristics of the period in its various phases.

For the ease of the analysis, we divide the history of modern strategic management into three phases: the “strategic planning,” the “competitive strategy” and the “knowledge-based strategy” phases. A very short description of the strategic planning and competitive strategy phases will be given in order to create bases for a detailed analysis of the last one, the phase of knowledge-based strategy. In other words, our aim is not to make a detailed historical analysis of strategic thinking *per se*, but to draw a framework within which we can take up and discuss main strategic issues and problems from a practical point of view.

Since the evolution of business strategy has been driven more by the practical needs of business rather than by the development of theory (Grant, 2002) and since our aim is to draw lessons from the evolution of the strategic thinking for practical purposes, we believe that the mode and kind of strategic thinking for each phase of the strategic management history should be associated with the problems faced by managers and scholars of the specific time period characterized by certain conditions (Davidson, 1995).

While analyzing the three phases, therefore, each time we will ask three interrelated questions:

1. What were the environmental conditions under which managers had to work during this phase?
2. Given the environmental characteristics of this phase, what was the primary focus and problem of management? And,
3. What was the managerial response to the primary problem of the time?

Phase 1: Strategic Planning

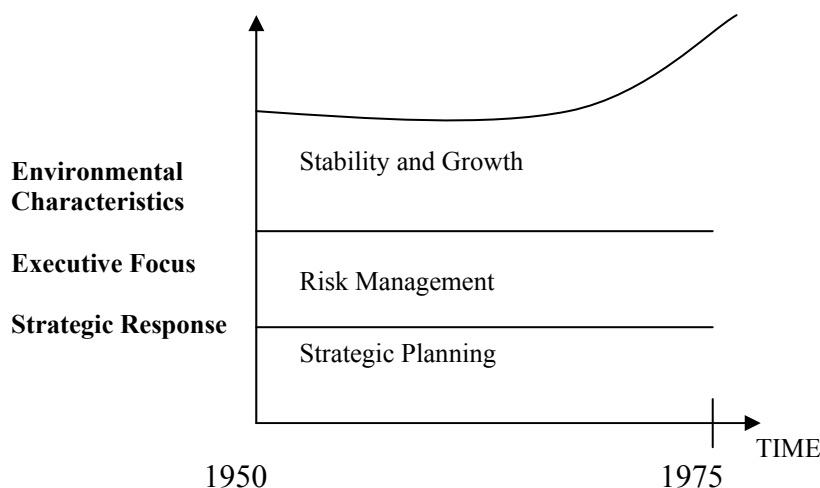
The emergence of modern strategic thinking can be associated with the problems faced by managers during the 1950s and 1960s in coordinating decisions and maintaining control in increasingly large and complex enterprises during a period of stability and expansion. The development of financial budgeting procedures provided a basic mechanism for such coordination and control, but coordinating capital investment decisions required a longer planning horizon than the standard annual budgeting process (Davidson, 1995; Grant, 2002).

As companies sought risk control of long-term investments, long-term planning based on economic and market forecasts became a central task of top management. The managerial focus on longer-term planning during the 1960s reflected concern with achieving coordination and consistency in investment planning (Ansoff, 1965).

The typical format was a five-year corporate planning document that set goals and objectives, forecast key economic trends, established priorities for different products and business areas of the firm, and allocated capital expenditures (Mintzberg, 1994).

In 1960s the majority of the largest U.S. companies had set up corporate planning departments (Gilmore, 1970). The diffusion of corporate planning was closely associated with the drive toward diversification as large corporations came to view their management skills as unbounded by industry divisions. Increasingly, corporate planning became focused on the management of growth through diversification.

ENVIRONMENTAL COMPLEXITY



In short, during a period of stability and expansion in 1950s and 1960s, business success increasingly became associated with market growth. To capitalize on the growth potential existing within many diverse markets, strategy in many companies was linked to corporate planning.

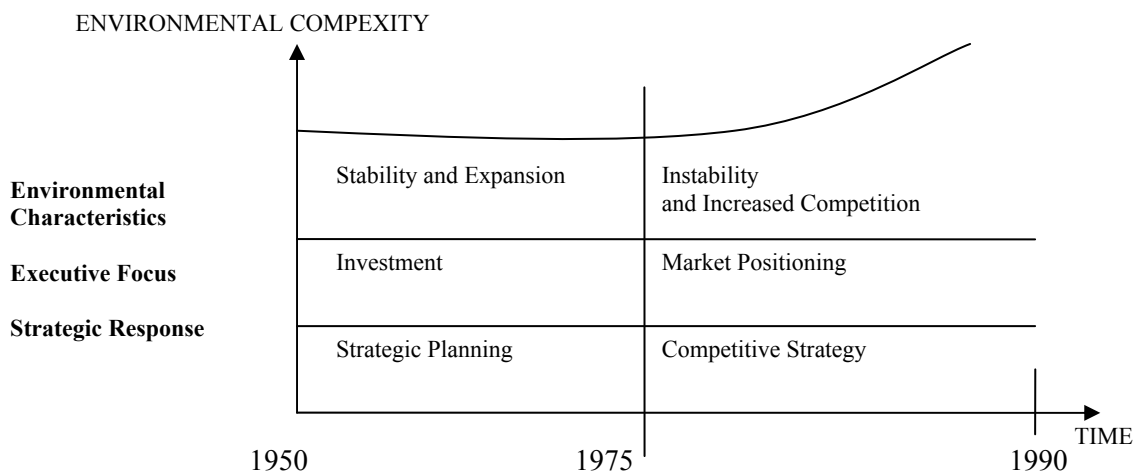
Yet, the widespread application of the portfolio view was not enduring because of the inconsistency of the results when applied in varying business settings. Dramatic success stories abounded, but so did equally dramatic stories of failure.

Phase 2: Competitive Strategy

During the mid of 1970s, circumstances changed. Not only did diversification fail to deliver the anticipated synergies, but the oil shocks of 1974 and 1979 ushered in a new era of macroeconomic instability (Grant, 2002; Belohlav, 1996). Moreover, this environmental instability was combined with increased international competition from resurgent Japanese, European, and Southeast Asian firms against U.S. firms. For example, after the mid of 1970s Japanese and Koreans' firms started beating off U.S. firms not only in international markets, but also in the US domestic market in such important sectors as shipbuilding, cars, and semiconductors (Bogner, 1991). Therefore, macroeconomic instability and increased market competition became the determining characteristics of the business environment of 1970s and 1980s.

With the environmental change from stability to instability, and from market expansion to intensive market competition, managerial focus shifted from coordination and consistency in investment to market competition. Increased turbulence forced firms to abandon their corporate plans in favour of more flexible approaches to strategic management where the focus was less on planning for diversification and growth and more on achieving *competitiveness*. This refocusing of priorities had important implications for the development of strategy concepts and frameworks.

In short, during a period of instability and increased competition in the 1970s and 1980s, the focus was on firms' market environments with particular emphasis on the analysis of industry structure and competition. This transition from *strategic planning* to *competitive strategy* was associated with increasing focus on market competition as the central characteristic of the business environment and competitive advantage as the primary goal of strategy. Thus, views of competitive strategies took over views of corporate planning strategies in the 1980s.



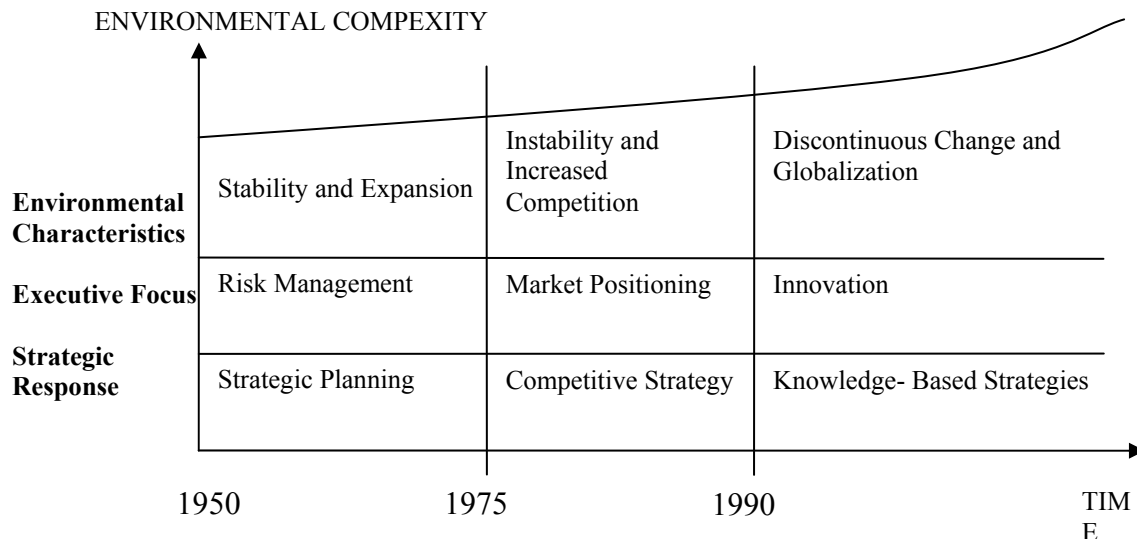
Phase 3: Knowledge-Based Strategy:

As we approached the new millennium, the defining characteristics of new competitive landscape has become rapid technological changes and increasing globalization. Executive managers have been increasingly challenged to respond to frequent, discontinuous changes and provide answers to new problems. As such, the quality of management and its ability to provide answers to critical strategy questions has taken on a new urgency with the highly dynamic competitive landscape. Under these conditions, the managerial focus centred on the race of innovation. To innovate faster and better than challenging competitors, the strategic solution was considered as the management of the knowledge within the firm (Hope and Hope, 1997).

Thus during the late 1980s and early 1990s a new strategic management paradigm, that is "Resource-based View of Strategy (RBV)" emerged. Developments in the Resource-based View point to the organization's resources and capabilities as the primary source of its profitability and the basis for formulating its longer-term strategy.

The knowledge-based View (KBV) of the firm is an extension of the Resource-Based View of Strategy by conceptualizing the organizations as heterogeneous, knowledge-bearing entities. Such a conceptualization of the organizations as bearers of tacit, social, and path-dependent organizational knowledge created a new paradigm (Foss, 2005). According to this new paradigm, by its tacitness and social complexity, an organization's stock of knowledge is an important determinant of its competitive advantage.

In short, during a period of increasing globalization and rapid and radical change in ICT in 1990s and 2000s, managerial focus shifted from market competition to innovation, and success increasingly has becoming associated with knowledge management.



From this analysis of the evolution of strategic thinking, there seem to be three significant conclusions that can be drawn, and three questions to be answered relatedly:

1. First, the main strategic problem, the focus and solution of the organizations are, rather than being absolute, a matter of changing conjectures. Given this, we must ask, what will be the defining characteristics of the conjecture for the coming decades, and accordingly, the main problem and focus of managers?
2. Second, the strategic solution to the conjectural problems, in particular the sources of sustainable competitive advantage changes over time. Given this, what will be the solution in general or in particular sources of sustainable competitive advantage for the coming decades?
3. Every source of a sustainable competitive advantage requires a different way of management. Given this, what will be strategic model of management for the to-be source of sustainable competitive advantage for the decades in front of us?

LESSONS DRAWN FROM THE EVOLUTION OF STRATEGIC THINKING

Lesson 1: The first lesson we can draw from this analysis is that the essence of strategic management is how to manage the change in order to succeed. In this respect, to think and behave strategically, one need to know what, how and why the change is occurring. In this context, the question to be answered is: "what are the dynamics, directions and reasons of change dominating or will dominate the very environment and how to respond to them strategically in order to get and sustain competitive advantage?" This is of crucial importance since the visions that managers hold about what the future will look like will determine the kind and content of the strategy of the response.

As we implied above, the plain fact is that much of what will happen in the coming decades is already happening in the very beginning of this millenium. When we entred the new millennium, the defining characteristics of a new competitive set-up has become rapid technological changes and accelerating globalization. These two intertwined strategic forces are transforming the all aspects of economy, competition and business management.

This is a radical and structural transformation, and thus bringing about a new era in the history of mankind. Clearly, we are moving from the Old Economy to the New Economy. More aggressive global competition and accelerating technological change, especially in information communication and Internet technologies, are compelling to reconsider fundamental business assumptions. In the Old Economy the emphasis was on the main factors of production, namely capital, land and labor. The two forces shift emphasis to information, knowledge and technology. As Drucker (1992) suggested in the early 1990s, the classical factors of production, namely land, labor and capital, are becoming secondary to knowledge as the primary resource for the New Economy.

What's special about our age is becoming pretty clear. We are moving into a genuinely new economic era. This is a discontinuous change that has taken place three times since the beginning of the industrial revolution near the end of the eighteenth century. One more time we are seeing it happen. This is not to say that there is some inevitable cycle that we are bound to. But by a common observation the industries that have driven the post-war economy are by and large mature, and are being displaced as engines of growth by a whole new set, based on the emerging technologies of, for example, microelectronics, robotics, biotech, material science, computer science and telecommunications. Therefore, we are moving into a genuinely global economy coupled with a convergence of attention by all the major economies on this new set of industries. This is going to mean a gigantic clash between global, corporate entities as well as between them and governments, at the same time as there is more and more interdependence between nations, and more and more of a common, global market-place.

Nature of Economy
Knowledge Economy
Drivers of Economic Change
Globalization ICT- Information and Communications Technology

Lesson 2: The second lesson we can draw from this analysis is that after 1990s, interest in the role of strategy in building competitive advantage resulting in a shift of interest toward the internal aspects of the firm as the motor power of competitive advantage.

In the era of industrial economy, competitive advantage is viewed in terms of external opportunities. In the era of knowledge-based economy organizations recognize that power now resides in the internal resources and capabilities. As we pointed out above, in the traditional views of strategic planning and competitive strategy from 1960 up to 1990, the objective of organizations was seen to identify market opportunities and capture the benefits through investment planning and market positioning. For example, Porter has encouraged managers to seek out market based sources of advantage through differentiation and cost reduction.

But in these traditional views of strategy, a very significant point is left out: If all the time the external market opportunities appear and disappear as results of changes, then the crucial question is: “when opportunities appear, and who is going to take benefit of them?” The question implies that what important is not opportunities *per se*, but resources and capabilities that enable organizations to take benefit of them. In traditional views of strategy it is argued that those organizations that have first mover advantage gain benefits through speed to market. But they do not explain why some organizations have first mover advantages over the others.

It is the latest contribution to strategic thinking through Resource-based View of Strategy that explains why. According to the Resource-based View, it is knowledge that provides the capability to identify, examine and capture market opportunities. Therefore, Resource-based View encourages managers seek to find advantage through an internal analysis of the key resources which the organization owns.

Moreover, Resource-based View of Strategy has shifted our view of strategy into new dimensions. In particular, Gary Hamel and Christian Prahalad (1993, 1994) have stressed that building future prosperity-both for companies and for countries-is not about exploiting existing opportunities, but about imagining unknown business opportunities. It is about shaping the structure of future industries. In particular Hamel and Prahalad

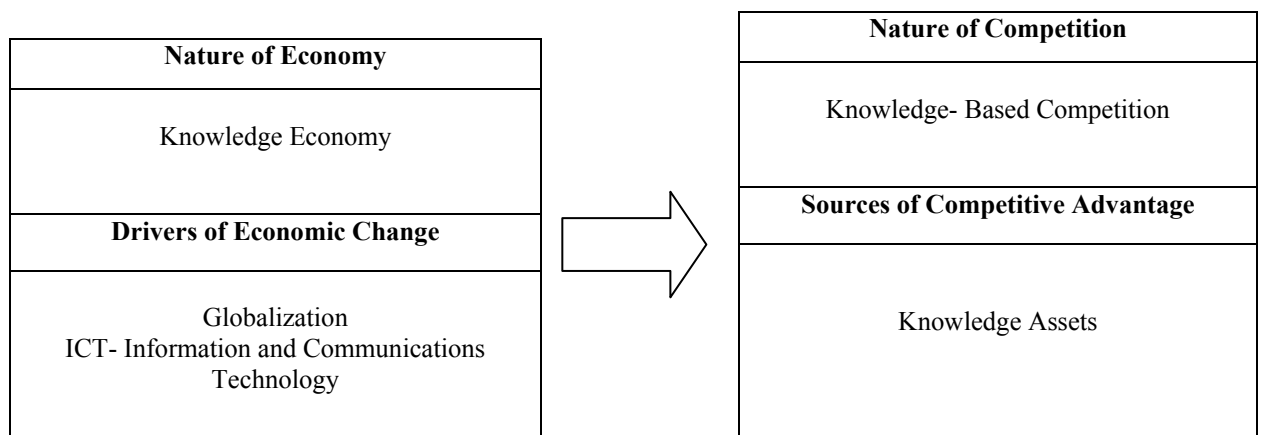
suggest that executives must use their foresight to see where future opportunities lie and build a range of core competencies that will act as a springboard for new products and services.

No doubt, globalization and rapid and radical technological change in the era of knowledge economy has increased the volume of market opportunities. In other words, in the era of knowledge economy organizations face abundant market opportunities. Yet, although they live in a favourable competitive environment full of opportunities, the majority of them have very much difficulty to continue and secure their existence in the market, let alone to gain and sustain competitive advantage. There seem to be several reasons for this. For example traditional product life-cycles are becoming increasingly too short to provide anything more than temporary advantage, and local organizations are now competing with multinationals who have likely superior capabilities.

Under these dynamic market conditions, managers need internal, rather than external, sources to create and sustain competitive advantage. No doubt, in these turbulent times of the knowledge economy, knowledge-based assets are now the major sources of competitive advantage. In knowledge-based competition and strategy, value creation occurs through intangible assets such as management of customer relationships, responsive operating processes, innovative products and services, information technology and databases, and employee capability.

In knowledge –based global economy the central axis of competition between organizations, no matter whether they are nations or firms, turns on their knowledge production capacity. Therefore the rapid creation and diffusion of knowledge within and between organizations have thus become a top priority for management, because it is now recognized that knowledge is the only real source of competitive advantage.

In short, study after study show that internal sources of companies as knowledge-based core competences determine above average sustainable performance of organizations. While short-term external opportunities may bring quick success, it invariably disappears due to imitation, etc. Seeing external opportunities as the sources of strategic success also damages creativity, innovation, self-confidence and managerial capabilities. Long-term success does not come from external opportunities emerged from changes in working environment, but from investing in knowledge-based competencies to outperform competitors. In the long term opportunities, no matter how much profitable they are, are no substitutes for internal competences, capabilities, innovation and investment. Therefore, from the findings of strategic management point of view, managers must look the horizon to global markets, and build the next wave of business competencies. The emphasis now and in the future will be on building competence-based platforms that transcend organizational boundaries. What important for strategic success is how companies are using core competencies to spawn new products and services across a number of markets and how different organizations are making new economic arrangements through strategic alliances and economic webs.



Lesson 3: The third lesson we can draw from this analysis is that every source of sustainable competitive advantage requires a different way of management. Given this, then we ask, what will be strategic model of management for the awaited source of sustainable competitive advantage for the decades in front us?

This is also so important that, even if we become aware of the new environmental conditions and develop a proper strategy to respond to them, we may not be able to gain and sustain competitive advantage. This is due to the fact that a strategy, no matter how good it is, does not create advantage *per se*, it is the quality of executing

strategy that determines the level of an organization's performance. Recent studies explain that the ability to execute strategy is actually more important than the quality of the strategy itself. One study of prominent CEO failures explained that "in 70 percent of cases, the real problem is not bad strategy ... but bad execution" (Charan and Colvin, 1999).

Therefore, we have to know how to execute knowledge-based strategy. There is high possibility that managers will often fail to execute knowledge-based strategy because they will be persisting with managing physical factors of production as the way to create value, and continue to execute strategies designed for industrial age competition, for example, corporate planning strategies designed for exploiting investment opportunities or strategies designed for establishing and defending market positions.

The solution is, thus, not only to recognize that intangible knowledge assets are now the key sources of competitive advantage but also to recognize the nature of knowledge assets and manage them accordingly. In comparison to traditional production factors such as capital, land and labor, there are four distinguishing characteristics of knowledge assets (Neef, 1998; Stewart, 1997; Halawi, McCarhy and Aronson, 2006) :

1. Firstly, in traditional industrial economics, assets decline in value as more people use them. Unlike them, when knowledge assets are used by more and more people, they can grow in value, and create extraordinary leverage and increasing returns. We can call this "network effects of knowledge assets".
2. Second, unlike traditional assets such as expiring patents or former trade secrets that can become a standard when others use, knowledge assets tend to branch and fragment. We can call this "diversity effects of knowledge assets".
3. Third, the value of investment in traditional assets can be estimated almost with certainty, whereas the value of an investment in knowledge is often difficult to estimate. Investment in knowledge may lead to extraordinary development, may not come up to expectations, or may uncomfortably come to a halt. We can call this "uncertain value effects of knowledge assets".
4. And fourth, even when knowledge investments create considerable value, it is hard to predict who will capture the lion's share of it. Knowledge assets cannot be owned and controlled in the way that plant and equipment can. Therefore, it is uncertain who will collect most of fruits of knowledge investments. We can call this "uncertain value-sharing effects of knowledge assets".

Because of these four characteristics of knowledge assets, we can not manage them in the way that traditional factors of production could. Traditional models of industry structure and conduct are an inadequate basis for strategy because they do not help managers understand how value will be created, or who will capture out of it. In this respect, first of all, we have to recognize that much knowledge is embedded in people's minds, and so cannot be owned and managed in the way that traditional factors of production can. Therefore, the success of knowledge-based strategy of an organization depends on how much its managers can create, share and mobilize the knowledge resources of individuals and teams in its value chain and how well they can turn these resources into activities that lead to value creation in global markets.

Second, in practice, successful knowledge strategies involve participation of all employees in the creation of knowledge. Knowledge-based strategy does not mean that organizations establish and activate more and more R&D departments where small groups of scientists think about "tomorrow's world" type products. By contrast, knowledge-based strategy requires unleashing intellectual power of all employees to innovate. Knowledge management is therefore not a matter for technical issue confined to engineers, scientists, and technicians of R&D and corporate information, but concerns everybody in an organization, no matter what is his or her title, or position.

In the last stage of the era of industrial economy, competition was about R&D departments fighting R&D departments. After the revolution of knowledge economy, in which the entire employees of an organization have become the source of an organization's competition, competition comes to mean all-encompassing warfare. The all-encompassing competitive war requires calling forth the entire human resources of the organization, no matter in which department they work, and no matter what their titles are.

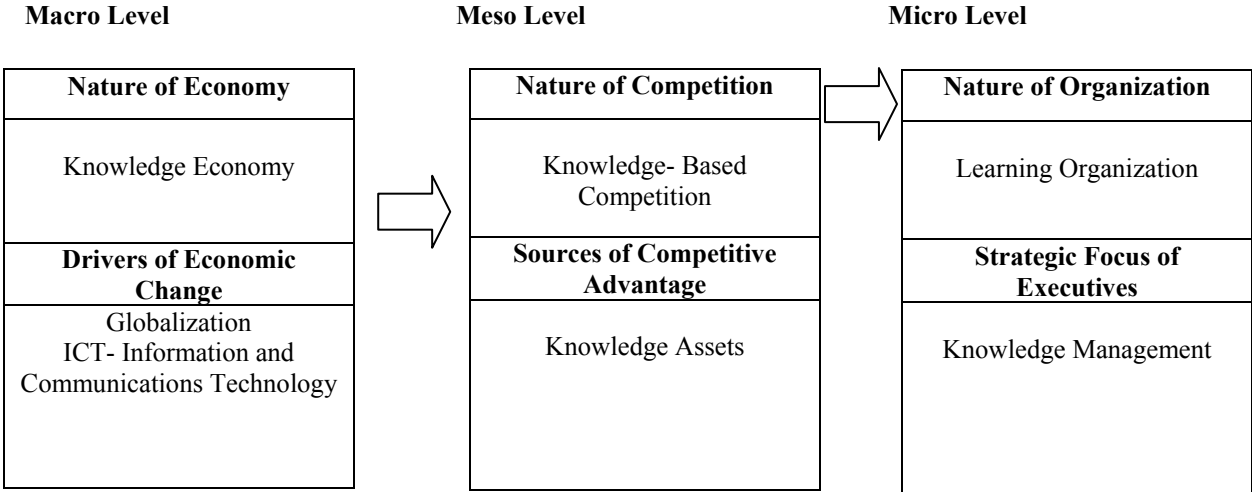
In other words, now competition means total war, to use military jargon. Total war means the art of conducting every aspect of a nation's competition with other nations, not only armies fighting armies. To show the importance of this, let me give the example of race between USA and USSR. Before the collapse of USSR in 1990, race in science and technology between USA and USSR were almost at the same foot. When one took lead in something, the other responded to immediately and equalized the difference. But there was a very significant difference between the two in managing competition in science and technology. In the USSR scientific and

technological inquiry was confined to the R&D departments and scientific circles sponsored by the state, whereas in the USA the inquiry for scientific and technological invention, innovation and progress was everywhere. Competition for science and technology were carried out not only by public sector, but also by private sector, and non-profit organizations sector. All the three sectors were involved in the race not only against other nations but also between and within themselves. And then, the USSR failed to compete and survive due to the fact that it failed to get everybody involved in the creation of knowledge, and by contrast USA has taken the lead by the same reason.

When applied to management, the execution of knowledge-based strategy also requires the involvement all departments and employees in the creation of knowledge and making strategy in order to gain and sustain competitive advantage. Strategy should no longer be confined to just specialist, no matter whether they are CEOs, scientists, engineers or staff of strategic planning department. Strategy making should become, by necessity, widely spread throughout the organization. Employees no longer can be seen foot soldiers who obey commands, as is conceived in military circles. The idea of employee empowerment, which is the vision of some people today, is going to become the common sense of the future. Managers of the era of knowledge economy must know that they have no monopoly on wisdom; they must devolve strategic thinking to the front line and build organizations that encourage thoughtful inquiry and creative discussion. In this way they will not only benefit from the knowledge of people who know what’s happening in the industry, but also build commitment to success.

Organizations that effectively incorporate the requirements of the evolving knowlede-based competitive paradigm in their strategy are generally being referred to as learning organizations. What is a learning organization? Though there is no finished product one can point to as the prototypical organization, there are some defining features. Peter Senge (1990), a leading proponent of the concept, describes a learning organization as one that continually expands its capacity to create its future. A simpler, more concise description is provided by David Garvin (1993), who characterizes a learning organization as one that is “skilled at creating, acquiring, and transferring knowledge, and insights.” Regardless of definition, both views emphasize employees taking an active role in knowledge-based strategy making.

Finally, developing and executing knowledge-based strategies is a matter of emerging process rather than planning process. These strategies do not exist as a plan; in several cases the strategy will not be made explicit. Therefore, knowledge based strategy will not be the outcome of delibrate and painstaking analysis and planning. Rather, it will be the result of entreprenuriel necessity, where the only option is to outwit the incumbent players in the process of attacts and counteratacts.



CONCLUSIONS

In conclusions, from the evolution of strategic thinking for the last fifty years, we observe that a radical change is happening in the discipline of strategic management. As it was the case in the previous centuries, strategic wit, wisdom and creativity is making a comeback. Now that the tidal wave of strategic planning and positioning seems to be subsiding. Executives are once again asking questions of how to differentiate themselves from competitors and how to innovate. But for many, the mentality of planning and positionong has become so deeply ingrained that real strategic thinking either is impossible or has become confused with planning and positioning.

The real question now is, how do organizations learn how to innovate again and recapture the essence of strategic thinking? Certainly not by returning to the sterile strategic planning or marketing departments of the past. Every business, to some degree or another, needs to reinvent itself for success in the era of knowledge-based economy.

This means that at this moment of time, organizations are at the cross-roads. Either they insist managing in the way they were accustomed in the era of industrial economy, and take the risky option of being thrown out of the market at which they work, or they have to accept that conditions have changed, and changed for ever. Therefore, they have to accept what worked before may not work again. And they start changing the way they think and execute. Therefore, at this cross roads, in fact change is not an option but an obligation.

The promise of strategic management is that it provides a way of understanding the task, and a set of tools for tackling it that will enable those who dare to transform the way they think and manage, and by so doing build their piece of one of the winning organizations of the new economy.

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A CRITIQUE OF ANALYTICAL THINKING, APPROACHES, AND TOOLS IN THE FIELD OF STRATEGIC MANAGEMENT

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ABSTRACT

This study attempts to make a critique of analysis (i.e., analytical thinking, analytical approaches, and analytical tools) in the field of strategic management for the purpose of assessing its value in strategy development. One aim of this study is to show the historical roots of this reductionist approach by evaluating the Western thinking style set by the three famous Greek philosophers. A second aim of the study is to show that although analytical approaches and tools are necessary and widely used, there are deep-seated inadequacies and dangers in using them in strategy making, and they cannot be substitute for strategic thinking. Finally third aim of the study is to point out weaknesses and dangers associated with analytical tools from a wider point of view.

INTRODUCTION

This study attempts to make a critique of analysis (i.e., analytical thinking, analytical approaches, and analytical tools) in the field of strategic management for the purpose of assessing its value in strategy development. It can easily be observed that the field of strategy has been occupied by analytical thinking, approaches and tools from the very beginning up to now. Those who works in the field have become obsessed with analysis and spent far too much time on analysis and far too little on generating strategic visions, choices and implementation. Yet, in this study, it is argued that the value of the “analysis” (seeking to break down a complex situation into parts to identify patterns) is of very limited in comparison to the synthesis side (developing strategic vision and strategic choices through creativity, intuition, etc.) of in strategy making.

It can be argued that any strategy is formed in two steps: analysis and synthesis (synthesis is used in the sense of creating perspective, vision, and a possible future picture of organization). This sharp dichotomy frequently established between the analytic aspects of strategy making (strategic planning) and the creative aspects (strategic thinking) in the literature leaves one with the impression that these two strategy-making approaches are incompatible with each other (Lawrence, 1999). Although in the process of strategy making it is difficult to think of one without the other and almost always one follows the other without any discontinuity (Heracleous, 1998; Graetz, 2002), the field of strategy is fraught with analytical approaches and tools in the name of strategy formulation. The main effort is spent to identify the position of an organization, and little is put on generating strategic options and implementation. The hidden assumption for this tendency is that there are certain prescribed and pre-determined strategies to be followed for distinct situations, so the major problem is the identification. Therefore, as if the role of a strategist is reduced to that of an analyst. One aim of this study is to show the historical roots of this reductionist approach by evaluating the Western thinking style set by the three famous Greek philosophers: Socrates, Plato and Aristotle. A second aim of the study is to show that although analytical approaches and tools are necessary and widely used, there are deep-seated inadequacies and dangers in using them in strategy making, and they cannot be substitute for strategic thinking. Finally third aim of the study is to point out weaknesses and dangers associated with analytical tools from a wider point of view.

THE ROOTS AND INADEQUACIES OF ANALYTICAL APPROACH IN STRATEGY FORMATION

The Western thinking style was set by the three famous Greek philosophers: Socrates, Plato and Aristotle. Their contribution was astounding. Socrates set out to 'discover' the 'true definitions' of such things as morality, justice, politics etc. He was concerned with putting ethics on to a firm basis so that the persuasive skills of the Sophists

could no longer sway society. Plato took over Socrates' ideas and methods, polished them up, added some of his own, and then gave them back to Socrates in the dialogues. Later, Aristotle tightened up the system and showed its application to science. For historic reasons the thinking of the three was very welcome at the Renaissance, because it replaced dogma and scripture with logic and reason. So this particular system of thinking, which I will call it as 'Socratic method' in this study, captured the heights of Western intellectual culture and has remained there ever since.

"What is the 'Socratic method'?" Today we use this term in a rather broad sense to cover 'an endless search for the truth through asking questions'" (de Bono, 1994:10). Perhaps the most fundamental pillars of the Socratic method are (i) the 'endless search for the truth' and (ii) that 'the knowledge of the truth will lead to virtue'.² This 'discovery-of-the-truth' idiom has been very attractive to scientists because it has been the basis of their employment in the sense that a scientist aims at 'discovering' what truth/reality is. From all of this come the benefits of the 'endless search and inquiry' which has given Western civilization its apparent progress in general and certain progress in science. Socrates also believed that discovery of the truth would improve human behavior since a man who has full knowledge can do no wrong. The essence of the Socratic method was, therefore, that remove what is incorrect and you will be left with truth.

The first pillar of the Socratic method rests on the assumption that there is a truth to be found, that is to say, the knowledge is there, somewhere, needs to be discovered. You do not make the truth, you find it. The second pillar takes the first aspect for granted and makes the assumption that knowing 'what is' produces 'what should/could be/do'. In other words, the assumptions are that the truth is there to be discovered and ideas will somehow emerge. In practice, this means that what should be done is to clear out errors, confusion and false assumptions rather than to bring forward better ideas.

Based on this background, it is easy to understand why in traditional Western thinking the emphasis is on analysis, which supposes if we discover in what situation we are in, then it is very easy to know what we do. The method is of value in certain areas, particularly in science which aims to discover universal laws, general tendencies, order etc. which already exist. But it is inadequate when there is a need to generate, to create, and to make a way forward. Generating, creating and making mean bringing into being something which was not there before. In this sense, analysis is not enough when there is a need to craft a way forward (making strategy). Analysis is concerned with 'what is' whereas strategy is concern with 'what can be'. You are not going to 'discover' a strategy-you have to make it happen. The emphasis in strategy making is on 'generating, making' rather than on analysis (Mintzberg, 1994a). 'How do we "make forward" from the field of possibilities?' How do possibilities lead into a strategy?' 'What does a particular "possible picture of the organisation" lead to?' What happens if we switch to another passable picture of the organization?' The emphasis is on 'What next'. Strategy does not exist until we put things together (synthesis them). In brief, under strategic thinking comes the whole area of creative thinking. This is fundamental difference between the 'search' idiom of traditional Western thinking and the 'making' idiom of strategic thinking.

Virtually all strategic management studies, researches, and endeavors have given more emphasis on how to identify what things are than on what you can make things be. In other words, strategic study has been obsessed with 'analysis' rather than with 'generativity', 'creativity', 'synthesis' etc. This false emphasis arises from the assumption that if you have knowledge then action is easy. This is because the traditional thinking system was not designed for such purposes. The constructive and creative side of thinking has been neglected because it is of less use to academics (de Bono, 1994:22).

The defenders of strategic analysis may argue that they need to assess 'what is' in order to identify 'what can be'. They may go on maintaining that strategic analysis is concerned with understanding the strategic situation of the organization: What changes are going on in the environment and how will they affect the organization and activities? An understanding of the environment's effect on a business is of central importance to strategic analysis. Together a consideration of the environment, resources, values, expectations and objectives provides the basis for the strategic analysis so as to arrive at a view of the organization's strategic situation. Then the strategic analysis provides a basis for strategic choice. In other words, in order to decide where to go, you have to first know where you are. That is the domain of analysis. So, is there anything wrong with this?

² Aristotle did not fully believe that knowledge would automatically lead to virtue.

In this sense, not only is there anything wrong with strategic analysis but also it is a necessary step to be taken. It will not be wrong saying that any strategy is formed in two steps: analysis and synthesis.³ Although in the process of strategy making it is difficult to think of one without the other and almost always one follows the other without any discontinuity, emphasis is on synthesis, which 'involves intuition and creativity' (Mintzberg, 1994a:108). Within this framework analysis is very part of strategy forming. But, in that case there should be at least an equal emphasis on 'what can be' (synthesis, strategic vision and strategic choices).

Nevertheless, it must be born in mind that "strategic analysis cannot provide this strategic vision on its own, and it is totally useless without it (Langley, 1988:48). "That is why analysts may develop plans, but they are unlikely to come up with visions." (Mintzberg, and Waters, 1982:49). "All the analysis in the world will never generate a vision." (Senge, 1990:37). "Many of the strategies are simply great visions, 'big pictures'. ...Of course, to create a new vision requires more than just soft data and commitment: it requires a mental capacity for synthesis, with imagination." (Mintzberg, 1994b:272). This is exactly what indicates the differences between an analyst and a strategist. While analytical thinking can deal only with, to a certain extent, the past and present situations, strategic thinking deals with possible future situations (strategic options). Therefore, in strategy making process, of paramount emphasis is on the 'generative', 'creative' and 'productive' side.

A CRITIQUE OF STRATEGIC ANALYTICAL TOOLS

What has been done in the second part was to introduce the most popular analytical tools in strategic marketing and to point out weaknesses and dangers associated with each. Now it is time to go further. In this vain this part will aim to make a critique of analytical tools from a wider point of view.

Tools Are Never Objective

First of all, it should be pointed out that analytical "tools are never objective-they are always based on theories belonging to a certain school of thought. Hence, tools are always partisan in the debates between opposing approaches to strategy." (De Wit and Meyer, 2004:58). "If the category boundaries are drawn quite broadly, the various schools of thought can be grouped into two fundamentally different approaches to the strategy process, namely the planning approach and the incrementalist approach." (De Wit and Meyer, 2004:117).

The three prescriptive schools of thought-design, planning and positioning (Mintzberg, 1990) - can be classified as the planning approach, while others such as learning, cognitive and political can be categorised under the name of the incrementalist approach. The planning approach views strategy as a plan-to be fully formulated, explicitly and rationally, and only then implemented. In terms of Mintzberg and Waters the planning approach focuses on deliberate strategies. The incrementalist approach views strategy as a pattern in the stream of organisational activities-strategy is formulated, implemented, tested, and, sometimes rationally, sometimes influenced by nonrational behavior, but always in small steps and on a continuous basis, blurring the distinction between formulation and implementation. Thus the incrementalist approach focuses on emergent strategies. "The planning approach can be caricatured as mechanistic ("think then do"), while the incrementalist approach can be caricatured as organic ("think-convince-try-argue- think-etc.")" (De Wit and Meyer, 2004:117).

So far it must have been clear that analytical tools such as PLC, BCG, SWOT, Porter's Industrial Analysis, and the like are all products of planning approach, and they are based on the assumptions of the design, planning, and positioning schools, thereby carrying the limitations and weaknesses, such as being highly rationalistic, formal and prescriptive, of them. However, "there is increasing evidence to show that strategy is, more typically, formed through a set of decisions being taken which might be considered more operational in nature but which over time, in a piecemeal fashion, build up to form the strategy of an organization" (Johnson, and Scholes, 1984:2)

It is not surprising that analytical approach is the principal methodology of design, planning, and positioning schools, which treat strategy as a process of conceptual design, formal planning, and analytical positioning since the main problem for them is the identification of organisation position, so all the equipment's for this purpose are of paramount importance. "I favour a set of analytical techniques for developing strategy," Michael Porter, probably the most well-known figure on strategy, wrote in the Economist (Porter, 1987:21).

³ In this study synthesis is not used in the dialectical sense, which means a higher level composition of thesis and antithesis, and works in a linear and progressive way; it is rather used in the sense of creating perspective, vision, and a possible picture of organisation. The writer of these lines believes that in its philosophical sense, dialectic is also a poor methodology in strategy making

In the final analysis, analytical tools reflect the way of thinking and methodology of the certain schools and leave the others out. The user must, therefore, be critical and employ each framework with care, realizing its assumptions and limits.

Tools Condition User's View

“A particular weakness of the "analytical mind", is its tendency toward "premature closure": problems are structured early, the alternatives delineated prematurely, so that attention can be concentrated on assessing them.” (McKenney, 1974:79).

“In other words, the analyst tends to want to *gel* on with the more structured step of evaluating alternatives and so tends to give scant attention to- the less structured, more difficult, but generally more important step of diagnosing the issue and generating possible alternatives in the first place. The result tends to be conservative problem solving, heavily biased towards the status quo: problems are approached as they have always been conceived, in terms of the alternatives already available.” (Mintzberg, 1994a:300).

Analytical tools provide the frames through which we look at the world and with which we deal with the world. In other words, "what we *see* depends on what we are prepared to see." (Senge, 1990:74). As Albert Einstein once wrote, "Our theories determine what we measure."

Faced with a wide range of environmental variables, an analyst dismisses the possibility of understanding the whole and falls back on seeking to understand its significance from just one point of view. He is forced to look at the world with the perceptions, concepts, language, images, assumptions, and stories which were set down in previous times.

Complex situations are oversimplified and forced into standard boxes which simply ignore certain factors. What is important and what is not is predetermined. This means that we see things in a somewhat rigid and fixed way. While this may make for convenience, it does not make for the most appropriate action. The problem here is, of course, that a strategic situation cannot be understood from only one perspective: it is essential to view the situation as a whole, and to try to identify and test critical success factor(s) through experience and observation. Namely, in the real world neither problems nor their solutions can be predetermined. In this sense, "each business strategy is unique... Strategy evaluation must, then rest on a type of situational logic that... can be tailored to each problem as it is faced." (Rumelt, 1994:186).

The proponents of analyzing approach may argue that not all strategic problems are unique, so their solutions. “Certain patterns of structure recur again and again” (Senge, 1990:94) and these are “patterns that control events” (Senge, 1990:91) Hence they are critical success factors in formulating strategies. "The search for success factors is what the enterprise of strategy has largely been about ever since.” (Ghemawat, 1991:2). (This is the hidden rationale behind analytical tools. For example, in the case of BCG critical success factors are market growth and market share and strategy formulation is based on them).

“The whole idea of identifying a success factor and then chasing it seems to have something in common with the ill-considered medieval hunt for the *philosopher's stone* [remember search-for-the-f/irwtfi, which will give virtue MB.], a substance that would transmute everything it touched into gold.” (Ghemawat, 1991:1).

There is no one critical success factor for all organisations all the time. For instance in the literature a wide spectrum of factors are introduced as critical to success: market power, time-based competition, learning, total customer satisfaction, leadership, and so on. So which one is critical success factor? One or two for all organisations, every time, and everywhere?

“It would not be sensible to base the entire edifice of strategy on them, for four reasons. First, it is usually hard to identify the success factors relevant to a particular situation. Second, even when a success factor has been diagnosed to be relevant, the implications for the levers managers must pull are not completely concrete. Third, the success factor approach lacks generality because it implicitly assumes that success factors are undervalued. Finally, in view of its other defects, it would be reassuring if the success factor approach to strategy contained some self-justification: a reason why strategic thinking is necessary in the first place. It does not.” (Ghemawat, 1991:6).

In the real business world, strategies do not come out from a fixed, standard, and stereotyped standpoint, on the contrary, come out when managers are able to see the world from a different perspective. It should be emphasized that both a strategist and an analyst exploit analytical approach and tools, but a strategist is most likely to use his own way of analysis and tools, not borrowed ones. In other words, "real strategic change requires not merely rearranging the established categories, but inventing new ones" (Mintzberg, 1994a: 109). Therefore, it can be said that a strategist shows his superior differences even at the strategic analysis stage by questioning existing assumptions, and looking at the world in different ways.

MAIN PITFALLS OF ANALYTICAL APPROACH

As is set out in the first part there are two principal pillars of Socratic method. The application of them in the field of strategy has given rise to two main pitfalls: environmental determinism and standard prescriptions. It is not surprising that three schools of analytical approach, which are design, planning and positioning, are environmental determinist since the emphasis is on 'what is'-in what situation organisation is in rather than 'what can be'-strategic choice. And, as is mentioned several times, there is a hidden assumption that if 'what is' is identified, ideas for "what can be" will somehow emerge. The main problem is the identification of situation, strategies to be followed are readily prescribed. From this kind of reasoning comes out standard prescriptions naturally. In this part these pitfalls are to be discussed.

First Pitfall: Environmental Determinism

Do organisations shape their environments, or do environments shape organisations? The concept of environmental determinism and strategic choice have received considerable attention in academic literature in recent years. Believers in environmental determinism argue that environmental forces (e.g., regulations, changing tastes, and foreign competition) are essentially unmanageable. On the contrary, strategic choice advocates presume that decision makers can control the environment.

Of course, at the extreme both perspectives are caricatures. Reality lies somewhere in between. But academic research has overemphasized determinism. It has characterized managers as mechanistic analysts. It has presumed that managerial behaviour is governed by organisational size, environmental turbulence, internal and external political forces, product life cycles, industry structure, market share, power of suppliers and buyers, mobility barriers, and so on. As if managers could be eliminated!

Traditional PLC wisdom suggest that sales, profit margins, competitive intensity, and the appropriate business strategy are all determined by life cycle stage; managerial action is constrained within narrow limits. But products and businesses are managerial creations, subject to human manipulation. They are not chained to the PLC "if-then" doctrine unless decision makers believe them to be so. The PLC is a dependent variable which is determined by market actions; it is not an independent variable to which companies should adapt their marketing programs. Marketing management itself can alter the shape and duration of a brand's life-cycle.

BCG matrix assumes that a major element of the environment-market growth rate-is uncontrollable. As a result, they are preoccupied with setting market share objectives; in the BCG growth-share matrix this boils down to specifying the desired horizontal movement of individual strategic business unit (SBUs)...**However**, often the action of firms are instrumental in stimulating market growth rate.

It is useful to just point out that in the same vain in the Porter's framework industry structure is **exogenously** determined⁴, and in the SWOT framework an *external* frame of reference is needed.

It could be argued that a company has a multitude of ways to mould the industry **structure**, changing the rules of the game, as well as the possibility of switching over to other industries. In this view, the firm has a broad range of strategic choices, the most important limit being the strategist's mindset. Successful firms change the rules of the competitive game, introducing new recipes to the industry.

⁴ It should be pointed out that although Porter criticize PLC and BCG approaches, he does not criticize their basic assumption in the sense that each product passes certain stages. On the contrary he takes this assumption for granted but says that analysis should be industrial level Therefore, he divide industry environments as fragmented, emerging, maturity, declining, and global industries. For more information see Porter's Competitive Strategy (1980), Part II Generic Industry Environments (pp191-291).

As Rumelt points out, only a fraction of the differences in profitability between business units can be attributed to industry characteristics (industry effects account for only 8 percent), while almost half of the profit variations (46 percent) are due to the choice of strategy (specific business unit effects) (Rumelt, 1991:168).

Second Pitfall: Standard Prescriptions

Amongst ten of distinct schools of thought, these three-design, planning and positioning are prescriptive in orientation. Six other schools such as learning, cognitive, and environmental deal with specific aspects of strategy making process in a descriptive way. As is pointed out above, the unexpressed assumption of these prescriptive schools is that under particular conditions there are certain strategies to follow. This become obvious when we look at the purpose of each analytical tool in question. Each tool is predetermined to classify industry factors into certain categories and to prescribe accordingly a strategy for each category.

For instance, in the PLC framework at the each stage of life-cycle a different marketing mix (the 4 Ps-product, price, place and promotion) is prescribed (Mercer, 1992:311) and, four basic strategies are usually evaluated for the product portfolio analysis: build, hold, harvest, and divest (Weitz and Wensley, 1998).

In Porter's framework, "in coping with five forces, there are three potentially successful generic strategic approaches to outperforming other firms in an industry: overall cost leadership, differentiation, and focus" (Porter, 1980:3). The SWOT analysis "indicates four conceptually distinct alternative strategies.," (Wehrich, 1982:61). They are (1) the WT strategy (mini-mini)-to minimize both weaknesses and threats, (2) the WO strategy (mini-max)-to minimize the weaknesses and maximize the opportunities, (3) the ST strategy (maxi-mini)-to maximize the strengths and minimize the threats, and (4) the SO strategy (maxi-maxi)-to maximize both strengths and opportunities.

However,

"...the strategy of a firm cannot be predicted, nor is it predestined; the strategic decisions made by managers cannot be assumed to be the product of deterministic forces in their environment. Any such assumption would eliminate the very need for management because it implies that the strategy of an organisation follows more or less automatically from a technical appreciation of its environmental situation." (Bourgeois, 1984:89).

"If... strategy making includes the choice of organisational goals, and to the extent that these goals reflect managerial preferences, then unless these goals are coincidentally identical for all firms the deterministic views break down." (Bourgeois, 1984:91) "if organisational action is determined by immutable forces, then the management of organisations may as well be abdicated to mechanics."5 (Bourgeois, 1984:92).

Environmental influences are mediated by the ways in which they are perceived and interpreted by decision makers in organisations. Signals and information from the environment are collected and interpreted by managers who then implement what they consider to be the necessary changes in strategy making. Therefore, strategic choice is the "critical variable' in any attempt to develop any strategy for organizations.6 In other words, from a logical point of view there is no necessary correlation between strategic analysis and strategic options-strategic options are not necessary results of strategic analysis; analysis is just an instrumental to forming strategy. It should be emphasized that the analytic approach provides not a solution/strategy, but its development can be helped by it. If there is some set of ready techniques and strategies, then what is the role of decision maker/strategist?. The problem is the inability of managers to think strategically.

Strategic analysis is concerned with providing an understanding of the strategic situation which an organisation faces. Such an analysis provides the background against which sensible future choices may be made and also provides some useful insights into the difficulties of implementing strategic change. It should be remembered,

5 Most strategic management researchers are sympathetic to the argument that it is the "degrees of strategic freedom" that are important rather than an absolute choice between determinism and free will.

6 For a discussion of 'strategic choice' see J. Child, "Organisational Structure, Environment and Performance: The Role of Strategic Choice", *Sociology* (6, 1972: 2-22).

however, that this relationship between analysis, choice and implementation is not a simple one in practice and, therefore, strategic analysis should not be viewed as a one-off exercise which precedes choice and implementation. As is mentioned above, just as a strategist differs from an analyst at the analysis stage, so he much more radically differs on generating strategic alternatives and implementation side.

Another significant point must be mentioned is that one of the basic assumptions underlying this prescriptive behavior is that the future situation of industry can be forecasted with accuracy. Almost everything written about analytical approach and tools stress the importance of accurate forecasting. Short of being able to control the environment, success depends on an ability to predict where that environment will be during the execution of strategy in order to commit resources to a particular industry and strategy based upon anticipated environmental factors five or ten years. In other words, the hidden assumption is that possible future pictures of industry and firm are limited and predictable, so certain strategies can be prescribed accordingly.

However, neither are possible future situations as limited as they can be predetermined nor can they be predicted with accuracy unless the world holds still, or at least continues to change exactly as it did in the past. Over periods of five years or more, industry cannot simply be forecasted, in particular in the world of turbulent and discontinuities of 1990s, by projecting current industry situation. Indeed, at any point in time, available data on an industry's situation are at least six months out of date. "But strategy making is an active, dynamic process, often unfolding quickly in reaction to immediate stimuli...The world is hardly prepared to wait for information to get itself into a form acceptable to the planners and their systems." (Mintzberg, 1994b:263).

CONCLUSIONS

We do not have to throw out analytical approach completely. The idea is to point out the deficiencies of it. Analysis is a very worthwhile operation. Analysis takes a complex situation and seeks to tease out what is going on. What factors are involved? What are the interactions? What are the elements? This allows us to understand complex things. It allows us to seek to break it down into parts which we can recognize and which therefore link in to our existing knowledge. Is there anything wrong with this? Not at all. It is a most useful part of thinking. But there are considerations to be taken into account: (i) we have become obsessed with analysis and spend far too much time on analysis and far too little on generating strategic choices and implementation, (ii) the idea of a systematic, step by step, approach to strategy making is not used because it is not the way in which strategy is normally formed, (iii) an understanding of the values and ideologies of those that are able to influence strategy, is vitally important if a sensible view of the strategy of an organisation is to be gained, (iv) in the real world of business neither can strategic success factors nor strategic choices be predetermined, (v) managers have, to a certain extent, discretion to challenge industry structure and determine their own organizational destinies, (vi) analysis of information will not automatically create new ideas, and (vii) ready, easy and obvious solutions are most likely not to work and produce desired outcomes in practice.

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LEADERSHIP AND STRATEGIC MANAGEMENT: WOMEN AS SENIOR MANAGERS IN TURKISH AND AUSTRALIAN UNIVERSITIES

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ABSTRACT

This paper analyses leadership and strategic management of female senior managers in universities in Turkey and Australia based on qualitative interviews. . While the representation of women in senior management in Turkey is lower than in Australia, in the professoriate the representation of women in Turkey is considerably higher.

The research found that senior managers interviewed in Turkey mostly did not consider that their female colleagues experience any barriers or that they may bring different qualities to senior management teams. By contrast, Australian senior managers argued that women brought skills and qualities to senior management, that senior management teams functioned more effectively with a balance of males and females, and that Vice-Chancellors can intervene to improve the gender balance of senior management.

The paper argues that women make an important contribution to leadership and strategic management in universities in Turkey and Australia. However, the impact of management culture and lack of support mechanisms in the continuing under representation of women in senior management, particularly in Turkey, needs to be addressed if universities are to transform their leadership and organisational culture.

Key words: gender, higher education, leadership, strategic management

INTRODUCTION

This paper analyses leadership and strategic management of female senior managers in Turkey and Australia. Senior management is defined as those University-wide executive management positions from Rector/Vice Chancellor (VC) down to Executive Director, including Vice-Rectors, Deputy Vice-Chancellors (DVCs), Pro-Rectors and Pro-Vice Chancellors (PVCs).

The reasons for comparing Australian and Turkish universities are that they have different academic traditions and approaches to improving the participation of female academics which in turn impacts on the representation of women in senior management. Australian universities were traditionally based on the British model, whereas the foundation of Turkish universities was provided by reforms introduced by Atatürk in 1923. Australian universities have had equal employment (EEO) and affirmative action frameworks for 20 years, whereas Turkey does not have any specific EEO legislation.

Earlier research by the authors, reported at the Antalya Conference in 2007, analyzed career progression of female professors in Australia and Turkey. It is found that the representation of women in the professoriate in

Turkey was significantly higher (27% for full professors and 31% for associate professors, compared to 17% and 25% respectively in Australia). It concluded that historical, social and cultural factors explained the relatively high representation of Turkish women in professorial positions; they were supported to advance to senior academia, whereas Australian women academics experienced a range of barriers (see Özkanlı and White, 2008).

BACKGROUND AND LITERATURE REVIEW

Despite the relatively high representation of women in the professoriate in Turkey, women are underrepresented in senior management. By contrast, while the representation of women in the professoriate in Australia is lower than in Turkey, representation of women in senior management is higher, as illustrated in Table 1. In both countries the representation of women is higher as Deans than as Rectors/VCs.

According to the Turkish Council of Higher Education (YÖK) data, the ratio of female deans is 13%, the ratio of female vice rectors is 7% and the ratio of female rectors is 8% in 2008. In state universities the ratio of female deans is 13% and the ratio of female rectors is 8%. In foundation universities the ratio of female deans is 13% and the ratio of female rectors is 7 % (YÖK, 2008).

Table 1
Percentage of women in senior management, 2008

Country	Rector/VC	Vice Rector/DVC	Pro-Rector/PVC	Dean	Executive Director
Australia	18	26	31	25	32
Turkey	8	7	4	13	No official data

This paper argues that women remain outsiders in University leadership and management. The literature indicates that discipline base, career mobility, other care responsibilities, experience outside academia, the process of appointment to senior management, and gender stereotyping may impact on the chances of women becoming senior university managers (Husu 2000, Özkanlı and Korkmaz 2000, Carrington and Pratt 2003, Neale and White 2004, Van den Brink and Brouns 2005, Bagilhole and White 2005, Rees 2005, Thanacoody et.al. 2006, OECD 2006, and Woodward 2007). Schein (2007, p.7) acknowledges that: “Barriers to women in management exist globally and the higher the organizational level, the more glaring the gender gap”. She adds that a deep-seated culture of ‘think manager, think male’ is a factor in women’s poor performance in management (see also Mihail 2006).

Özkanlı and Korkmaz (2000, 2000a, 2000b) found that the low representation of women in senior management in Turkey was mostly due to increasing responsibilities in their daily lives. Some academic women in their studies pointed to gender discrimination while others said they were not willing to take on administrative responsibilities because they accepted and internalized traditional social roles of women and prioritized wife and mother roles (see also Acar, 1986:307-324; Köker, 1988:339). Moreover, women avoided responsibilities that involved business trips and extra work load due to fear of not fulfilling their traditional roles (Ersöz ,1988:258).

It is important to consider the context in which women are appointed to senior management roles. Ryan and Haslam (2004) argue that simply giving women the opportunity to be leaders is not the same as “enacting equal opportunity if these positions do not carry the same chance of success”. Are women then appointed to problematic leadership roles? Ryan and Haslam (2004) have suggested that women are often appointed to difficult positions where they experience more of a ‘glass cliff’ than a ‘glass ceiling’. There is also the issue of whether the designation of a leadership role changes, perhaps ever so subtly, if a woman is appointed to the position (Neale and White 2004).

Women have made little impact on organizational structures of universities and therefore have to compete in a hostile environment (Bagilhole and White 2005, Kovacs 2006; 145). Male dominance of science, engineering and technology in particular, has a negative impact on the academic careers of women from the outset. The under-representation of women in the professoriate in science, engineering and technology is a testament to how knowledge in these disciplines is gendered. O’Connor (1997) asserts: “ideological privileging of masculinity and its practices” occurs within a wider policy context “which continues to valorize what appears to be gender neutral, but which in fact involves knowledge created largely by men”.

This research is part of a nine-country cross cultural comparison of women in university management. The first phase of the project found that representation of women was consistently low across most countries, especially at Rector/VC, but also at Dean, level. Significant factors included: the link between low participation rates of women as professors and senior managers; role conflict; the intersection between gender and discipline and its impact on career progression especially for women in the arts and the sciences; and the divide between old and new universities, including differences in salary scales (Machado-Taylor et.al., 2007).

METHODOLOGY

In the second phase of this cross cultural study investigators in each country conducted up to 20 interviews with both male and female senior managers in old and new universities, and with current and former Rector/VCs. Some Deans and Deputy Deans could be included as they provide an important recruitment pool for senior managers. The interview schedule was divided into three parts. The first cluster of questions were about getting into and on in senior management. Interviewees were asked to define senior management in their university and then discuss their experience of being appointed to senior management, the factors or people that were most supportive, and how being in senior management affected their work/life experience.

The second cluster focussed on “doing” senior management in their current or last position and explored perceptions of how colleagues regarded them, how they worked with men and women in their management team, and if women had a different management style. The final cluster of questions focussed on the broader management culture – the typical career path into senior management, the typical Rector/VC, appointment processes and bodies influencing these processes, and the gender profile of senior management.

This paper reports on comparative data from Turkey and Australia. It particularly focuses on perceptions of male and female managers about gender dimensions of leadership and strategic management.

FINDINGS

Twenty four interviews were conducted with Turkish senior managers and 17 with Australian senior managers. Eight of the 24 Turkish senior managers were women and 10 of the 17 Australian senior managers. Turkish interviewees comprised 6 Rectors, 9 Vice-Rectors, and 9 former Vice-Rectors. 11 of the Turkish senior managers were from regional universities and 13 of the Turkish senior managers were from metropolitan universities. 22 Turkish senior managers were from public universities, only two rectors (one female and one male) were from foundation universities. The Australian respondents, all from public universities, comprised two VCs, 7 DVC, and 8 PVCs, mostly from metropolitan universities).

Getting into and on in senior management

The first question asked interviewees to define senior management. Some of the Turkish respondents considered that the Rector and General Secretary, or the Rector’s office, constituted senior management, while others defined it as the Rector, Vice-Rectors and Deans. Several saw the Chairman and other members of the Board of Trustees in foundation universities as well as the Rector, Vice-Rector and Deans as constituting senior management. The Australian respondents generally described senior management as being the executive team of the Vice-Chancellor, Deputy Vice-Chancellor, Pro Vice-Chancellor and Executive Directors. Several had a broader management structure that included Deans and Heads of Departments or Schools. A few argued that an inner circle in senior management – generally the Vice-Chancellor and one or two DVCs – was particularly powerful.

Respondents were asked if they experienced any difficulty in becoming senior managers. Most had no difficulty and had been encouraged to apply for the position by their Rector/Vice-Chancellor. However, some women in both countries experienced difficulty:

Yes, I did. Part of the difficulty I experienced originated from the internal policies of the university and part of it was gender-related.

Being a woman is the hardest part of all.

Yes, some of the difficulty was imposed by structure. I didn't apply for senior roles when I thought my children were too young. So I delayed applying until I thought it was easier to manage.

In Turkey, 57% of female senior managers experienced some difficulties in becoming a manager, 33% experienced role conflict, and 44% mentioned that time conflict affected their work/life experience negatively.

Interestingly, more senior managers in Turkey than Australia did not plan a senior management career. Four fifths of those interviewed in Turkey had not planned to be senior managers, whereas in Australia although most respondents did not initially plan a management career, certainly by the time they had reached junior management roles they had decided to go further.

Respondents were clear about the factors or people that were most supportive in getting into senior management. For several it was their Rector or VC, while for others it was their academic colleagues. Support from family and friends were also considered important. However, some saw their own management experience and team work as more influential, while for others it was a combination of these factors. Senior managers were then asked what factors or people were important in their current position. Their responses were similar to those for the previous question.

Most respondents considered that being in senior management had affected their work/life balance. Several argued that they had gained a different perspective and/or more experience in interpersonal relations since becoming senior managers. Others said that the work load had increased, and still others that their research had suffered. For many senior managers, especially in Australia, a long working week made it difficult to balance work with family life. Several female respondents in Turkey mentioned role conflict between their work and non-work lives.

The senior managers were then asked to describe the advantages and disadvantages of being in senior management. The advantages that Turkish respondents cited were: prestige, financial rewards, being respected and being first among equals. One clear advantage for Australian senior managers was being able to influence the strategic direction of the university and to make a significant contribution. The disadvantages for many Turkish respondents were that their research suffered, and for several a role conflict between work and non-work life. The main disadvantage for Australian senior managers was the huge time commitment required. One respondent described it as: "the work-life imbalance. That absolutely comes with the job. You have to expect that", while another stated that he could not undertake the position if he had a young family.

We asked senior managers where they expected to be in five years time. Most of the Turkish respondents indicated that they hoped to return to research and/or teaching in their university, while a few planned to embark on new careers outside higher education. About half the Australian respondents planned to be retired or semi-retired, while the others planned to remain in senior management roles in universities.

Doing senior management

The second cluster of questions explored perceptions of how colleagues regarded them, how they worked with men and women in the management team, and if women had a different management style. The first question asked respondents how they were seen by male and female colleagues. Most of the Turkish senior managers considered that there was no difference in how male and female colleagues regarded them. However a few of the female respondents argued that female colleagues judged them more harshly. One explained that: "most of the time women did not want me as a senior manager". Australian senior managers tended to focus on how others, both males and females, perceived their management skills. One female manager added: "I would probably be seen here as someone who gets the job done. With female colleagues, it is probably a more collaborative process".

Respondents were then asked if they were more comfortable working in a predominantly male or female management team. Most of the Turkish senior managers argued that it did not matter, although some preferred a balance of males and females. Australian respondents stressed that the focus should be on the competencies of the senior managers, but generally added that they were uncomfortable about being in a predominantly male or female team. One male respondent said he actually preferred working with female senior managers: "I probably value working more with teams of women than men. I find them focused and their points of view creative and divergent".

Interviewees were asked what sorts of things were different about working with women in senior management, compared to men, and about working for a female boss compared to a male boss. Most of the Turkish respondents argued that there was little difference working with men or women, although several said they preferred working with men. Few had worked for female Rectors. However, one female respondent stated:

I prefer working with women because women are task-oriented, they are problem-solvers, they communicate more effectively, and they contribute more towards reaching a consensus. Men communicate poorly, and are more interested in asserting their power rather than addressing the problem at hand.

The responses from Australian senior managers were markedly different from those of their Turkish counterparts. Most believed that women brought added skills and qualities to senior management: they were better communicators, were “much more aware of interpersonal dynamics in exchanges” and they were less likely to adopt the “football club mentality” that characterized some predominantly male management teams. But it was the question of what was different about working for a female boss that brought the most surprising response. Several Australian respondents – both male and female – argued that female VCs had a strong tendency to micro-manage. As one explained:

males tend to have the same expectations but they let you get on with it and do it. Females tend to micro-manage, perhaps because people have such harsh expectations of females.

Another complained that her female VC “bounces between high level strategic vision and micro-management”.

Most respondents in both countries rejected the notion that women needed to adopt male management styles, and that this might differ according to their disciplinary background. Some Turkish interviewees saw little difference in management styles according to gender, while others argued that differences in management styles related to personality rather than gender. Several of the Australian senior managers also took this view, and others commented that women had moved beyond such paradigms because management culture had shifted. As one female senior manager asserted, women do not adopt male management styles: “Not any more. I would have seen it more 15-20 years ago”.

The final two questions in relation to “doing management” focused on where academic women were most likely to be found in their organization and what they thought women saw as the barriers to promotion. Some Turkish interviewees saw no difference in the representation of males and females in academic disciplines, while others said they were more likely to be found in Health Sciences, Social Sciences and Education. Australian senior managers were clear that women were more likely to be found in Education, Health Sciences, and Arts and Humanities and that these were considered the “soft disciplines” that provided training for caring professions such as teaching and nursing. However, they also noted that females now made up more than 50 per cent of undergraduates in disciplines such as medicine.

Over half the Turkish interviewees believed there were no barriers to promotion for women in their university and several asserted that women can create their own barriers. Some considered that marriage, domestic responsibilities, role conflict, and the culture were barriers to promotion. All Australian interviewees agreed that there were barriers to promotion for female academics, including lack of mobility due to family responsibilities, interrupted careers, and promotion processes. As one explained: “the traditional research/teaching/community engagement criteria; these are seen to be alienating for women”.

The broader management culture

The third cluster of questions, on the broader management culture, provided rich material about the organisational and management structures in which senior men and women advance their university careers. The first question asked them to describe a typical career path into senior management. Most Turkish respondents stated that there was no typical career path, although several saw the usual path as Professor, Department, Chair, and Dean. Australian interviewees considered that the traditional academic career path prevailed – Professor, Course Coordinator, Head of Department or School, and Dean.

Next, interviewees were asked to describe a typical VC in their institution. Some Turkish senior managers thought there was no typical VC, while others stressed that they must be experienced managers and be democratic. One female respondent stated: “The typical profile in the university where I work is a man, distinguished-looking, with grey hair, a graduate of the same university, most probably from the school of

business or from the school of engineering”. The responses from Australian interviewees varied, but there was a broad consensus that a VC had to have a strong academic research record and provide strong leadership both within the organization and externally. One interviewee described VCs with whom they had worked as having: “strategic vision and a passion for HE, and are dedicated to hard work”.

The focus of the questions then turned to what kinds of characteristics are valued in senior management in their university, and what about personal qualities and skills. Turkish respondents considered that senior managers needed to be hard working, have broad vision, be respectful, demonstrate team spirit, be disciplined, productive, democratic, and have good communication skills. Australian senior managers mentioned strategic vision, strong research reputation, strong interpersonal skills, openness, transparency, resilience, collaboration and consultation. One respondent described the characteristics, qualities and skills as follows:

Senior managers need the capability to get things done organizationally ... demonstrate effectiveness and inter personal skills. Leaders are cultural leaders, as well as communicative leaders and functional leaders. A good senior manager is someone who can persuade, who can influence, model certain things, is positive, and believes that things can change and things can be done.

Interviewees were asked to describe the appointment process of senior managers in their university, and if key bodies or individuals influenced this process. In Turkey, the Rector is appointed by the President of the Republic from among candidates holding the academic title of Professor, selected by the teaching staff of the university. The Council of Higher Education proposes to the President of the Republic three candidates which it selects from among the six candidates with the highest votes. In private universities established by foundations, the selection of candidates and appointment of the Rector are carried out by the Board of Trustees. The Vice Rectors are appointed by the Rectors. The Deans are selected by the Council of Higher Education from among three Professors nominated by the Rectors. The Dean appoints from among the Faculty’s regular staff members up to two Assistant Deans for a period not exceeding three years. In Australia, the University Council or Senate were identified as having a key role in the selection process for Vice-Chancellors and in a few universities also for Deputy Vice-Chancellors. Other senior management appointments involved a recruitment process that might include the use of recruitment consultants, and a selection panel representing broad interests across the university. There was a strong perception that the Vice-Chancellor had a critical role in influencing the process.

Senior managers were asked about the balance of males and females in senior management in their university and how many of the women were from an academic background. The responses were interesting. Some Turkish senior managers did not know the balance of males and females in their institution, others presumed there were more men, while still others gave exact percentages. The Australian respondents were more sharply focused on the percentages and acutely aware when women were underrepresented. Some made an interesting observation that the gender balance – especially where there were equal numbers of males and females – could so easily change with new appointments to senior management.

The final question focused on the role of Rectors and Vice-Chancellors. Interviewees were asked how powerful they were in relation to faculties, their key contribution to an organization, and what about as regards the gender profile of senior management. Turkish interviewees considered that Rectors were very powerful, almost ‘omnipotent’, often comparing their status to that of kings with only the Board of Trustees in foundation universities mitigating this power. As one interviewee explained:

Rectors are most powerful people in universities. Although universities are the collegial organizations where the one man one vote principle should prevail, in fact, the law gives the whole power to Rectors. They are the only hierarchical leaders in universities. Although in the senate and in the Board of Directors every member has one vote, the real politics is not same. All decisions are shaped up by Rector.

They mentioned the power of Rectors in drawing up and allocating budgets and staffing, and determining the vision, mission and goals of the university. There was little response about their power in influencing the gender profile of senior management. Australian interviewees also considered that Vice-Chancellors were very powerful. Generally they did not directly deal with faculties, instead delegating that role to the DVCs. However, some did have a more “hands on” role. Interviewees saw the key contribution of the VC to the organisation as providing vision and setting direction, positioning the university externally, and creating a culture in which people can flourish. There was general agreement that increasingly a Vice-Chancellor’s focus needed to be external with much of the day to day internal management delegated to DVCs. VCs were described as becoming

fundraisers and needing to interact with the corporate and community sectors. Moreover, given that universities are partly publicly funded, VCs also needed to interact with state and federal governments.

The responses from Australian senior managers differed markedly from those of Turkish senior managers in relation to the influence of the VC on the gender profile of senior management. Most Turkish interviewees did not address the question, while several asserted that gender was not important in senior management. Australian respondents considered that the VC's role was critical. One explained: "The VC has an important role in the gender balance of senior management, in trying to make sure there is active searching for women to be on short lists, and around leadership training". Male as well as female respondents had strong views about how a Vice-Chancellor could change the gender balance on senior management and discussed examples of interventions by both male and female VCs that had led to a better gender balance on senior management teams.

IMPLICATIONS OF RESEARCH

The research found that senior managers in Australia and to a lesser extent in Turkey consider women make an important contribution to leadership and strategic management in universities. There was perhaps more willingness among Australian than Turkish interviewees to discuss the unique role of women in senior management. The research indicated that most Turkish respondents did not perceive that women experienced discrimination or barriers to promotion, even though women remain underrepresented in senior management positions especially as Rector and Pro-Rectors. By contrast Australian senior managers were aware of the underrepresentation of women in senior management teams and supported interventions by VCs to increase the numbers of female senior managers.

Therefore, the impact of management culture and lack of support mechanisms in the continuing under representation of women in senior management, especially in Turkey, needs to be addressed if universities are to transform their leadership and organisational culture.

CONCLUSION

This paper analyzed leadership and strategic management of female senior managers in universities in Turkey and Australia based on qualitative interviews with male and female senior managers.

The research provided insights into the organisational and management structures in which senior men and women advance their university careers. Few experienced any difficulty in becoming senior managers, although some women mentioned problems in pursuing careers in senior management. Most Turkish respondents had not planned careers in senior management, whereas most Australian respondents had. Support from Rectors/VCs, academic colleagues and family and friends were important in getting into senior management. There was general consensus that their jobs had a negative impact on work/life balance. While most experienced high levels of satisfaction with their careers, the disadvantages included low research productivity, time management and, for females in Turkey, role conflict between work and non-work life.

Turkish senior managers saw little difference in working with male or female colleagues, while Australian respondents considered that women brought added qualities and skills to senior management. Turkish senior managers also saw few barriers to women in university senior management, but those in Australia cited lack of mobility, interrupted careers, and promotion processes as issues for academic women.

Both Turkish and Australian interviewees considered that Rectors/VCs were very powerful, and that their key contribution was providing vision, setting direction and positioning the university externally. In addition, the Australian respondents saw the VC as having a critical role in changing the gender balance in senior management teams.

The paper argues that the impact of management culture and lack of support mechanisms in the continuing under representation of women in senior management, especially in Turkey, needs to be addressed if universities are to transform their leadership and organisational culture.

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HOW COULD A SCIENCE CONFERENCE ACHIEVE COMPETITIVE ADVANTAGE AMONG OTHER SCIENCE EVENTS? AN EXAMPLE ASSESSMENT VIA INTERNATIONAL STRATEGIC MANAGEMENT CONFERENCE

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ABSTRACT

Certainly, competition is an inevitable concept for all kind of organizations. Especially, organizations that need to scarce resources have to compete in order to gain them. Thus, there are numerous researches that suggest some techniques, which would be useful for gaining competitive advantage. In this study, competitive advantage concept has been discussed differently. It is argued that, science conferences, as an organization, should pay attention some methodological features of the studies that represent in order to take a prestigious position in the academic world and gaining competitive advantage. After explaining theoretical reasons, the competitive position of International Strategic Management Conference (ISCM) has been analysed according to these arguments. These arguments are relatively new and required for the all researches. Total 275 articles of ISCM that belongs to last three years of conference have been reviewed by content analyse. Data that come from this analyse have been processed by some statistical techniques. Our findings and suggestions for the next years call for papers are explained in last part of this study.

INTRODUCTION

It is quite certain that science conferences are one of the most important constituents of science. Basically, science conferences are an opportunity for scientists to discuss on prevailing researches and new developments. Today, depending on some particular reasons the occurrence of these events has rapidly increased. For example, due to conference proceedings bring in some points, which academicians need to be promoted, almost all universities or science communities organize science conferences. Thus, sometimes scientists may attend so-called science conferences, whose quality is relatively low.

In spite of the existence of so-called science conferences, there are also great number well-intentioned efforts, which aim to take a prestigious position among other institutionalized science events. However, this is not an easy job because of some reasons. First of all, there are so many well-known and institutionalized organizations. Naturally, famous scientists prefer to attend these events instead of a new one. Secondly, as we mentioned above, to the reason why almost all universities try to organize a conference, it becomes harder that to organize a meeting of different people. Especially, depending on the lack of organization for the call for papers, in some international conferences, mostly the local people compose the majority of the participants. People also prefer to attend their own university's conference. Of course, these are only a few examples and of course they are not impassable. In this study, it is alleged that a science conference could achieve competitive advantage and take a prestigious position among other organizations by improving standards of papers presented. Thus, it is argued in this paper that if the contents and the presentations of a conference, such as proceedings or workshops etc. had several specifications, it is highly possible that it would take a prestigious position in the academic world. However, it is also argued that these works should not only be interesting, well designed or having adequate sample size etc. but also have some extra specialties like being multidisciplinary or international etc. In that way, a conference could make a contribution to the scientific progress of a relevant discipline while achieving competitive advantage.

Today, competition is not only important for companies but also vital for all kind of organizations. Like the other organizations, science conferences and their organizers desire to enhance their reputation in the relevant channels. Thus, they could have a chance to gain resources that they need like money, attendant or attention of press.

Under the light of information above, in this study, it is tried to be analysed some specifications of the outputs of International Strategic Management Conference (ISMC), which could give an idea about the competitive position of this conference in the academic world. Thus, it could be told that this study has two important aims. One of them is to asses and to present the some methodological and other features of the contents of ISMC according to some criteria which will be explained next chapter by using some statistical techniques and the second aim is to propose some directions, which would be useful in the next years' call for papers.

THEORETICAL BACKGROUND

Before explaining the basic assumptions of this study and the theoretical reasons of them, it must be discussed about the provocative research question of it: how could a science conference achieve competitive advantage? According to the authors of this study the most important factors of achieving competitive advantage are related with the methodological features of the contents of conferences. Surely, there could be other factors like the famousness of the key note speakers or academic rewards. However, all of these factors are related with budget of the conference and they don't make any contribution to the progress of science. As we mentioned before, it is possible to argue that the competitive advantage would be achieved by improving the quality of the contents. At that point, a new question springs up: what determine the quality of a research? Of course, different people allege different specifications but it is possible to make a plausible mixture of their arguments. For example, renowned editors of eminent journals always point out that they have to assess the methodological features of an article (The AMJ Team; 2006). They also announce that theoretical and empirical inventions are welcomed by them. However, these are the concrete criteria for all sort of research. On the other hand, there are some extra features, which recently have started to be important. Special reports, which published by eminent science committees or special forums, which organized by academic journals argue that there are some new features, which social science researches must have in order to enhance our knowledge and enhance the validity and reliability of our works (Wallerstein; 1996). Actually, these new requirements could be an opportunity for the new science conferences like ISMC. Conferences, whose aim is to take a prestigious position in the academic world, could encourage the scientists to pay attention these new requirements in their researches. Afterwards, they could achieve the competitive advantage as an organization, whose contents meet the new requirements of science world.

According to different sources, relatively new and highly important criteria for a research are related with the specialties below;

1. Multidisciplinary
2. Internationality
3. The aim of researches
4. The method(s) of researches
5. The techniques that is used for data collection and processing.

Multidisciplinary: It is well known that, management has been using different disciplines' theories since its inception as science (Üsdiken; 2002). For example, sociology or economy has always been a prolific source for management with their theories. As a matter of fact, Gulbenkian Commission, which organized to restructure social sciences by defining new directions, declared that it should be set up new research groups, whose aim is to combine different disciplines beyond the conventional discipline boundaries (Wallerstein; 1996). Consequently, we argue that a science conference should pay attention the multi or inter-disciplinary structure of the researches.

Internationality: After 1980's most of the academic writings has emphasized the importance of globalization and internationalism. In the last twenty years, the world has experienced some important changes and developments. These changes and developments like China's new economy policies have caused important changes on firms' behaviours. On the other hand, with the invention and dissemination of internet usage by academicians, who come from different cultures, aspects, backgrounds created a platform for international collaborations. Along with these developments, researchers in management have realized that the business world doesn't only consist of the United States or Europe.

In a global world it is needed to strong theories, which are valid and reliable in different cultures, geographies, economies etc. Thus, researchers have to develop these kinds of theories and prove that they have consistent results in different contexts. At least, researchers have to review institutionalized theories in order to understand the changes of them in this global and international structure. This is an only way in order to reach the level of natural sciences. Then, what makes a business or management research international? According to Tsui (Tsui; 2007) there are three different types of international management researches. The first group, which includes pure international researches, examines fully international phenomena such as entry modes, expatriate management etc. The second group includes researches, which compare some managerial behaviour of people, nations or organizations in multi-cultural aspect. The last group comprises the researches, which focus on an outside country to the researcher. For example, a Turkish researcher, who examines the institutionalization process of Russian firms, could be accepted within this group. Thus, we argue that a science conference should focus on international researches rather than heavily on nationalistic aspects in order to be international.

The aim of researches: Researches could be classified according to different criteria in terms of their aims. For example, if someone classifies researches into three different groups in respect of the course that they serve, it would be a plausible classification. Then, these groups could be entitled: researches, which serve to the purely science, researches, which serve to industry and then researches, which serve both of them at the same time. Another classification could be done depending on the aim of the author. Accordingly, these researches could be called that aim to describe a phenomenon, researches that aim to develop a theory or researches that aim to test a theory along with empirical evidences etc. In our opinion, if a science conference paid attention to the researches, which have strong theoretical and empirical evidences about phenomena, which they want to explain; this situation would help it to achieve a competitive advantage among other science events.

The method(s) of researches: The method(s) of researches are roughly divided into two groups. Especially, after 1990's there has been an increment at the number of qualitative researches (Kutunis, Bayraktaroğlu and Yıldırım; 2007). Because of the complex structure of social phenomena, qualitative researches have started to be seen as a remedy. Nowadays, scientists prefer qualitative or quantitative methods or sometimes a mixture of them. However, it is a habitual incident that some conference proceedings do not include any methods and just discuss about a phenomenon or just compile some explanation from the literature. We argue that, if a science conference aimed to take a prestigious position and achieve competitive advantage it should pay attention to the researches, which have appropriate method(s) in respect of its research question and aim.

The techniques that is used for data collection and processing: Nowadays, there are plenty of techniques that help scientists during the process of data collection and processing. Thus, scientists have a chance to use advanced qualitative and quantitative techniques in order to improve the explanation capacity of the relationships between variables that they propose. Furthermore, different data collection methods, which intend to collect data, improve the validity of researches. Thereof, we argue that a science conference should pay attention to the number of the data collection and processing techniques that the applicant proceedings include and should not accept the proceedings which do not comprise any data as long as the proceeding is not an exceptional example.

METHODOLOGY

For the purpose of revealing ISMC's competitive position in terms of the five topics, which are explained above, we analysed last three years' proceedings. During this process, all of the 275 articles were reviewed. Subsequently, they were coded according to their methodological specialties. This codification procedure was done in deference to important rules, which are generally accepted in the relevant literature. In other words, it was followed some criteria during the decision process of the article's methodological specialties. These criteria are explained below.

Participants of Gulbenkian Commission have announced a discussion, which contains three important explanations for restructuring social sciences. One of these explanations argues that as a social scientist we have to go beyond the conventional boundaries of our disciplines (Wallerstein; 1996). It means that social scientists should learn and use theories, which has been developed by different disciplines or should collaborate with the scientists from different disciplines. As a perfect example of this kind of researches, it could be mentioned Knutson's study (Knutson, et. all; 2008). They have elicited with their research that there is an important relationship between people's investment decision and their brain activities. In that research psychologists and public finance experts worked together because of the complexity of the research. Thus, in our study we coded articles in terms of theories that bolster the arguments of author(s). We coded articles as multidisciplinary if they used the theories of different disciplines like sociology, economy, anthropology etc.

During the codification process, the articles, which depend on the data comes from international context was coded as international. Other articles, which had not any data or had national data was coded as a national. Like Tsui (Tsui; 2007), we accepted researches, which took a central nation like the United States or Britain as their reference points and compare their results with them, as an international.

In this article, ISMC proceedings of last three years were classified in terms of the aim of the articles. In this classification, articles were divided into five different groups. The first group involves articles, which aim to develop a theory doing an empirical research. The second group involves the articles, which aim to test a theory doing an empirical research. The third group involves purely theoretical articles, which aim to develop a theory without doing a research. The fourth group involves the articles, which aimed to discuss about a topic without doing any research. Finally the fifth group involves the articles, which aim to clarify a current issue and discuss about it doing or not doing a research. This classification was adapted from Coloquitt and Zapata-Phelan's work, which analyses the theory building and testing inclination of management scholars, whose works have been published in the Academy of Management Journal (AMJ) in last fifty years. According to the authors, there is a rising trend, which encourages the theory building (Coloquitt and Zapata-Phelan; 2007). However, it has to be noted that we just analysed the aim of the researches, which was indicated by the author(s) and we haven't considered that whether this aim has been realized or not as this decision is not related with our study.

As we indicated before, there is a trend, which pays attention to the importance of qualitative researches. In order to analyse the parallelism between this trend and current situation of ISCM's articles, we coded articles as qualitative, quantitative and articles, which use both methods at the same time.

It is well known that different data collection techniques for the same construct would enhance the validity of a research because in that way researcher averts potential issues, which stem from scale errors (DeVellis; 2003). So, we coded the name of the techniques and calculated that the number of different techniques an article had. In addition to that, we analysed that which techniques are mostly preferred by the researchers during the data processing.

Finally, because of giving chance to assess the internationalism of the conference we analysed the demographic specialties of the attendants of ISCM. During this codification we considered the universities of the attendants instead of their nationality because, there are so many researchers, who continue studying in overseas although they have different nationalities. For example, while we were doing this research we realized that there were so many Turkish researchers studying in overseas and if we had accepted them as national attendants (because ISCM has been conducted by Turkish universities and it had been located in Turkey in last three years) we would have done inaccurate inferences.

RESULTS AND DISCUSSION

As it was indicated before, renowned social scientists have argued that there must be more multidisciplinary researches in order to gain an evolution for social sciences. Hence, we alleged that a science conference, which aims to take a prestigious position, should pay attention to the multidisciplinary feature of its content. Table 1 represents the performance of ISCM in terms of its multidisciplinary structure.

Table 1: Multidisciplinary structure of ISCM's contents in last three years

MULTIDISCIPLINARY			
Conference	Total Article	Multidisciplinary Researches	%
1	119	10	8,40
2	70	18	25,71
3	86	9	10,47
* Average of three years is 13.45%			

It's obvious that social scientists have to know theories of other disciplines -or at least should collaborate with the scientists from different disciplines- in order to carry out multidisciplinary researches. Researchers, who are interested in strategic management, mostly use theories of economy, mathematics, or social psychology etc. Recently, for example, most of the researchers have started using cognitive theories of social psychology due to understand decision makers' minds moreover Mintzberg has classified this kind of attempts under a strategy

school, which is called Cognitive School (Mintzberg et. all.; 1998). On the other hand, there is an important relationship between the theoretical backgrounds of researches and being multidisciplinary. Hence, if we could manage to increase the number of works aiming to develop a theory, we would increase the number of the works that have multidisciplinary structure. In the relevant literature, there is not any common idea for the right proportion of multidisciplinary works to the total works. However, we think that the ¼ ratio of second conference is an acceptable one so it needs to be kept.

The second table represents the number of international researches, which had presented before 2008 at the ISCM.

Table 2: International researches that were presented at ISCM

INTERNATIONALITY			
Conference	Total Article	International Researches	%
1	119	6	5,04
2	70	7	10,00
3	86	7	8,14
* Average of three years is 7.27%			

It is evident that the numbers of international researches are really low. However ISCM is a newcomer and it is not an easy job to collect international researches at the beginning. On the other hand, most of the researchers hesitate to present their important researches as a full article in the conferences. However, we believe that ISCM has to encourage international researches in next years, in order to take a prestigious position among other science organizations. To be able to do that, the call for paper announcements of conference must be advertised and there should be some incentives like best paper awards for the international researches. In order to increase the generalization of our results and explore the specialties other nations' people or companies we have to pay attention more than one country or geography. Hence, we can understand the differences between Asian and European strategic decision makers' cognitive specialties, for example.

We indicated before that there is a rising trend that praises the importance of developing new theories for the new world order. Thus, we argued that science conferences like ISCM should encourage these kinds of researches. Table 3 shows the distribution of researches in terms of their aims. As we explained above we haven't considered whether these aims realized or not. We have just considered the statement of author(s).

Table 3: The aim of the researches that were presented at ISCM

THE AIM OF THE RESEARCHES											
Conf.	Total Article	Developing a theory with an empirical research	%	Testing a theory with an empirical research	%	Developing a theory without an empirical research	%	Literature Review	%	Describing and discussing about current phenomena	%
1	119	3	2,52	9	7,56	5	4,20	48	40,34	54	45,38
2	70	0	0,00	31	44,29	15	21,43	14	20,00	10	14,29
3	86	17	19,77	8	9,30	7	8,14	22	25,58	32	37,21
TOTAL	275	20	7,27	48	17,45	27	9,82	84	30,55	96	34,91

The analysis of this table shows us that the nearly %35 of total articles are related with either developing or testing a theory. This is a relatively ample size for a newcomer science conference. If these works realized other scientists and cited by them, this situation would ensure some benefits for ISCM. On the other hand, with the %30.55, literature review articles' number is still too much in the total population.

After understanding that the world has an intricate structure and social or natural phenomena could not be understood with simple formulas, scientists have started trying to new methods. These methods have the capability to analyse phenomena deeply with small samples. Table 4 shows us the methods, which have been used by the researchers.

Table 4: Preferred method(s) of ISCM's articles

THE METHODS OF THE RESEARCHES									
Conference	Total Article	Quantitative	%	Qualitative	%	Quantitative + Qualitative	%	Does not include any data	%
1	119	44	36,97	9	7,56	0	0,00	66	55,46
2	70	25	35,71	20	28,57	3	4,29	22	31,43
3	86	38	44,19	19	22,09	6	6,98	23	26,74
TOTAL	275	107	38,91	48	17,45	9	3,27	111	40,36

As we seen on the table, total percentage of qualitative works is 17.45 and the quantitative is 38.91. We believe that neither only quantitative nor qualitative methods are enough to understand the deep structure of social phenomena. Hence, ISCM should encourage the number of researches, which use the qualitative and quantitative methods at the same time. However, the critical point for ISCM is the highest number of the articles that doesn't include any data. Fortunately, the rate of this kind of articles has gradually decreased. Consequently, we suggest that there should be some explanations and warnings about the methods of the articles in the next years call for papers.

In this study, it also has been analysed the techniques that were used for the data collection and processing. The Table 5 below represents the frequency rates of these techniques.

Table 5: Preferred data collection methods

TECHNIQUES THAT USED FOR DATA COLLECTION								
Techniques	Incidence for Conference 1	%	Incidence for Conference 2	%	Incidence for Conference 3	%	Total Incidence	%
Questionnaire	36	30,25	22	31,43	33	38,37	91	33,09
Archives	8	6,72	12	17,14	59	68,60	79	28,73
Interview	7	5,88	10	14,29	9	10,47	26	9,45
Cases	7	5,88	7	10,00	10	11,63	24	8,73
Observation	5	4,20	3	4,29	1	1,16	9	3,27
Focus Group	0	0,00	1	1,43	0	0,00	1	0,36
Does not include any data	61	51,26	24	34,29	23	26,74	108	39,27
* average data collection technique rate is 1.37 per article								

The most preferred data collection techniques by the researchers are questionnaires and archives. The average data collection technique rate per article, which is very important for the internal validity of researches, is 1.37. This rate shows us that the researches mostly use just one data collection technique. On the other hand, we haven't considered the number of articles that doesn't include any data while calculating this average. If we did that, the average data collection technique rate would decline 0.83, which is smaller than 1. Consequently, science committee and referees of subscribed articles should pay attention to the data collection techniques that researches include.

Table 6: Rates of data processing techniques

TECHNIQUES THAT USED FOR DATA PROCESSING								
Techniques	Incidence for conference 1	%	Incidence for conference 2	%	Incidence for conference 3	%	Total Incidence	%
Content Analysis	14	11,76	30	42,86	17	19,77	61	22,18
Frequency Rates	4	3,36	23	32,86	21	24,42	48	17,45
Correlation Analysis	13	10,92	9	12,86	9	10,47	31	11,27
Regression Analysis	12	10,08	6	8,57	6	6,98	24	8,73
Factor Analysis	5	4,20	8	11,43	8	9,30	21	7,64
ANOVA	4	3,36	5	7,14	6	6,98	15	5,45
T Test	4	3,36	4	5,71	7	8,14	15	5,45
Special Formulas	0	0,00	0	0,00	7	8,14	7	2,55
Chi Square	2	1,68	3	4,29	1	1,16	6	2,18
Cluster Analysis	1	0,84	0	0,00	2	2,33	3	1,09
Multi Criteria Model	2	1,68	0	0,00	0	0,00	2	0,73
Mann Whitney U	0	0,00	1	1,43	1	1,16	2	0,73
Friedman Test	1	0,84	0	0,00	0	0,00	1	0,36
Kaiser Meyer Olkin	0	0,00	0	0,00	1	1,16	1	0,36
Bartlett Test	0	0,00	0	0,00	1	1,16	1	0,36
Z Test	0	0,00	1	1,43	0	0,00	1	0,36
Goal Programming	1	0,84	0	0,00	0	0,00	1	0,36
Portfolio Analysis	0	0,00	0	0,00	1	1,16	1	0,36
Kruskal Wallis	0	0,00	0	0,00	1	1,16	1	0,36
Post Hoc Scheffe	0	0,00	0	0,00	1	1,16	1	0,36
Wilcoxon	0	0,00	0	0,00	1	1,16	1	0,36
Doesn't include any data processing technique	68	57,14	19	27,14	25	29,07	112	40,73

* average data processing technique rate per article 1.49

According to this table, the most preferred data processing techniques are content analysis and frequency rates. However, as we mentioned above science conferences and their publications need more theoretical and empirical works, which explain complex causality relationships between different constructs. Hence, techniques, which are useful for analysing this kind of relationships, should be encouraged. On the other hand, some articles beget the bad effect on this table because of they don't include any data. Again, ISCM could improve this table by refusing literature review.

The final table of this study is about the nationalities of the attendant's universities. In that table Turkey has been accepted as a host country because last three conferences had been held in Turkey. In addition to that, just first authors have been counted in for this calculation because there were few articles, which combine different nationalities.

Table 7: Nationalities of the attendants according to their universities

NATIONALITIES OF ATTENDANTS								
Country	Number of the researches at 1. Conference	%	Number of the researches at 2. Conference	%	Number of the researches at 3. Conference	%	Total	%
Turkey	104	87,39	59	84,29	66	76,74	229	83,27
U.S.A	3	2,52	0	0,00	4	4,65	7	2,55
the Czech Republic	6	5,04	0	0,00	1	1,16	7	2,55
Bosnia Herzegovina	1	0,84	2	2,86	3	3,49	6	2,18
Estonia	0	0,00	3	4,29	3	3,49	6	2,18
South Africa	1	0,84	1	1,43	1	1,16	3	1,09
India	2	1,68	0	0,00	0	0,00	2	0,73
England	0	0,00	0	0,00	2	2,33	2	0,73
Australia	2	1,68	0	0,00	0	0,00	2	0,73
Sweden	0	0,00	2	2,86	0	0,00	2	0,73
Singapore	0	0,00	0	0,00	2	2,33	2	0,73
Canada	0	0,00	0	0,00	1	1,16	1	0,36
Austria	0	0,00	1	1,43	0	0,00	1	0,36
Finland	0	0,00	1	1,43	0	0,00	1	0,36
France	0	0,00	0	0,00	1	1,16	1	0,36
Spain	0	0,00	1	1,43	0	0,00	1	0,36
Russia	0	0,00	0	0,00	1	1,16	1	0,36
Serbia	0	0,00	0	0,00	1	1,16	1	0,36

* the Turkey/other nations ratio is 1/5

Table 7 shows us that Turkish universities compose the majority of ISCM. There have been 18 different attendant countries so far. We strongly believe that international science conferences need to researchers from different countries in order to achieve a competitive advantage. 1/5 ratio should be decreased as soon as possible and organization committee should produce some strategies for that.

Last but not the least we analysed that is there any positive correlation between the location of conference and the nationalities of attendants. Results are in the Table 8 below.

Table 8: Location/Attendant Relationship

Country	Number of the researches at 1. Conference	%	Number of the researches at 2. Conference	%	Number of the researches at 3. Conference	%
Turkey	104	87,39	59	84,29	66	76,74
Others	15	12,61	11	15,71	20	23,26

We believe that there is not enough time series to allege a relationship but according to this table last conference, which held been at Antalya, is the most popular one for the foreigner attendants. On the other hand, this result could be the sign of success.

In this part of our study, it has been analysed and discussed about the ISCM's outcomes. However, if we needed to make an overall evaluation, we would argue that there is a strong relationship between the five topics, which we argue the importance for the competitive force of a science conference. For example, in our opinion science conferences like ISCM could increase the number of international attendants by increasing the number of international researches. Or, if ISCM could achieve to increase the number of strong theories, the number of multidisciplinary researches would increase automatically. As a short term solution, ISCM should start encourage the works that has strong empirical evidences and refuse literature reviews that doesn't prove or explain any scientific situation.

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THE IMPACT OF ORGANIZATIONAL CULTURAL CONGRUENCE ON STRATEGIC OUTSOURCING IN HEALTHCARE INDUSTRY: A CONCEPTUAL MODEL

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ABSTRACT

Supply chain management (SCM) has gained importance in today's global world and has to be taken as a wide term that involves supplier relations, supply networks, collaboration, and culture as well as purchasing, logistics and distribution. Healthcare industry is one of the services that effective SCM plays a significant role on the success of the organizations especially since they prefer to outsource many of their subsidiary operations, which may affect the service quality and in turn patient satisfaction. Although outsourcing provides many benefits to healthcare organizations, it is also challenging. Organizational culture of the service taker and the service provider plays an important role in establishing an effective cooperation. In this paper, we propose that the cultural congruency between the service taker and the service provider affects the channel success such as mutual trust, intention to continue collaboration and service taker satisfaction.

Key Words: *Supply Chain Management, Strategic Outsourcing, Healthcare, Cultural Congruence*

INTRODUCTION

Supply chain management (SCM) has gained importance in today's global world and has to be taken as a wide term that involves supplier relations, supply networks, collaboration, and culture as well as purchasing, logistics and distribution. Although the majority of the studies are focusing on manufacturing supply chain, service supply chain has received attention due to the inherent complexity it has and the substantial growth of the service industry all over the world. Service supply chains differ from manufacturing supply chains in the management of capacity, flexibility, information flows and service performance (Sengupta et al., 2006).

Healthcare industry is one of the services that effective SCM plays a significant role on the success of the organizations. In healthcare industry, the medical staff is charged to perform the core businesses such as treatment of patients. However, there are many services that can be defined as the subsidiary businesses like cleaning and security that support the overall satisfaction of patients by means of improving service quality. In today's world, many hospitals prefer to perform the main treatment and health services as their core businesses and outsource the cleaning, security, IT and food services to their experts. Shinkman (2000) reported that the most outsourced functions in healthcare are information technology (% 29), finance (% 20), and support services (% 19). With

appropriate management, strategic outsourcing will contribute to controlling costs and maintaining quality in patient care (Roberts 2001).

Although there are many proved benefits of outsourcing like cost reduction and greater efficiency, outsourcing process unfortunately nestles some difficulties like requiring a new and more complicated level of communication, bringing new outlooks, personalities and demands. Therefore, outsourcing is a tough process that requires carrying out a full strategic assessment and evaluation of many factors at different steps (Jennings, 1997). One of the steps is selecting the appropriate service provider, which also requires complex evaluations. Firstly, all the viable alternatives should be determined. Then, the most appropriate one should be selected according to the evaluations of many different criteria such as service provider's technical and managerial capabilities and the expected quality of the relationship between the service taker and the service provider. At this point, organizational cultures of these two firms play significant roles. Organizational culture has been defined as patterns of shared values and beliefs over time, which produces behavioral norms that are adopted in solving problems (Schein, 1990). These shared values, assumptions, attitudes and norms bind an organization together and turn into manner or strategies of the organization. Therefore, the culture of an organization influences both the attitudes and behaviors of its employees (Marcoulides & Heck, 1993), and in turn its external relationships. Within this framework, it can be assumed that existence of the cultural congruence between the service provider and the service taker has substantial effects on the success of outsourcing activities. However, there is a gap in the SCM literature on this subject. Therefore, the aim of this study is to propose a conceptual model that evaluates the possible outcomes of cultural congruence between the health care organization and its service providers based on the framework provided by O'Reilly et al (1991).

THEORETICAL BACKGROUND

Strategic Outsourcing in Health Care Organizations

Outsourcing can be defined as transmission of services and operating functions that are performed internally to a third party service provider and controlling the sourcing through contract and partnership management (Roberts, 2001). It is the process of transferring the responsibility for a specific business function from an employee group to a non- employee group. In a research done by Lackow (1999), it has been found that although cost saving is the primary motive for outsourcing, there are other motives affecting the outsourcing. In this study, cost saving is found to be the top reason for outsourcing (% 59), however, improvement of services (% 54), the ability to focus on core businesses (% 46) and the ability to access outside expertise (% 40) are also identified as important motives in outsourcing (Zhu et al., 2001).

According to core competence theory, the firms, which outsource their subsidiary operations, can invest their released resources or cost savings from outsourcing to enhance their core business competency. By outsourcing subsidiary operations to experts, firms can better focus on their most value-creating core activities and the effectiveness of both outsourced activities and core businesses will increase (Jiang et al. 2006). Therefore, outsourcing is a strategic activity done not only for getting cost-savings but also for obtaining long-term competitiveness (Zhu et al., 2001). It has evolved from manufacturing perspective to a strategic perspective as a way for organizations to focus on core competencies. Quinn (2000) stated that outsourcing is conceivably the most effective tool for strategic management of the organizations in the 21st century.

Outsourcing also appears as an important strategic tool for health care organizations by means of improving the subsidiary operations' quality while decreasing their costs. Thus, when compared to other industries, the rate of outsourcing is higher in health care industry (Roberts, 2001). Due to the same reasons, health care organizations are expected to increase their budgets for external sourcing activities in the near future (Roberts, 2001).

Health care organizations generally prefer to outsource their subsidiary operations instead of their core functions (Sunseri, 1999). Shinkman (2000) reported that the most outsourced functions in health care are information technology (% 29), finance (% 20), and support services (% 19). Although outsourcing of the core businesses is very rare for health care organizations, the effective management of the outsourced subsidiary operations has critical importance due to two main reasons. Firstly, through effective outsourcing, health care organizations can focus on their core businesses and increase the quality of these services and in turn patient satisfaction. Secondly, since the staff working in the subsidiary operations such as information technology, beverage, cleaning and transportation have generally direct contact with the patients; their behaviors affect the service quality and in turn patient satisfaction. Hence, selecting the appropriate service provider is crucial for the health care organizations' success.

The Role of Culture in Strategic Outsourcing

In the literature, there are many definitions for organizational culture. Pettigrew (1985) defined organizational culture as an expressive social tissue that ties the bones of organizational structure to the muscles of organizational processes. Another definition emphasizes that organizational culture is the spirit or the personality of an organization (McAfee et al., 2002; Mintzberg et al., 1998). It inherently contains duality of pervasiveness and uniqueness inside (Mintzberg et al., 1998). Organizational culture includes shared values and beliefs over time, which produces behavioral norms that are adopted in solving problems (Schein, 1990). These shared values, assumptions, attitudes and norms bind an organization together and turn into manner or strategies of the organization. Culture also affects the operation of daily business activities in an organization. Although many rules and procedures are written and are parts of an organization's structure, how they are implemented is related to organization's culture (Weber & Cameree, 2003). Therefore, culture of an organization influences both the attitudes and behaviors of its employees as well as the level of performance that the organization achieves (Marcoulides & Heck, 1993).

In the literature, organizational culture is examined as an important factor that may affect not only an organization's internal relationships but also its external relationships with the other organizations (McAfee et al., 2002). It is argued that when organizations have compatible cultures, the likelihood of building effective relationships and sustaining them will increase. This issue is defined as cultural congruence, also referred as cultural consistency which is the level of value compatibility between the organizations (McAfee et al., 2002; Denison 1984; 1990). The concept of cultural congruence between two organizations and its effects may have different theoretical basis. First of all, it may be similar to person-organization fit (P-O), which deals with the impact of congruence or fit between individual and organizational attributes and values. Kristof (1996) defined the P-O as the compatibility between people and organizations that occurs when at least one entity provides what the other needs or they share similar fundamental characteristics or both (Ambrose et al., 2008). Schneider (1987) stated that the individuals can be attracted to organizations that they perceive as having similar values to their own and the organizations are also inclined to select recruits who seem to share the organizations' values. Therefore, when P-O exists, the performance and satisfaction of the individual and the tendency to stay in the organization increase (Bowen et al., 1991; Chatman 1988; 1989; Meglino et al. 1989; O'Reilly et al. 1991; Posner 1991). As stated, cultural congruence and its effects may be similar to P-O concept. However, in cultural congruence, the players are not the individual and the organization; instead they are two organizations working together. Another theoretical basis of cultural congruence may be related to having strong culture and its effects on sustainable success of the organizations and the productivity level of the employees. It is known that when organizations have strong cultures, which is the situation where values and mindset of the employees are very similar, the performance of the organizations and the productivity level of the employees will increase (Dennison, 1984). It can be assumed that when two organizations work together, they constitute a superior structure and act as a single entity in the external environment. If the cultural congruence exists between these two organizations, this superior structure may act as a single organization, which has a strong culture, because many employees in these two organizations share the similar values, beliefs and expectations.

Scholars generally focused on the impact of cultural congruence on the sustainable success of merging activities. For instance, Weber et al. (1996) and Weber and Camerer (2003) showed that when cultural congruence does not exist, the merger's performance will be below the expected level and employees will start to blame the other organization's employees. This situation may be related to culture clash, which is defined as the confrontation of different cultures in mergers, acquisitions, and joint ventures (Mintzberg et al., 1998) and leads to severe outcomes such as low level of performance and destroys the union formed (Mickel, 2000). Although culture clash is an integration issue, which is sensed more severely in the merging of different companies with different country origins, it can be argued that it has validity in outsourcing, too. When a firm outsources its activities, the cultures of the service taker and the service provider confront each other. At this point, the risk of culture clash will occur. Therefore, it can be argued that the existence of cultural congruence, which minimizes the risk of culture clash, may have substantial importance in outsourcing.

In the outsourcing literature, there are studies, which support this claim. For example, Jennings (1997) mentioned that the third step of outsourcing process, which is selecting the appropriate service provider, requires complex evaluations of many different criteria including cultural congruence between the service provider and the service taker. In case culture is not considered at the selection process, bridging the cultural differences between the service taker and the service provider will become an obstacle in the later stages of outsourcing. This assessment process of culture also enables preventing the occurrence of some risks deriving from outsourcing such as the loss of control and flexibility, low level performance of contractor, compliance violation and loss of positive reputation (Roberts, 2001). Similarly, McAfee et al. (2002) stated in order for relationship-based strategies to be successful, there must

be high degree of cultural consistency. Also, according to Mello and Stank (2005), for achieving supply chain effectiveness, the internal corporate culture and the external supply chain culture need to be consistent.

Existence of cultural congruence for outsourcing activities may be more important in service industry than in manufacturing industry due to the fact that in service industry, the main element for the success is the human resources (Sengupta et al., 2006). In the outsourcing of professional services, employees of the service provider may have direct contact with the customers of the service taker and affect the service quality and customer satisfaction. Therefore, in service industry, promoting strong organizational culture not only among the employees of the service taker but also among the employees of the service provider appears as an effective social control mechanism due to the fact that employees, who share same values and have similar mindsets, will perform in a similar way (Chatman & Jehn, 1994).

As mentioned, the existence of cultural congruence may have vital effects on the sustainable success of the outsourcing activities. Therefore, the current study focuses on the possible outcomes of cultural congruence on outsourcing activities in a health care setting.

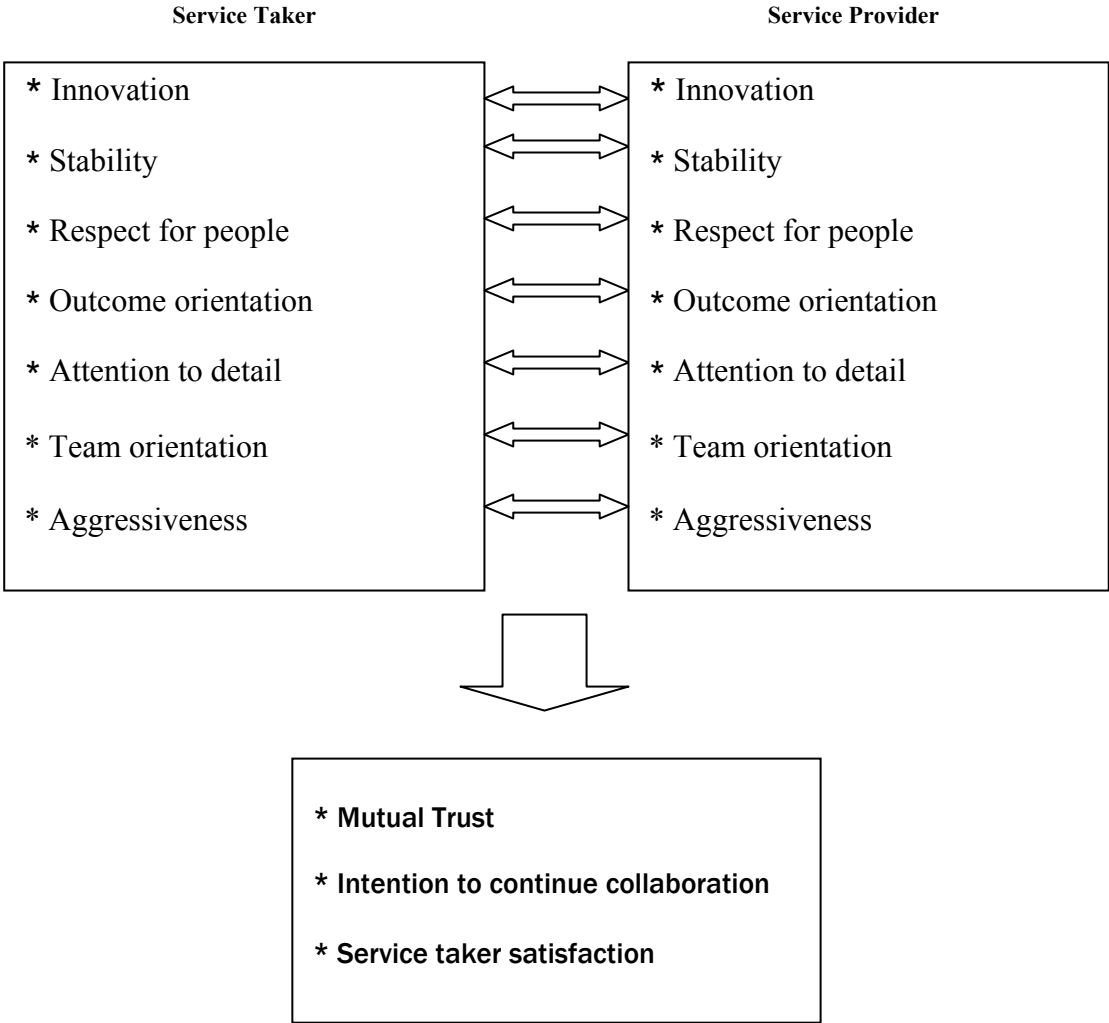
CULTURAL CONGRUENCE FRAMEWORK IN STRATEGIC OUTSOURCING OF HEALTH CARE ORGANIZATIONS

Cultural congruence between the service taker and the service provider plays a significant role on the sustainable success of outsourcing activities especially in health care industry due to the service provider's direct contact with the patients and their effects on patient satisfaction. However, we recognized that studies examining the effect of cultural congruence on the success of outsourcing and SCM are rare in quantity. Hence, the aim of this paper is to provide a conceptual framework examining the effect of cultural congruence between the service taker and the service provider in health care service supply chain. We argue that when cultural congruence exists between the service taker and the service provider, the likelihood of the sustainable success of the outsourcing activity will increase due to the similarity of expectations, beliefs and norms of the organizations.

Organizational culture literature is rich on offering different instruments for organizational culture assessments (Van der Post et al., 1997; Cameron & Quinn, 1999; O'Reilly et al., 1991; Veiga et al., 2000). Among them, one of the most known instruments is the "Organizational Culture Profile" (OCP), that was developed by O'Reilly et al. (1991) and whose reliability, validity and dimensionality were tested many times in different settings (O'Reilly et al., 1991; Chatman & Jehn, 1994). Due to the similarity of cultural congruence pattern to P-O fit, we have based our conceptual framework of cultural congruence on The Organizational Culture Profile (OCP) (O'Reilly et al. 1991), which is an instrument developed for assessing person-organization fit. This instrument is based on the argument that organizational culture is a set of shared work values. It examines the organizational culture according to seven dimensions, which involve different work values and assess an organization's culture according to the degree of having each work value (Chatman & Jehn, 1994). According to OCP, the seven dimensions are determined as innovation, stability, respect for people, outcome orientation, attention to detail, team orientation and aggressiveness. Innovation refers to the extent, to which an organization is willing to experiment, pays attention to benefit from the opportunities, and does not hesitate when taking risks and can not be limited with rules. Stability is something about being stable and predictable, concerning about the security, and being rule oriented. Respecting for people dimension refers to respect for individual rights, tolerance and fairness. Outcome orientation refers to being action, result and achievement oriented as well as having high expectations for performance. Being analytical, paying attention to detail and being precise are the main components of the attention to detail dimension. Team orientation points out the importance of being team oriented and collaboration among the members of the organization, and the last dimension, aggressiveness, refers to the extent to which the organization values competitiveness and being aggressive (O'Reilly et al., 1991; Baird et al., 2007).

It can be argued that existence cultural congruence in terms of the dimensions of OCP has substantial importance in outsourcing. As represented in Figure-1, outcomes of the cultural congruence between the outsourcer and the service provider according to innovation, stability, respect for people, outcome orientation, and attention to detail, team orientation and aggressiveness dimensions are conceptualized.

FIGURE-1: OUTCOMES OF THE CULTURAL CONGRUENCE BETWEEN THE SERVICE TAKER AND THE SERVICE PROVIDER



We propose that the cultural congruence between the service taker and the service provider can influence the success of the collaboration. We have considered mutual trust, intention to continue collaboration and service taker satisfaction as primary success factors that may be affected by a state of cultural congruency or incongruency.

Trust, which we consider as one of the success factors, is defined as the mutual faithfulness on which all social relationships ultimately depend (Lewis & Weigert, 1985). Interorganizational trust, the extent of trust placed in the partner organization by the members of a focal organization, directly affects the performance of exchange partners (Zaheer et al., 1998). In addition, the degree of trust among supply chain components impacts collaborative effectiveness and thereby supply chain and firm performance (Kwon & Suh, 2004; Petersen et al., 2005; Tian et al., 2008; Trkman & Groznik, 2006). Hence, observing and evaluating the antecedents of interorganizational trust is crucial for effective SCM. In literature, one of the cited antecedents of trust is cultural similarity at the individual (McAllister, 1995) and at the organizational level (Handfield & Bechtel, 2002). According to Parkhe (1998), cultural similarity brings the knowledge of and familiarity with each other’s modes of thinking and behaving, hence a greater comfort level and lower learning cost and time. These all affect the level of interorganizational trust.

According to our model, the success factor that may be affected by cultural congruence between the service provider and the service taker is “continue to collaboration”. Our proposition depends on the outcomes of P-O fit. When P-O

exits, individual's tendency to stay in the organization will increase (Bowen et al., 1991; Chatman, 1988; 1989; Meglino et al., 1989; O'Reilly et al., 1991; Posner, 1991). Extending this fact to the outsourcing literature, in our model, we propose that when cultural congruency exists between the service taker and the service provider, the intention to continue collaboration or intention to stay in the collaboration will increase.

Finally, satisfaction is both considered as job satisfaction in the organizational context and inter-organizational context (satisfaction in a supply chain) (Claire, 2003). The satisfaction of channel members increases morale among those involved, encouraging them to greater co-operation; and it reduces the rate of breakdowns in relationships (Claire, 2003). It also reduces conflict within the supply chain, which in turn helps to promote better overall performance (Lush, 1976)

In the literature, whether the satisfaction of a consumer or that of a member of a system, refer to literature on job satisfaction (Claire, 2003). Job satisfaction can be defined as a general attitude that the employer has towards their job (Silverthorne, 2004). Job satisfaction is also related to personality-job fit, it is taken as one of the components of the P-O fit (Kristof, 1996). Since organizational culture serves many purposes including establishing the norms for employees behaviors, it has a direct impact on the P-O fit (Silverthorne, 2004) and indirectly on job satisfaction due to the fact that it is considered as one of the components of P-O.

Sharing information before hiring employees and using culture to guide the selection process and criteria will result in a better P-O fit and hence higher job satisfaction and organizational commitment (Silverthorne, 2004). Due to the resemblance of culture congruence to P-O fit, we propose that the cultural congruence in outsourcing may result in a high level service taker satisfaction.

In our study, we focus on the health care service industry because the service sector firms rely mainly on social control mechanism like cultural values (Chatman & Jehn, 1994). We focus on the health care service industry due to the fatal importance that the industry carries. In the outsourcing of professional services, employees of the service provider may have direct contact with the customers of the service taker and affect the service quality and customer satisfaction. Hence, existence of cultural congruence has vital affects for health care organizations in their outsourcing activities.

CONCLUSION

The current study focuses on the possible outcomes of cultural congruence in health care service outsourcing activities. Although, the existence of cultural congruence has vital effects on the sustainable success of the outsourcing activities, the literature focusing on this issue is very limited. Therefore, our study addresses an important gap in the service supply chain and outsourcing literature.

As mentioned above, the existence of cultural congruence is vitally important for outsourcing activities affecting important success factors such as mutual trust, intention to continue collaboration and service taker satisfaction. Thus, firms, which are going to outsource their operations, should make careful analysis in service provider selection. Since, culture of an organization cannot change easily, achieving cultural congruence is possible in the selection stage. Also, after the selection process, to develop the relationship between the service provider and the service taker, cultural awareness programs may be helpful since they provide organizations to know each other and develop mutual trust.

In further study, we aim to test our model in a health care setting and provide empirical evidence for the effect of cultural congruence. Also, in further study, effect of the congruence for each culture dimension (innovation, stability, respect for people/people orientation, outcome orientation, attention to detail, team orientation and aggressiveness) on the success of outsourcing will be explained.

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CORE COMPETENCE BASED STRUCTURING IN SERVICE INDUSTRY AND OUTSOURCING AS A DOWNSIZING STRATEGY

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ABSTRACT

Service firms are forced to adapt the changing conditions and restructure due to the global competition, technological and environmental change which cause more expectations from service industry as a whole. Downsizing concept, a management strategy, which means act with less managers and employees while increasing effectiveness and flexibility is used as an important organizational change and development agent.

Downsizing, which aims to reach competitive advantage through reducing employee and layer numbers can be performed both by need or disability or a choice of management. Firms performing downsizing as a strategy practices another managerial strategy called outsourcing. This means, the firm leaves some of its functions which are not included in its core competencies to other organizations. This method is applicable in service industry as in manufacturing industry.

Service firms can leave some functions such as data processing, security, clearing, repair, food, transportation to the suppliers out of the firm. Outsourcing as a downsizing tool help firms to focus on competencies and develop them and reduce costs, improve quality, save time, improve flexibility and reduce fixed costs.

In this study, we examined outsourcing whether it is an effective tool for downsizing while the service firm structures around its core competencies.

Key Words; Core competence, Service Industry, Outsourcing, Downsizing

INTRODUCTION

The rapid changes in technology and international trade have changed the competition conditions, and service works are also affected by these changes like other businesses as in all systems. Global competition threatens all businesses ignoring their size and sectors in operation fields and it also provide new opportunities for the businesses which renew themselves and are abreast of the these changes. During the process of globalisation which caused serious economic, politic and social changes all over the world, businesses have rivals and markets beyond their orders. Businesses have to see what their core capacities are exactly in order to use their sources successfully in this competition atmosphere. Businesses will provide sustainable competition as long as they develop inimitable strategies in addition to efficient usage of their sources.

Downsizing, which is an active method on sustainable competition superiority by businesses operating with fewer administrators, workers and in less work, is an organisational changing and developmental vehicle used consciously and planned from the beginnings of the 80s. Businesses tend to prefer downsizing strategy by lessening their institutional steps because of the organisational reasons such as accelerating the decision process, focusing to main competence, forming an efficient communication network, lessening bureaucracy, and empowering the workers. Technology, environmental reasons, legal applications and financial causes are also among the factor that leads the businesses to downsizing. The downsizing concept which is utilized as effect and solution means in crisis periods and the downsizing decision taken consciously differs in terms of reasons and results. The businesses' direction to outsourcing in downsizing period is being a factor that increases the success of the downsizing strategy. Understanding of their core competences will help the businesses' administrators to determine the location and

measure of the downsizing in addition to explanation of detection of sections and activities providing competition superiority.

SERVICE ENTERPRISE CONCEPT

The importance of the service sector increases day by day which has accepted as an apart sector especially since World War II. Thus, the constantly developing sector finds application area in service sector. Today information is one of the vital elements of the life and so a new economy, called information economy, has emerged as a side effect of this case. Besides, service sector has outstripped the classical manufacturing understanding and take the control of the countries economies. This phenomenon has been clearer in 20th century and has indicated that the bases of the businesses in the future will be information and service fields. The service sector, which forms the larger parts of the developed economies in this age, is considered as a development criteria in countries' economies. When we examined the rates of countries sectors data, the rate of the service sector are in direct proportion with the development level of a country. On comparing the service sector rate of USA, Japan, Germany, France, Spain and many other developed countries with other undeveloped countries, the difference between them is seen clearly.

Services, which are different from concrete goods, physical objects, are quite hard to define. Yet, to define briefly, service can be explained as the facilities which are abstract, immovable, cannot be stored, simultaneously consumed, and bought by customers without any relation to goods. Services have specific features. These are:

- Cannot be handled. Services cannot be handled, heart and tasted. Thus, many problems are faced in services marketing. For example, services cannot be exhibited, their advertisements cannot be pictured, cannot be indicated as samples, and buyers cannot measure the quality and value of the services before the shopping. Meanwhile, it shouldn't be forgotten that some services represent the concrete objects such as ticket, insurance policy.
- Services are not apart from the service providers. Services are produced and market at the same time. The production of the service and its marketing cannot be separated. Thus, service cannot be market in several markets in a certain time. Besides, the person who produces and market service is an expert, so he cannot market various services together.
- Services are not enduring. Many benefits of the services are for short terms. They are produced in great amount beforehand and are not saved, stored. The losses of the empty seats in a bus or economic losses caused by free workers cannot be compensated.
- Cannot be homogenous. Services are different from each other. The services produced by the same person are different from each other as well. Briefly, the standardisation of services is not possible. Despite the standardisation of services as insurance, transportation is getting development, they definitely cannot be standardised as the goods.
- Close relations are established between buyer and seller. In many services marketing, close relation is established between buyer and seller. For example, patient and doctor, businessman and bank. On the other hand, buyers are important in services production and marketing compared with the goods. The efficiency in services sector is apt to the active contribution of the buyers to the production of the services. For example, in insurance sector, the communicative skills of the buyers with the insurer provide a suitable insurance service production.
- Marketing systems are very different and market is floating. The traditional distribution channels are valid for services marketing. For example, there is no similarity between financial services marketing and repairing services. The personal skills and creativity of the person who markets the service is very important.
- Most services supervised by the state. Banking, health, insurance and alike many services are supervised strictly by state and public bodies. (Service Marketing, http://www.gencbilim.com/odev/odevgoster.php?il=konya_meram&id=14690, access date:11.02.2008)

CORE COMPETENCE AND ITS ROLE IN BUSINESS

Generally all living creatures from their born and organisations have some competences from their foundations. It is possible to talk about the competitive advantage of the competence when the core competence is developed and have some superior aspects than others. Core competence will provide benefits to businesses on condition that it is developed and turned into competitive competence.

The assets and competences, those exist in all business and can be obtained easily, are inadequate for business to get by and provide competitive superiority (Ülgen and Mirze, 2006:120). Core competence defines the information, competence and skill that cannot be imitated easily by the competitors, play vital role in business' vision

development, make the business different from other businesses (Koçel, 2003:387). Every business has to develop a specific competence and it must be peculiar to itself. The thing that will give the competitive power to businesses is this competence.

Businesses' raw competences turn into core competences after a long term education and development process. Some competences either atrophy or disappear totally. As seen below core competences have two ways to follow, one of them is develop the core competences constantly and turn them into competitive competences firstly then into core competence, the other one is the process of the core competences, that are not used, atrophy and disappearing.

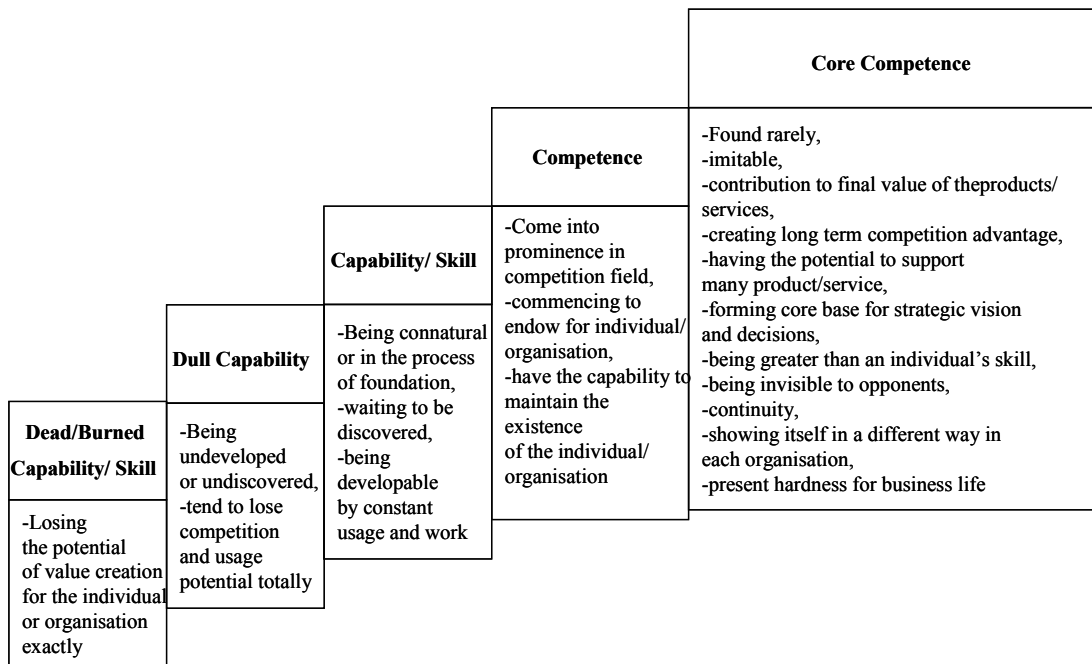


FIGURE 1. Competence Transformation Ladder

Source: Hulusi Doğan, Yetenek Tabanlı Stratejilerin Yükselişi: Kavramsal Bir Analiz Çalışması, Gazi Üniversitesi, İİBF Dergisi, (6/3), 2004, p.136.

The transformation of core competences formerly into competitive then into essence competences in businesses requires a long term work and education period. It is essential to decide the right competences to develop and put them in practise on spot, and then the outcomes will increase the chance of the businesses' success.

Despite the fact that core competences of each business is a source of competition superiority, every activity that provides competition superiority may not be in quality of skill, information or core competence. In order to accept the factors which make a business more successful than others as core competences, these factors have to bear these features (Koçel, 2003:387):

- It must be regarded core for the short and long term life of the business,
- It must be hard to imitate,
- It shouldn't be noticed easily by the opponents,
- It must bear an indiscernible quality to substantiate the strategic aims and vision of the business,
- Certain knowledge represents a certain mix composes of sources and processes, in the and it should be used for the production of final products which has a quality of basic product.
- It should play a basic role in making decisions such as downsizing of the business enterprise, composing strategical unities, attending the organizations of the networks, benefiting the out sources.

The business enterprises should determine which parts they downsize; in other words, they should determine the essence capabilities correctly while determining the dimension of downsizing. In the process of improvement the raw capabilities, the essence capabilities is the highest level reached after the competition capability. In the process of essence capability, the business enterprise has developed a unique capability which is not able to be copied or imitated by the rivals. The essence capabilities are complex combination of a lot of decisions and experiences the organization has to decide in the long process of improvement. So, the capabilities which depend upon the team work gives the power of the basic competition to the enterprise, organizational culture, style and methods are not imitated while the items such as factory, building, product as well as technology are copied easily (Doğan, 137).

The Theory of Basic Capability improved by Gary Hamel and C. K. Prahalad in the beginning of 1990's, has claimed that the strategical capability is necessary for the success of the enterprises in the global competition. The improvements in the field of The Theory of Capability have the alternative point of view in the analysis of the strategical and operational problems (Bourne and et all, 2003: 944, Chou and Chang, 2004: 126). Prahalad and Hamel have stated a point of view which is different from the traditional strategic authority models. The view which has been stated by these two writers, actually, has the idea of improving the traditional view rather than denying. The view of The Theory of Basic Capability includes the utilization of the outward items according to the analysis results which contain the inward capability and sources of the enterprise and analysis of them (Javidan, 1998: 60).

The authority models of the enterprises have been written again in the transition of industry age to the knowledge age after the Industry Revulation (Akin, 2003: 221-238). 1990's was the time when the modern theories were improved in the authority. The concept of capability is in the center of the theories of strategical ruling (Knudson, 2005: 1075).

The view based on capability has reported the organization as an open system composed by the fluctuate and stable items. To this view, the structure of the organization is a system composed by the concrete and abstract items and capabilities and the integration of them (Hafeez and et all, 2002: 29). The enterprises should be focused on their capabilities in order to provide competition advantage. To Hamel and Prahalad, an organization should improve a capability which makes a goal real in the future according to its strategical goal (<http://www.kalder.org.tr>).

It is difficult for an enterprise to provide its continuity and be powerful in our period when the dimension and subjects of the competition. Thus, the enterprises should compose strategies which improve their sources while using them and they should apply these strategies. The goal of the enterprises' improving strategies is to improve methods which diminish the effect of the organizational weakness, provide the competition advantage and occur the basic capability (Schermerhom, 2004). There is a strong connection between the basic products and the basic capability of the enterprises; Hamel and Prahalad have stated that the basic products of the enterprises show the connection between the basic capabilities and decisive products of the enterprises. To them, the basic capability should be the main point while composing strategy for an enterprise.

The basic capabilities as an improvement which affects today's authority application should take place in the enterprises themselves and the other whole activities should use outsources. By this means, the organizational structure of the enterprise will be able to be simple, both the organizational grades will be able to lessen and the higher authority will be able to have much time to think about the strategical matters (Prahalad and Hamel, 1990: 79-91).

An enterprise based on capability requires that it is able to do anything quite well (Mintzberg and Quinn, 1991: 813). The basic capabilities are essential for the continuity of the enterprise's success. The basic capability has strong relationships with ar-ge, production, logistic technology, strategical ruling, etc. (Chen and Wu, 2006: 197).

The capabilities define the capacity of the resources the enterprise has provided that they are ruled in a correct way to get the goal or run a work. Despite of the fact that the capabilities have the similar goals and the same sources, they have expressed how two different enterprises can achieve different successes or on the contrary they have expressed two enterprises can achieve the similar successes even though they have different resources (De Toni and Tonchia, 2003: 950). In the transition of the narrowing application of the service enterprises, true determination of the enterprises' basic capabilities, and which services is going to be held by the enterprise and which services is going to get outward or which services can be given up completely play an effective role on the enterprise authority when they decide.

THE EFFECT OF DOWNSIZING ORGANIZATION

Downsizing whose application field usually increases in crisis periods and which is a method applied first in order to decrease the costs is a period moving from the present organized contraction to a less human based construction. Peter F. Drucker has expressed that it is to be searched whether the lost will be higher or not when it is decided exactly not to do the job under consideration rather than trying to find the ways to make the operations more functioning in order to decrease the cost (Drucker, 1996: 205-206). There are alternatives for the enterprises to provide the competition advantage such as focusing the sources, diminishing the cost and differentiation. They also use the method which downsizing the enterprise in order to be beneficial and productive of the enterprise's activities, increase the worth and balance the benefits of authority and shareholders (Yılmaz, 2002: 31-50).

Downsizing is organizational activities for which the authority organization is responsible in order to be more functional and beneficial of the organization and be functional in the competition (Cameron, 1994: 189). Downsizing means not only the organizational structure of the enterprise but also being reshaped checking all the process, closing the units or parts which are outside the basic capabilities checking enterprise activities. At the end of downsizing, the enterprise decreases hierarchical stages and downsizes functions. Thus, the results are able to get which are to decrease in cost, to fasten the decisions, to adopt to the environment, to be focus on the costumer's needs, to make new ideas and to follow the individual responsibilities (Dinçer 1998).

There are a lot of concepts used as a synonym of downsizing or occur the same results as downsizing such as rebalancing, redirecting, reconfiguration, importunity, rationalizing, reshaped, finding the correct measure, innovation, reprocessing and re-measure. Consequently, the application of these concepts make the organizations downsize, there are differences between their goals, emphasize and the reasons of occurring. Downsizing of an organization means to decrease cost, process and the number employers, the decisions which authority has made and the applications applied by authority consciously (Koçel, 2003: 429).

Organizational downsizing is a ruling strategy which improves the labor force and methods sharing the same of the enterprise authority and planning to be more functional in order to improve the capability of production competition (Nelson and Broke, 1998: 372-373). The enterprises expect downsizing a higher benefit, to decide fast, more flexibility, qualification, to increase productivity and profit (Mishra and et al., 1998:86).

The goals of organizational downsizing are (Koçel, 2003: 86):

- to decrease the cost,
- to fasten the process of decision,
- to function the communication networks,
- to reply to the rivals' acts in a short time,
- to increase the benefit of the enterprise,
- to increase the productivity,
- to provide synergism,
- to provide the composition, improvement and application of new ideas,
- to qualify the employers,
- to improve the rival capability,
- to decrease the bureaucracy,
- to follow the individual responsibilities more easily,
- to improve the customer service,
- to be flexible of the system.

The enterprises have decreased the number of hierarchical stages in the organization in order to achieve the goals. There is consensus in literature about which organizational downsizing has been emerged by the main reasons, need and option (Rabin, 1999: 39). Downsizing based on option should be applied as a strategical decision in order to be good in the future or have advantage against its rivals despite available items and the position in the sector of the enterprise.

But the downsizing due to the requirement emerges because of technology, market structure and the changes in the laws with the internal and external surrounding. There is an element of absolute necessity in organizational downsizing that emerges because of requirements. Although the downsizing due to preference has a character of leader change, the downsizing due to requirement has a character of reactionary change when it is considered in terms of change.

Weather the organizational downsizing is due to preference or due to requirement in the strategy of decreasing the number of workforce does not only affect the workforce that got sacked but also the employees and all the community (Dalay and et al., 2002: 151). Especially in service enterprises, since decreasing the staff number is relatively more than reorganizing the work process, the enterprise administration must take precautions both against the negative effects of discharging in their later lives of the staff and to avoid the negative effects of discharging on the employees that go on working, and they must convince their staff to the necessity of downsizing and persuade them that it is a necessity for the administration. In the environment where people can stand out against even structural and technological changes it is impossible for the people not to be affected from the decision for the reduction of staff number. Beside the feelings of remaining staff for their discharged friends, their anxiety about for the result whether they will meet or not like their friends will also affect the remaining staffs' motivation and performance in the process of reducing the number of staff. Then the administration of the enterprise that apply the strategy of downsizing by the way of reducing the number of staff should notice the subjects mentioned below to

provide to save the discharged staff from the feeling of injustice and the remaining staff from “survivor syndrome” that emerges itself as anger, stress and weakness in organizational dependence.

- Reducing personnel must be applied in similar departments or areas, in which departments will the reduction be applied must be determined before according to the performance of the staffs.
- The reasons of downsizing and reduction must be told to the staff effectively.
- The act of discharging must be announced formerly, both discharged and remaining staff should be ready to the situation.
- Discharged staff must feel the act of discharging impartial.
- A supporting service must be given to the staff after discharging.

It is possible to have a crisis of confidence between the administration and the staff in the process of downsizing. The staffs’ distrusting about the correctness of the administration, their feelings about the enterprise that it was unreliable will affect the future performance of the staff. As a result, the staff that finds their job meaningless and consider themselves as temporary personnel will hesitate to use their authority, avoid risks that they must take as a result of their position. This situation will lead them to the fear of being next discharging personnel (Mishra and et al., 1998: 83-95). The administration of the enterprise must be ready to these in order to increase the success of downsizing by reducing the number of personnel and must persuade the staff that it was done in accordance with the work. Using the outsourcing in the enterprises that downsize by focusing their basic abilities emerges as an important administration weapon.

OUTSOURCING IN DECREASING THE EFFECTIVENESS OF DOWNSIZING ORGANIZATION

The competition that increases gradually by globalization makes the organizations’ survive difficult. The organizations have tended to determine their perfection areas in the process of re structuring in order to survive in the struggle for existence since 1990 (Büber, 1999:49). Nowadays the effort of an organization to provide all the production sources and expanding to all areas has become an adequate reason for the failure. Consequently, the enterprises have begun to limit their field of activity by their basic abilities. Outsourcing is an administrative strategy that enables the organization to focus the areas that provide competition advantage and providing the activities that are not in their basic competence area from other organization. In the other words outstanding is focusing the best thing that an organization can do and provide the other activities from out sources (Quinn and et al., 1990: 60)

The use of outsourcing is an administration approach that enables transferring the operational responsibility that served before by the enterprise for the service and process to the firms or people out of organization (Oktay, 2006:77).

Despite there is no unity among the writers about the definition, out sourcing application which can be defined as “contract manufacturing”, “out buying” or “using out sources” means transferring the sources to outside and sending away the works that have secondary importance (Karacaoğlu, 2001: 3-4). Outsourcing is providing certain parts of the work from other professional firms or specialists by a contract (Mejia and et al., 1998: 14). The common characteristic of the many definitions made for the outsourcing is the necessity of focusing to their basic competence and transferring the works that are not in their basic abilities (Karacaoğlu, 2001: 4).

Outsourcing has two main factors. The first one is the user of out source in the other words the real owner of the work and the other is the contractor. The enterprises which choose the way of downsizing quit doing some work process but because of the processes that they do not hold under protection of the organization they provide inputs needed in this process from other professional enterprises.

Strategical outsourcing is doing all processes by using out sources except special activities that can activate their unique competitive advantage (Franceschini, 2003: 1). Earlier, outsourcing was manufacturing the good or service that could be provided from the organization (Lacity and Hirscheim, 1993: 73). Outsourcing is a modern administration strategy that enables providing the activities which are not in their main interests from the professional enterprises by focusing the activities that provide competition advantage. In general meaning it is making other firms produce the service and parts that they can produce (Dalay and et al., 202: 198). Supplying proceedings except the special activities of the enterprises provides a unique competitive power to the enterprises that apply this method (Franceschini, 2003: 247).

Outsourcing is a kind of strategy that enables focusing on the activities which provide an advantage for the competition and providing the activities that are not in their special area from other professional enterprises (Dalay

and et al., 2002: 198). Outsourcing is accepted as one of the most accurate and easiest methods of increasing productivity. The features of outsourcing are below (Platt, 1996):

- Outsourcing is neither a temporary fashion nor a desire.
- Outsourcing is a kind of technique which provides using financial sources with optimum productivity.
- Outsourcing is a long term administration strategy.
- Outsourcing does not mean work loss.
- Outsourcing must focus on the area of basic perfection.

The reasons which take the enterprises to use outsourcing are mentioned below. These changes differs from the sector, geographical region and the size of enterprise (Saunders and et al., 1997: 68):

- Reducing the costs.
- Improving basic abilities.
- Downsizing
- Reducing and spreading the risk.
- Accelerating the tries for reprocessing.
- Providing the redistribution of the sources again.
- Increasing the quality.
- Increasing the performance
- Following the technological improvements.
- Reducing the pressure of competition.
- Globalization.
- Re-organizing.
- Implementing simple production model.

One of the reasons for outsourcing is downsizing. Organizational downsizing encouraged by outsourcing increases added value and develops competition power (İlter, 2002: 52-53). For the success of outsourcing the enterprise must determine its own basic abilities well and decide in which areas it is going to apply outsourcing.

Another thing in this subject to be careful with is investigating the outsourcing supplier whether it has got the specialization or not. In the other words it's important to determine the competency of the supplier for the subject of outsourcing. Working with the strong supplier with the competency in its area gives advantage to the employer. Suppliers enable the enterprises to focus their limited sources to their basic abilities. The suppliers enable the enterprises use their sources arranged for this area carefully by undertaking some of the chosen activities apart from their basic abilities. And they help the enterprises to direct their real energy for their basic abilities. When the advantage and expectations provided from the applications of downsizing and outsourcing are compared, it is seen that both methods serve to the same aims.

CONCLUSION

Outsourcing usage techniques carried out by focusing to the basic abilities and giving the works except from the main activities to the out suppliers is a way of downsizing and it has begun to take part in administrative literature predominantly since 1970. This method is used as a mean of effective management in these days. Both application of outsourcing and organizational downsizing affect the workforce market deeply. At first sight the organizational downsizing which is seen as banishing the unskilled workers has now a character of eliminating middle level and even top level positions. By the organizational downsizing the vertical structuring loses its feature, organizations wrap into a horizontal structuring. A correct downsizing strategy enables the organization gain more benefit with less cost by focusing their basic abilities. As the effectiveness of communication channels increased as a result of organizational downsizing the communication fastens and this provides a quick adaptation to the changes in the condition of competition and surrounding by enabling fast deciding between the channels. Every enterprise may not have the basic perfection in all the activities in its area. The enterprises that determine what the basic competence or what it must be, transfer their sources to specialize in this subject. Outsourcing provides this support to the administration of the enterprise since they are not deprive of the input that they will gain after they left the work process to other enterprises. An effective downsizing strategy and providing a sustainable competition dominance by focusing their own abilities help the enterprise to survive and look forward safely.

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HOW DOES THE PERCEPTION OF ALIGNMENT APPEAR? AN INTEGRATED MODEL INCLUDING THE AFFECT OF CONTINGENCY FACTORS ON LEADERSHIP TYPES AND STRATEGY DEVELOPMENT PROCESS

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ABSTRACT AND THE MODEL

The main object of this paper is to discuss the relationship between the strategy development process, environmental factors and leadership types on the base of alignment framework.

The model shown on Figure 1 includes the relationship between contingency factors (firm size, environment, technology type) and leadership types (command mode, symbolic mode, rational mode, transactive mode, generative mode); the relationship between contingency factors and strategy development process (emergent, mixed, formal); the relationship between leadership types and strategy development process; and the affect of the positive association between leadership type-strategy development process on perception of alignment (strategy, process, customers, employees)

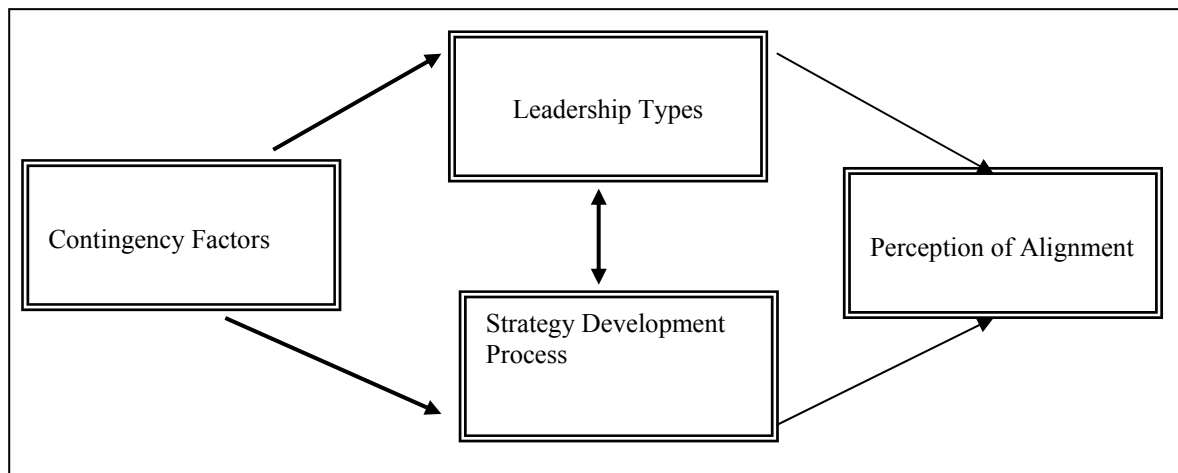


Figure 1: The research model

LITERATURE REVIEW

Interest in strategy as an area of management study began in the late 1950s and early 1960s according to the dramatic changes in competition factors. The first models on the strategic management literature tried to manage the strategy process with the perspective of strategic planning, as proposed by the prescriptive schools.

Starting in the late 1970s and continuing with increasing frequency each year of the 1980s, business and management journals published articles that criticize the concept of strategic planning. Then the articles mentioned that only few strategies actually achieved their intended objective (some estimated no more than 10 per cent), and questioned the value of management's affair with strategic planning. (Judson, 1996)

By the end of 1980s empirical research in strategic planning systems had begun to focus on two areas: its impact on firm performance, and the study of the organizational process of strategy development. (Grant, 2003).

The most important name on the “strategy formation process” area is Mintzberg (1994). He focuses on a very important question: “Must realized strategies always be intended?” His answer is surely “no”, and he also argues that strategy formation can be a process of incremental learning. He says that few strategies can be purely deliberate, and few can be purely emergent. All real world strategies need to mix those in some way. So he mentions about a scale of strategy formation process that begins with “emergent”, and ends with “formal”. The third type is in the middle of these, called “mixed” one.

On this paper, we tried to examine the relationship between the strategy formation process and alignment, which is the supporting of structure, culture and processes of an organization on strategic initiatives. Many researches proved that there is a significant correlation between the firm performance and the alignment of the firm. According to Labovitz and Rosansky (1997), organization is aligned;

1. When every member, from top management to the newly hired employee, shares an understanding of the organization’s strategic goals.
2. When every member of the organization knows how he/she contributes to the organization’s business strategy.
3. When every member of the organization can clearly state the needs of the organization’s customers and how organizational efforts contribute toward customer satisfaction.

According to the Labovitz and Rosansky model (1997), the four components of alignment are strategy; employees, customers and processes.

We strongly believe that there is a significant effect of the positive association between leadership type and strategy development process on the perception of alignment, and also we want to measure the relationship between the leadership types and perception of alignment. The research of Hart and Banbury (1994) showed that the role played by top manager can range all the way being a commander to that of being a sponsor. They developed a typology of leadership styles identifying five different modes of leadership during strategic formation process:

1. The Command Style: The strategy is driven by a leader or small top team.
2. Symbolic Style: Strategy is driven by mission and vision of the organization.
3. Rational Style: Strategy is driven by formal structure and planning systems.
4. Transactive Style: Strategy is driven by internal processes of mutual adjustment.
5. Generative Style: Strategy is driven by organizational actors’ initiative.

And at last, we should talk about the contingencies on our model. Hart and Banbury (1994) used two contingencies in their study:

1. *Firm Size (Small, between one and eight employees; Medium-Sized, between 8 and 50 employees; Large Firms, 50 or more employees)*
2. *Environment:*
 - a. *Complexity items: Actions affect competitors, complex business environment;*
 - b. *Munificence items: Market will grow, 12 month business outlook good*
 - c. *Dynamism items: Changing customer preferences, changing social values, changing business environment, difficult to anticipate change, new competitions unpredictable, unforeseen threats, innovation from the market, performance public policy link*

We also used “technology” as the third classic contingency, in a classic style of Perrow’s (1966) typology. The explicit dimensions in Perrow’s typology are: (1) the frequency of exceptional cases encountered in the work, which refers to the perceived nature of the raw materials; and (2) the search behaviors undertaken by individuals when exceptional cases appear, which refers to the actions of individuals in response to their perceptions of the nature of raw materials. Scales of Perrow’s constructs measure overall routineness of work, the presence of rules to guide work, insufficient knowledge of work processes, task interdependence with other departments, and task interdependence within the same department.

METHODOLOGY

We provided a set of questionnaire including the items of our model (contingency factors, leadership types, strategy formation process, perception of alignment), which is explained in the literature review. Then we applied a survey on middle and top managers from a sample of firms that operates in the automotive, textile, communication and banking industry. These industries were chosen because of the big differences of their contingencies and the leadership styles of their managers.

The sample of firms weren't selected from the top 500 lists or etc., as we wanted to see the strategy process on little firms, just as Hart and Banbury (1994) did. It gave us the chance of considering the main results with this study. We used face-to-face survey as much as we can, but we also used mail and telephone survey for reaching maximum participation. We used the Anova, Scheffe and Correlation tests to measure the power of our hypothesis and model.

HYPOTHESES AND RESULTS

Hypothesis 1: There is a correlation between the leadership styles and alignment. (Pearson Correlation Test)

Results: There is a positive correlation between symbolic, rational, transactive, generative leadership styles and alignment; there is negative correlation between commander leadership style and alignment.

Hypothesis 2: There is a significant difference between the strategy types through the perception alignment. (ANOVA)

Results: There is a significant difference between the strategy types through the perception alignment. Alignment level with prospector strategy is better than analyzer strategy, and also alignment level with analyzer strategy is better than defender strategy.

Hypothesis 3: Contingency factors affect the leadership styles and strategy development process.

3a: Technology type affects the leadership styles and strategy development process (pearson correlation test)

Results: There is a positive correlation between technology type and the rational leadership style. There is no correlation between technology type and other leadership types.

There is a positive correlation between technology type and strategy development process.

3b: Environment complexity, munificence and dynamism effects the leadership styles and strategy development process. (Multiple Regression Test)

Results: There is a positive correlation between environment complexity and symbolic, transactive and generative leadership.

In multiple regression there most important factor in environment complexity is munificence and there is a positive correlation between munificence and strategy development process, negative correlation between dynamism and strategy development process.

Hypothesis 4: There is a correlation between the strategic formation and alignment. (Pearson Correlation Test)

Result: There is a positive correlation between the strategic formation and alignment.

All the tables are given below.

Correlations

		TECH	COMPLEX	MUNIFIC	DYNAMISM	ENVIRONM	STRFORM	COMMAND	SYMBOLIC	RATIONAL	TRANSACT	GENERAT	ALIGNSTR	ALIGNCUS	ALIGNEMP	ALIGNPRO	ALIGNMEN
TECH	Pearson Correlation	1	,264**	,448**	-,369**	,295**	,312**	-,164	-,095	-,269**	-,053	,159	,138	,197*	,149	,039	,150
	Sig. (2-tailed)	.	,002	,000	,000	,001	,000	,064	,285	,002	,552	,071	,120	,025	,091	,657	,089
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
COMPLEX	Pearson Correlation	,264**	1	,396**	-,115	,695**	,202*	-,103	,149	,125	,069	,237**	,295**	,128	,256**	,152	,250**
	Sig. (2-tailed)	,002	.	,000	,195	,000	,022	,246	,091	,158	,435	,007	,001	,149	,003	,086	,004
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
MUNIFIC	Pearson Correlation	,448**	,396**	1	-,109	,839**	,548**	-,212*	,265**	,150	,251**	,288**	,448**	,348**	,488**	,349**	,483**
	Sig. (2-tailed)	,000	,000	.	,218	,000	,000	,016	,002	,091	,004	,001	,000	,000	,000	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
DYNAMISM	Pearson Correlation	-,369**	-,115	-,109	1	,248**	-,262**	,257**	,195*	-,073	,251**	,164	-,100	-,162	-,073	,089	-,069
	Sig. (2-tailed)	,000	,195	,218	.	,005	,003	,003	,027	,413	,004	,063	,262	,066	,413	,318	,440
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
ENVIRONM	Pearson Correlation	,295**	,695**	,839**	,248**	1	,377**	-,099	,327**	,135	,302**	,373**	,411**	,241**	,431**	,347**	,427**
	Sig. (2-tailed)	,001	,000	,000	,005	.	,000	,267	,000	,128	,001	,000	,000	,006	,000	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
STRFORM	Pearson Correlation	,312**	,202*	,548**	-,262**	,377**	1	-,625**	,496**	,589**	,356**	,499**	,696**	,538**	,681**	,625**	,748**
	Sig. (2-tailed)	,000	,022	,000	,003	,000	.	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
COMMAND	Pearson Correlation	-,164	-,103	-,212*	,257**	-,099	-,625**	1	-,135	-,437**	-,202*	-,310**	-,463**	-,342**	-,573**	-,521**	-,563**
	Sig. (2-tailed)	,064	,246	,016	,003	,267	,000	.	,129	,000	,022	,000	,000	,000	,000	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
SYMBOLIC	Pearson Correlation	-,095	,149	,265**	,195*	,327**	,496**	-,135	1	,674**	,675**	,730**	,581**	,413**	,564**	,628**	,644**
	Sig. (2-tailed)	,285	,091	,002	,027	,000	,000	,129	.	,000	,000	,000	,000	,000	,000	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
RATIONAL	Pearson Correlation	,269**	,125	,150	-,073	,135	,589**	-,437**	,674**	1	,640**	,683**	,527**	,452**	,478**	,596**	,599**
	Sig. (2-tailed)	,002	,158	,091	,413	,128	,000	,000	,000	.	,000	,000	,000	,000	,000	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
TRANSACT	Pearson Correlation	-,053	,069	,251**	,251**	,302**	,356**	-,202*	,675**	,640**	1	,730**	,615**	,585**	,494**	,477**	,630**
	Sig. (2-tailed)	,552	,435	,004	,004	,001	,000	,022	,000	,000	.	,000	,000	,000	,000	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
GENERAT	Pearson Correlation	,159	,237**	,288**	,164	,373**	,499**	-,310**	,730**	,683**	,730**	1	,831**	,544**	,687**	,615**	,791**
	Sig. (2-tailed)	,071	,007	,001	,063	,000	,000	,000	,000	,000	,000	.	,000	,000	,000	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
ALIGNSTR	Pearson Correlation	,138	,295**	,448**	-,100	,411**	,696**	-,463**	,581**	,527**	,615**	,831**	1	,643**	,823**	,603**	,909**
	Sig. (2-tailed)	,120	,001	,000	,262	,000	,000	,000	,000	,000	,000	,000	.	,000	,000	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
ALIGNCUS	Pearson Correlation	,197*	,128	,348**	-,162	,241**	,538**	-,342**	,413**	,452**	,585**	,544**	,643**	1	,572**	,395**	,739**
	Sig. (2-tailed)	,025	,149	,000	,066	,006	,000	,000	,000	,000	,000	,000	,000	.	,000	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
ALIGNEMP	Pearson Correlation	,149	,256**	,488**	-,073	,431**	,681**	-,573**	,564**	,478**	,494**	,687**	,823**	,572**	1	,752**	,936**
	Sig. (2-tailed)	,091	,003	,000	,413	,000	,000	,000	,000	,000	,000	,000	,000	,000	.	,000	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
ALIGNPRO	Pearson Correlation	,039	,152	,349**	,089	,347**	,625**	-,521**	,628**	,596**	,477**	,615**	,603**	,395**	,752**	1	,814**
	Sig. (2-tailed)	,657	,086	,000	,318	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000	.	,000
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129
ALIGNMEN	Pearson Correlation	,150	,250**	,483**	-,069	,427**	,748**	-,563**	,644**	,599**	,630**	,791**	,909**	,739**	,936**	,814**	1
	Sig. (2-tailed)	,089	,004	,000	,440	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000	,000	.
	N	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129	129

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

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

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
TECH	Between Groups	3,289	2	1,644	4,312	,015
	Within Groups	48,049	126	,381		
	Total	51,337	128			
COMPLEX	Between Groups	,751	2	,375	,574	,565
	Within Groups	82,369	126	,654		
	Total	83,120	128			
MUNIFIC	Between Groups	9,282	2	4,641	3,247	,042
	Within Groups	180,117	126	1,429		
	Total	189,399	128			
DYNAMISM	Between Groups	,109	2	,055	,124	,883
	Within Groups	55,282	126	,439		
	Total	55,391	128			
ENVIRONM	Between Groups	1,500	2	,750	2,263	,108
	Within Groups	41,773	126	,332		
	Total	43,273	128			
STRFORM	Between Groups	6,025	2	3,013	12,205	,000
	Within Groups	31,101	126	,247		
	Total	37,126	128			
COMMAND	Between Groups	20,090	2	10,045	9,296	,000
	Within Groups	136,155	126	1,081		
	Total	156,245	128			
SYMBOLIC	Between Groups	8,349	2	4,175	5,239	,007
	Within Groups	100,402	126	,797		
	Total	108,751	128			
RATIONAL	Between Groups	4,932	2	2,466	1,958	,145
	Within Groups	158,660	126	1,259		
	Total	163,592	128			
TRANSACT	Between Groups	13,910	2	6,955	9,118	,000
	Within Groups	96,114	126	,763		
	Total	110,024	128			
GENERAT	Between Groups	9,076	2	4,538	8,839	,000
	Within Groups	64,688	126	,513		
	Total	73,764	128			
ALIGNSTR	Between Groups	32,373	2	16,186	18,816	,000
	Within Groups	108,393	126	,860		
	Total	140,766	128			
ALIGNCUS	Between Groups	11,153	2	5,576	10,490	,000
	Within Groups	66,982	126	,532		
	Total	78,135	128			
ALIGNEMP	Between Groups	39,133	2	19,567	22,440	,000
	Within Groups	109,864	126	,872		
	Total	148,997	128			
ALIGNPRO	Between Groups	8,303	2	4,151	5,017	,008
	Within Groups	104,268	126	,828		
	Total	112,571	128			
ALIGNMEN	Between Groups	20,230	2	10,115	18,986	,000
	Within Groups	67,126	126	,533		
	Total	87,356	128			

Multiple Comparisons

Scheffe

Dependent Variable	(I) STRTYPE	(J) STRTYPE	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
TECH	1,00	2,00	-.2773	,12765	,099	-.5935	,0389
		3,00	,0942	,13986	,798	-.2523	,4406
		2,00	,2773	,12765	,099	-.0389	,5935
	2,00	1,00	,3714*	,13610	,027	,0343	,7086
		3,00	-.0942	,13986	,798	-.4406	,2523
		1,00	-.3714*	,13610	,027	-.7086	-.0343
COMPLEX	1,00	2,00	-.1614	,16713	,629	-.5754	,2526
		3,00	-.0114	,18313	,998	-.4650	,4423
		2,00	,1614	,16713	,629	-.2526	,5754
	2,00	1,00	,1500	,17819	,702	-.2914	,5914
		3,00	,0114	,18313	,998	-.4423	,4650
		1,00	-.1500	,17819	,702	-.5914	,2914
MUNIFIC	1,00	2,00	-.2818	,24714	,524	-.8940	,3304
		3,00	,3896	,27080	,358	-.2812	1,0604
		2,00	,2818	,24714	,524	-.3304	,8940
	2,00	1,00	,6714*	,26350	,042	,0187	1,3242
		3,00	-.3896	,27080	,358	-1,0604	,2812
		1,00	-.6714*	,26350	,042	-1,3242	-.0187
DYNAMISM	1,00	2,00	-.0403	,13692	,958	-.3795	,2988
		3,00	-.0743	,15002	,885	-.4459	,2974
		2,00	,0403	,13692	,958	-.2988	,3795
	2,00	1,00	-.0339	,14598	,973	-.3955	,3277
		3,00	,0743	,15002	,885	-.2974	,4459
		1,00	,0339	,14598	,973	-.3277	,3955
ENVIRONM	1,00	2,00	-.1612	,11902	,402	-.4560	,1337
		3,00	,1013	,13041	,740	-.2217	,4244
		2,00	,1612	,11902	,402	-.1337	,4560
	2,00	1,00	,2625	,12690	,122	-.0518	,5768
		3,00	-.1013	,13041	,740	-.4244	,2217
		1,00	-.2625	,12690	,122	-.5768	-.0518
STRFORM	1,00	2,00	-.0055	,10270	,999	-.2598	,2489
		3,00	,4831*	,11253	,000	,2044	,7619
		2,00	,0055	,10270	,999	-.2489	,2598
	2,00	1,00	,4886*	,10949	,000	,2173	,7598
		3,00	-.4831*	,11253	,000	-.7619	-.2044
		1,00	-.4886*	,10949	,000	-.7598	-.2173
COMMAND	1,00	2,00	-.3833	,21487	,208	-.9156	,1489
		3,00	-1,0119*	,23544	,000	-1,5951	-.4287
		2,00	,3833	,21487	,208	-.1489	,9156
	2,00	1,00	-.6286*	,22910	,026	-1,1961	-.0611
		3,00	1,0119*	,23544	,000	,4287	1,5951
		1,00	,6286*	,22910	,026	,0611	1,1961
SYMBOLIC	1,00	2,00	-.4939*	,18452	,031	-.9369	,9510
		3,00	,5844*	,20218	,018	,0836	1,0852
		2,00	-.4939*	,18452	,031	-.9510	-.0369
	2,00	1,00	,0905	,19673	,900	-.3869	,5778
		3,00	-.5844*	,20218	,018	-1,0852	-.0836
		1,00	-.0905	,19673	,900	-.5778	-.3969
RATIONAL	1,00	2,00	,0227	,23195	,995	-.5519	,5973
		3,00	,4513	,25416	,211	-.1783	1,0809
		2,00	-.0227	,23195	,995	-.5973	,5519
	2,00	1,00	,4286	,24731	,227	-.1840	1,0412
		3,00	-.4513	,25416	,211	-1,0809	,1783
		1,00	-.4286	,24731	,227	-1,0412	-.1840
TRANSACT	1,00	2,00	,2841	,18053	,293	-.1631	,7313
		3,00	,8377*	,19782	,000	,3476	1,3277
		2,00	-.2841	,18053	,293	-.7313	,1631
	2,00	1,00	-.5536*	,19249	,018	-.0768	1,0304
		3,00	-.8377*	,19782	,000	-1,3277	-.3476
		1,00	-.5536*	,19249	,018	-1,0304	-.0768
GENERAT	1,00	2,00	,4818*	,14811	,006	,1149	,8487
		3,00	,6342*	,16229	,001	,2322	1,0362
		2,00	-.4818*	,14811	,006	-.8487	-.1149
	2,00	1,00	,1524	,15791	,629	-.2388	,5436
		3,00	-.6342*	,16229	,001	-1,0362	-.2322
		1,00	-.1524	,15791	,629	-.5436	,2388
ALIGNSTR	1,00	2,00	,5000*	,19172	,036	,0251	,9749
		3,00	1,2857*	,21007	,000	,7653	1,8061
		2,00	-.5000*	,19172	,036	-.9749	-.0251
	2,00	1,00	,7857*	,20441	,001	,2794	1,2921
		3,00	-1,2857*	,21007	,000	-1,8061	-.7653
		1,00	-.7857*	,20441	,001	-1,2921	-.2794
ALIGNCUS	1,00	2,00	,3727	,15071	,050	-.0006	,7461
		3,00	,7549*	,16514	,000	,3458	1,1639
		2,00	-.3727	,15071	,050	-.7461	-.0006
	2,00	1,00	,3821	,16069	,063	-.0159	,7802
		3,00	-.7549*	,16514	,000	-1,1639	-.3458
		1,00	-.3821	,16069	,063	-.7802	-.0159
ALIGNEMP	1,00	2,00	,7159*	,19302	,001	,2378	1,1940
		3,00	1,4123*	,21149	,000	,8884	1,9362
		2,00	-.7159*	,19302	,001	-1,1940	-.2378
	2,00	1,00	,6964*	,20579	,004	,1866	1,2062
		3,00	-1,4123*	,21149	,000	-1,9362	-.8884
		1,00	-.6964*	,20579	,004	-1,2062	-.1866
ALIGNPRO	1,00	2,00	,4545	,18804	,057	-.0112	,9203
		3,00	,6105*	,20604	,014	,1001	1,1209
		2,00	-.4545	,18804	,057	-.9203	,0112
	2,00	1,00	,1560	,20048	,739	-.3407	,8526
		3,00	-.6105*	,20604	,014	-1,1209	-.1001
		1,00	-.1560	,20048	,739	-.8526	-.3407
ALIGNMEN	1,00	2,00	,5108*	,15087	,004	,1371	,8845
		3,00	1,0159*	,16532	,000	,6063	1,4254
		2,00	-.5108*	,15087	,004	-.8845	-.1371
	2,00	1,00	,5051*	,16086	,009	,1066	,9035
		3,00	-1,0159*	,16532	,000	-1,4254	-.6063
		1,00	-.5051*	,16086	,009	-.9035	-.1066

*. The mean difference is significant at the .05 level.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,586(a)	,343	,327	,44166

a Predictors: (Constant), DYNAMISM, MUNIFIC, COMPLEX

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12,743	3	4,248	21,776	,000(a)
	Residual	24,383	125	,195		
	Total	37,126	128			

a Predictors: (Constant), DYNAMISM, MUNIFIC, COMPLEX

b Dependent Variable: STRFORM

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,174	,285		11,146	,000
	COMPLEX	-,024	,053	-,036	-,454	,651
	MUNIFIC	,239	,035	,540	6,823	,000
	DYNAMISM	-,170	,060	-,207	-2,833	,005

a Dependent Variable: STRFORM

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TRANSFORMATIVE BUSINESS MODELS FOR ORGANIZING PRIMARY PRODUCERS AND THEIR INTEGRATION INTO VALUE CHAINS

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ABSTRACT

There has been wide spread recognition for the past number of years of the increasingly globalized nature of economies around the world. This phenomenon has generated considerable debate encompassing whether globalization is a positive evolution of economic activities or is detrimental to the interests of certain countries or specific groups (Kaplinsky, 2004, Nadvi 2004). Among the groups whose economic security is thought to be of greater risk from globalization are the small-scale producers in the developing world. Small-scale producers are defined as primary producers that are participating in economic activities but generate insufficient returns to escape from poverty on a sustainable basis. Hence, they are not destitute, which would call into play a different set of policies and solutions, but can be thought of as disadvantaged yet economically active producers.

This paper addresses strategic issues of small-scale producers/collectors (entrepreneurs) and presents an argument for devoting greater attention and resources to organizing groups (social networks) of primary producers/collectors in order to facilitate their effective participation in value chains. It is based on the premise that primary producers can be integrated into selected national and globalized value chains in such a way that increases their economic security and allows them to escape from a life of poverty on a sustainable basis while strengthening the competitiveness of the entire value chain as well. The questions that need to be addressed relate to characteristics of the producers themselves and characteristics of the economic sectors in which they operate. We employ a value chain typology for assessing primary producer value chain integration based on types of chain governance and upgrading options that are commonly found in value chains. Two testable hypotheses have been formulated to focus the study on the characteristics of successful producer groups and viable value chains.

INTRODUCTION

Enterprise development particularly at the micro and small-scale levels has been recognized as a strategy of economic development and poverty alleviation in developing economies. In recent years enterprise strategies have evolved from the ad hoc “livelihoods” model to the sectoral approach and more currently to value chain analysis. The livelihoods model was characterized mostly by the creation of isolated economic activities under a rubric of economic development, but with little or no integration with the wider economy. The more substantive sectoral approach is characterized by attention to a variety of business services both financial and non-financial and to backward, forward and horizontal linkages. Most recently the sectoral approach has evolved into the more sophisticated value chain analysis that encompasses the sectoral approach but also recognizes the necessity to understand the globalized dimensions and impacts of even remote rural enterprises.

This paper focuses on primary producers/collectors and their integration into the value chain – an area of research that has not been given much attention, but is essential if disadvantaged rural households are to graduate from simply supplying raw materials to more remunerative participation in the wider economy. Important changes are taking place in the agriculture sector, and more broadly in rural development, that are increasing the opportunities for the rural sector to participate in ways that will enhance its economic security. If the ultimate goal of development is the alleviation of poverty, then facilitating primary producers and collectors to organize into meaningful economic entities has a critical role. Such organization means going far beyond creating opportunities for marginal increases in incomes.

CRITICAL SUCCESS FACTORS OF PRODUCER INTEGRATION INTO VALUE CHAINS

The small producers/entrepreneurs of concern in this study are those that hover around the poverty line. They may be below or somewhat above it in terms of income and assets and they may move back and forth. Of greater importance is to determine how to raise those who are below and maintain those who are above on a sustainable basis. In other words, to facilitate a degree of economic security that allows producers to generate returns to their labor that results in escaping a life of poverty and remaining free from poverty in the future. Natural products such as non-timber forest products make a significant contribution to the economic security of disadvantaged rural households. In order to also capture these economic activities in the analysis the term small-scale producers is meant to include collectors of wild stand products as well as cultivators of domesticated products.

In this paper we provide a theoretical rationale for the success of the collaborative efforts among small-scale producers, hypotheses based on network theory, and the theory of collective action as well as insights on how to broaden these successes to have a wider impact involving even larger numbers of micro and small entrepreneurs. We use a broadly based definition of networks as both formal and informal relationships for business development purposes and define collective action as those situations in which individual self-interest is better achieved by cooperation with a group than by going it alone (Hardin, 1982).

Consistent with the theory of property rights (Barzel, 1994, Hart, 1995) we argue that small enterprises stand a better chance of both integration in a value chain and benefiting from such integration when there are opportunities for producer participation in ownership as a product moves up the value chain. As such, clustering that goes on to generate economies of scale among small producers at the production level (clustering often facilitates training, technology transfer, market, product development, perhaps financing) needs to be replicated as far up the value chain as possible (federation of smaller clusters into value adding processing, transport, packaging enterprises). The importance of scaling up is two-fold: one to expand the income benefits of a larger group of households and the second is to increase the income benefits through creating economies of scale/scope among micro enterprises (Zukin & DiMaggio, 1990) that might allow them to move up the value chain to small-scale dimensions.

This paper aims to initiate proving the validity of two main hypotheses: one that relates to the characteristics of the producers themselves and another regarding the characteristics of the value chains in which subsectors operate. The perceived lack of organizational mechanisms for cooperation among SMEs is likely the most prominent cause of the absence of their integration into value chains. The lack of organization among SMEs occurs at two levels the first being at the enterprise level itself (Humphrey & Schmitz, 2000). Primary producers are generally seen as simple suppliers of raw materials and not as economic entities that can benefit from organizational assistance. Primary producers often remain at subsistence levels of production when in many value chains they have the potential for upgrading to the commercial production levels of a micro enterprise. Upgrading subsistence level primary producers to a commercial entity of a micro enterprise is mainly a problem of perception on the part of both the producer and other actors in the chain. So the first challenge is to overcome the constraint posed by uninformed perceptions. Once primary producers are seen as commercially active microenterprises then the second level of organizational constraints can be addressed – that of facilitating cooperation and networking among the microenterprise producers. Even when the potential organizational benefits are recognized, there is a reluctance to facilitate its realization. It is often assumed that producers will organize themselves, or that firms higher up the chain will assume the responsibility. No firm will incur the expense of developing arrangements with specific suppliers in order to purchase products that the market freely provides.

Horizontal linkages refers to cooperation that occurs among like-firms - e.g., between small and micro enterprises and/or between other like firms higher up the value chain, such as exporters. The incentive underlying horizontal cooperation can be improved bargaining power, improved ability to meet quantity demands of buyers, and/or reduced transaction costs for buyers. Cooperation at the SME level, which is the concern of this paper, needs to focus on generating scale economies in terms of both backward and forward linkages. Vertical linkages refers to connecting SMEs to firms higher up the chain. SMEs often are not connected to value chains that reach beyond their local community. Facilitating the establishment of these linkages on a rational and commercial basis is often one of the initial steps needed to provide SMEs access to more promising market opportunities. The first hypothesis connects both of these types of linkages and maintains that horizontal linkages are a precondition to successful vertical linkages:

H 1. The successful integration of disadvantaged producers into selected value chains depends on the existence of organization among producers to generate economies of scale.

The second hypothesis deals with a question of how these organizing efforts on the local level fit into the broader economic environment. Broader market conditions, such as level of supply and demand, the exertion of market power, barriers to entry, and degree of vertical and horizontal integration determine the success of value chain participation of small-scale producers (Downing, 2004; Altenberg, 2006). These factors to a great extent parallel or determine the governance patterns of value chains. Humphrey and Schmitz (2002), and Gereffi et al. (2006) discuss a number of theoretical approaches that provide alternative explanations of the governance characteristics: transaction cost economics, network theory, and literature on firm capabilities and learning. Based on these theories and governance characteristics, a number of value chain typologies have been developed (Humphrey and Schmitz, 2002) with the main types being market based, network based, quasi hierarchy and hierarchy (see further discussion in the Value Chain Typology section). Each of these governance mechanisms/characteristics has a different impact on the upgrading potential of different value chains and thus:

H 2. The governance characteristics identified with different types of value chains, including market conditions, moderate the success of commercial participation of competitively disadvantaged producers in selected value chains.

Producer/participant group characteristics and conditions for sustaining productive networks among producers

The theories of collective action (Hardin, 1982), cooperation (Axelrod, 1984) and social networking (Tsai, et al. 1998) along with substantial empirical research (Croucher, 1992; Lyons, 2002; Ostrom et al. 1994) have identified certain characteristics that initiate and sustain cooperation among groups of individuals that promote group formation. While much of the empirical work is related to the management of natural resources, this paper argues that these characteristics can be extended to the organization of primary producers for economic purposes. This next section examines specific characteristics that promote and sustain productive cooperation among producers/collectors enabling them to collectively generate an economic magnitude at the marketplace and a significant presence in the value chain. This in turn allows them to deal more effectively with other actors in value chains and to capture economies of scale in accessing business development services both financial and non-financial.

Participatory Group Characteristics:

There are certain characteristics that are connected with the successful initiation and continuation of collective or cooperative action by groups that have applicability to organizing primary producers. Generally it has been found that it is easier to start and sustain cooperative social and economic networks when certain characteristics are present. These characteristics are presented below (Croucher, 1992).

Identification of the Participant Group is the first condition critical to the success of initiating collective action. Participants are those individuals who share in contributing to the costs and/or enjoying the benefits of a productive activity. In rural villages it is not difficult to identify the relevant group of participants. Nor is it difficult to identify non-cooperators, or free riders. Free riders are identified as noncooperators who have a harmful effect on the production of the primary product. In general, the relevant group should be able to claim and enforce exclusionary jurisdiction over the resource in question. While this is not so relevant to agricultural production on privately held land, it is important when the primary product is collected or harvested from common property (which is relatively frequent occurrence in the developing world).

Group Size: While it may seem that “smallness” is a primary concern in determining the relevance and potential for success of group size, it is generally not useful to assume that increasing the size of a given group automatically increases the probability that cooperation will fail. It helps to take into account not only the size of the group but also the ratio of benefits to costs. If that ratio is large then a relatively small fraction of the whole group would stand to benefit from taking responsibility for group governance, even without the active involvement of the whole group. Thus various forms of participation are tolerable, even some degree of free riding. This condition has importance for intragroup governance where the size of the group is large since it allows for the governance and management of large groups by a smaller subgroup.

As group size increases something else must change: be it average costs, individual valuation or the level of supply. One helpful way to understand group size has been proposed by Schelling (1978) and further developed by Hardin (1982). This is called the k group, which takes into account that it is not merely the size of the group but also the ratio of benefits to costs that is important. If that ratio is large, then a relatively small fraction of the

whole group would stand to benefit from providing the good (in this case governance) even if this subgroup barely stands to benefit from providing the group good, even without the active involvement of other members of the whole group. This allows that various forms of participation, including to some extent free riding. The entire membership of the relevant group does not have to commit itself to active participation as long as they subscribe to the shared values or shared paradigm that facilitates a common understanding of collective goals of the group and of proper ways of acting in the social network. Experience has proven that it is much easier to initiate and sustain collective action in communities that have a history of cooperative efforts (McCay and Acheson, 1987; The National Research Council, 1985). Often this can be found in the management of natural resources or common property resources, such as the Van Panchayats (Village Forest Committees) of Uttarakhand, India. The Self Help Group Movement which has evolved over the past decade in providing savings and credit facilities at the village level has also set the ground work for building cooperative economic institutions among primary producers (Sivramkrishna et al. 2001).

Income Effects: The importance of income effects is not a trivial issue. Often with many products, such as natural products, simply supplying raw material is not economically interesting enough to maintain people's interest. Producers or collectors may do it out of desperation, but once something more lucrative comes along they will quickly abandon their role as suppliers of raw material. This points to the importance of developing value adding activities that will increase the economic stake of the participants.

Conditions for Sustaining Productive Networks among Producer/Collectors:

Repetitive Encounters: This lends a dynamic element to the analysis in which interactions among members of the relevant group are either ongoing or recurrent, meaning there is no single choice, but rather a sequence of choices to be made. Each person's future choice may be contingent on other people's current choices. Most interesting group choices are made by groups that are ongoing. It is such dynamic situations that characterize important interactions among groups organized for economic purposes. It is generally agreed that cooperation among the group emerges as a rational strategy in such open ended situations marked by repeated interactions among members of the group. This condition of repetitive interaction is made more compelling by considering it along with the importance of the future on present behavior.

The Shadow of the Future: While it is generally believed that poor households have high discount rates (meaning that present concerns with survival greatly outweigh consideration of future benefits), determining the discount rate for various groups in society is more complex than the above simple assertion. In situations involving economic decisions the discount rate depends on a number of factors, including: i) assurance that present participants and their heirs will be able to reap the benefits of investments in productive activities and their management both in the short and long terms; ii) discount rates may vary by type of participants: provider/users may have very low discount rates; users alone, somewhat higher; cooperating individuals who neither provide nor use, even higher; and noncooperative free riders, very high; iii) discount rates are affected by the general level of physical and economic security of the participants; and iv) societies have general norms over the relative importance of the future to the present. An important way to promote cooperation is to arrange for frequent interactions among the same individuals which allows for cooperation based on reciprocity to become stable. This is largely due to lowering transaction costs in making joint decisions in rural communities and, as will be seen in the next two paragraphs, to greater social stigma for violating the common good.

Reciprocity: The principle of reciprocity holds that people behave well (cooperate) because they see the advantages to be gained through cooperation and recognize that they can extract their due only if they fulfill their obligations as well. Reciprocity, making a conditional response to a provocation, is a better foundation for sustained collective action than unconditional cooperation. This is especially true when there is no central authority to do enforcement and the participants must rely on themselves to give each other the necessary incentives to elicit cooperation rather than opportunistic behavior. This condition of reciprocity is at the heart of the success of the Self Help Group Movement. The relative importance of conditions of repetitive interactions and importance of the future is reinforced by reciprocity. A community using reciprocity can police itself, reducing transaction costs. Internal monitoring is a key factor in successful management of cooperative economic activities. The question remains as to what form the enticement should take, but by guaranteeing punishment of any individual who tries to be less cooperative, opportunistic behavior can be made unprofitable.

Retaliation (Threats and Sanctions): The chief means of enforcing cooperation is by retaliation through mutually deterring threats and sanctions. If the potentially noncooperating members will be worse off after the announced threat has been carried out, they should be deterred from renegeing on the agreement. In this way even nonbinding agreements can achieve stability. By this definition a successful threat is one that is not carried out.

Mutual fear plays a significant role in keeping situations in rural communities under control. There is awareness that everyone is vulnerable if there are no checks on behavior.

Rural communities generally operate under a set of rules that define suitable social behavior. These rules operate to eliminate conflict of interests by defining what it is that people expect from others in the community. In other words they reduce ambiguity that leads to conflict and increase assurance that leads to cooperation. Rules do not solve all problems but they simplify interactions by presenting a framework for organizing economic activities. Small groups are able to institutionalize ways of warning opportunists. The importance of reputation in rural societies is quite high, so threats that contain messages of ridicule or condemnation are very effective. More formal methods of punishment can be handed out through the imposition of fines, ostracism and the withholding of cooperation in other aspects of social life. The existence of the provocability, reciprocity and retaliation conditions means that a community should be able to establish fair rules and enforce them in the long term thus assuring the sustainability of cooperative actions.

The Value Chain Typology

The definition of value chain has evolved over time (Porter, 1985, 1990; Womack & Jones, 1996; Gereffi, 1994, 1999; Gereffi et al., 2006; Kaplinsky, 2000). A value chain is a sequence of value-adding activities in an industry or subsector, although the concept has been extended to apply to broader, even global, supply chains. This paper looks at value chain analysis from the local level perspective. It attempts to move the thinking primarily on two issues: first, that of conditions conducive for horizontal networking (linkages) of primary producers into economic organizations of scale and presents an argument for devoting greater attention and resources to organizing groups (social networks) of primary producers/collectors in order to facilitate their effective participation in value chains. It is based on the premise that small-producers can be integrated into selective national and globalized value chains in such a way that increases their economic security and allows them to escape from a life of poverty on a sustainable basis while benefiting the entire value chain as well. The second issue is how chain governance and related upgrading options affect primary producer integration. The questions that need to be addressed relate to characteristics of the producers themselves and to characteristics of the economic subsectors in which they operate. Based on previous work by Humphrey & Schmitz (2000, 2002), Kaplinsky (2000), and Gereffi et al. (2006) we adopt a typology of value chains based on two variables, the types of governance that characterize chains and upgrading options that are most viable under different types of governance. This typology (suggested in Schmitz and Elgar, 2006) is applied to the three case studies that inform the paper (see Exhibit 1).

EXHIBIT 1: THE VALUE CHAIN TYPOLOGY FOR ASSESSING PRIMARY PRODUCER INTEGRATION

Types of chain governance	Market	Network	Quasi-Hierarchy	Hierarchy
Upgrading options				
Process		DNPL (silk, honey)	HBTL (Paper*)	
Product	SKPC** (seeds)	DNPL (silk)	HBTL (Paper*)	
Functional		DNPL (silk)	HBTL (Paper*)	
Inter-sectoral		DNPL (honey)	DNPL (honey)	

* Upgrading potential as yet unrealized.

** The case studies are synopsized in the section Findings from Select Cases.

Humphrey and Schmitz (2000, 2002) distinguished among four types of value chains: 1. Arm's length market relations (Markets), where buyers and suppliers do not need to develop close relationships because the product is standard or easily customized. 2. Networks, where firms develop information-intensive, reciprocally dependent relationships. 3. Quasi hierarchy in which one firm exercises a high degree of control over other firms in the chain, frequently specifying the characteristics of the product to be produced. 4. Hierarchy, where the lead firm takes direct ownership of some operations in the chain.

With these distinctions we can then determine whether some types of chains offer primary producers better upgrading prospects than others. Such questioning can be further refined if one distinguishes between different types of upgrading (Humphrey & Schmitz, 2000, 2002; Kaplinsky, 2004): 1. Process upgrading: transforming inputs into outputs more efficiently by reorganizing the production system or introducing superior technology. 2. Product upgrading: moving into more sophisticated product lines (which can be defined in terms of increased unit values). 3. Functional upgrading: acquiring new functions in the chain (or abandoning existing functions) to increase the overall skill content of activities. 4. Inter-sectoral upgrading or chain upgrading: using the knowledge acquired in particular chain functions to move into different sectors.

Since the concern of this paper is to understand how primary producers can collectively improve their economic well being through integration into select value chains, it should not come as a surprise that the first type of chain – Market Based – and perhaps the last type – Hierarchy - have very little to offer such producers who want to evolve beyond simply supplying raw materials to actors further up the chain. Market Based chains are characterized by a large number of suppliers who have little to do with actors higher up the chain. Buyers can easily switch to other suppliers if it suits their interests. With Hierarchy type chains, there may be some possibility for organized primary producers to upgrade their products, but this is, by nature of the chain, entirely at the discretion of the lead firm, which may or may not appreciate the importance to the chain of a well organized base of primary producers. Public investment in chains where primary producers are unlikely to be competitive will not generate sustainable growth or economic security.

Thus, the greatest potential for organized producer groups to integrate into value chains and improve their economic security is found within Network and Quasi-Hierarchical type chains. To maintain competitiveness over time, interventions need to be framed and monitored within the context of achieving win-win relationships, on-going learning and innovation, and increased breadth and depth of benefits to assure industries can compete in markets that are dynamic and increasingly more open to global competition (Downing 2003). These characteristics are more likely to be found in Network and Quasi-Hierarchical Chains. It should be noted that the concept of upgrading (as distinct from innovation) explicitly recognizes relative endowments, and hence the existence of rent (Kaplinsky, 2004, p.37), which can be exploited by various actors in the value chain.

RESEARCH PROCEDURE AND METHODOLOGY

The small-scale producers that form the basis of this study include households from remote Himalayan villages in both India and Nepal as well as households from the mid-India state of Madhya Pradesh. The Himalayan households are more dependent on harvesting and processing natural products rather than involvement in traditional mainstream crops while the Madhya Pradesh households are cultivators of more traditional mainstream crops of food grains and pulses.

We initially used descriptive case study methodology to examine the two main themes of our paper: organizing of small-scale producers to achieve economies of scale and the role of favorable or unfavorable market conditions. We examined specific characteristics that promote and sustain productive cooperation among producers/collectors enabling them to collectively generate an economic magnitude at the marketplace, to deal more effectively with other actors in value chains and to capture economies of scale in accessing business development services both financial and non-financial. The main goal of the study at the current stage was to form a sound theoretical framework and hypotheses to examine collaborative processes among small-scale producers along with their inclusion into broader value chains.

FINDINGS FROM SELECT CASES

The analysis will be grounded in the experience of three producer-owned economic organizations: Devbhumi Natural Products Producer Company Ltd (DNPL) based in India in the Himalayan State of Uttarakhand, Himalayan BioTrade Ltd. (HBTL) based in Kathmandu, Nepal and Samarth Kisan Crop Producers Company Pvt. Ltd (SKPC) based in Shahjapur, Madhya Pradesh.

Devbhumi Natural Products Producer Company Ltd (DNPL) was set up in order to provide product development, production management and marketing services to link production to mainstream markets and also to take advantage of the greater opportunities for shareholder participation. Its primary products are oak tasar silk garments and honey, but it also has plans to expand into other natural products such as dwarf bamboo products and high value agricultural products such as organic spices. The Company is owned by over 4000 shareholders

who are also its primary producers; it is overseen by a Board of Directors who set policy and offer guidance to the Managing Director. It employs 15 staff and has realized a profit of Indian Rupees 4,462,859 (US \$ 113,000) in 2007.

Himalayan BioTrade Ltd (HBTL) is owned by the community-based economic entities which in turn are owned by over 4000 primary producers from rural Nepal. HBTL is still restricted to the 50 shareholder maximum of a private limited company as Nepal has yet to introduce a more participatory organizational option. Among their shareholding and partner companies are: Mallika Handmade paper which specializes in lokta bark paper, a unique quality paper from wild stand bushes; Humla Oils Pvt. Ltd. which specializes in high quality, wild stand, essential oils; and Deudhunga Multipurpose Cooperative which produces essential oils from wintergreen leaves and twigs. Sales in 2007 reach Nepali Rs 6 million (US \$ 88,000) and became profitable in its fourth year of operation. HBTL employs 10 staff in Kathmandu.

The Samarth Kisan Crop Producers Company Pvt. Ltd. (SKPC) was established as one of 17 producer companies as part of a poverty alleviation program of the Government of Madhya Pradesh in cooperation with a World Bank. It is owned by 6500 small and marginal cultivators of grains and pulses. The company aims to reengineer the supply chain management by reducing the role of middlemen, facilitating better market opportunities to members, organizing the farmer's production as per market demand and availability, converting them from small producers to agribusiness entrepreneurs, from subsistence production of grain for household consumption to commercial production of high quality certified seed. The company is a federation of Common Interest Groups (CIGs) which have been facilitated by the project. These groups are self selected with a minimum of 5 members who all share the same entrepreneurial interests. Unlike Self Help Groups they are not involved in saving and credit activities. The major incentive to membership, and perhaps the greatest threat to their long-term sustainability, is a Rs. 20,000 grant contribution per member from project funds which goes to the Village Development Councils. The project has organized 56,000 such CIGs which have been federated into 2500 Village Development Committees which provide savings and credit facilities. 17 Producer Companies have been formed of which 15 are land based dealing in grains and pulses seed production, fruits and vegetables and spices; 1 deals in poultry and 1 in dairy. The Company is 18 months in operation and profitability is yet to be determined.

Relevance of the Three Cases – Producer Characteristics and Conditions for Sustaining Productive Networks

The groups that form DNPL and HBTL have the most well structured system of identifying participants. They both have been in operation for much longer than the SKPC and because they source their raw material from natural resources, participatory group identification is far more important than the case of SKPC where most of the shareholders in the Company hold privately owned agriculture land. DNPL has the strongest group network beginning at the village level with Self Help Groups from whose participants affinity or common interest groups are self selected based on common interest in a particular economic activity. The approach is demand driven with stakeholders given exposure to a variety of economic opportunities that allow them to make informed decisions as to which activity or activities they wish to pursue. These village-based economic groups form valley associations and valley associations group into watershed associations. Both handle organizational and commercial issues at their respective levels. There are no direct subsidies given to individuals and even capital investments made for demonstrations are sold to stakeholders at an agreed upon discounted rate. A commercial mindset is instilled from the very beginning. Representatives are elected at each level from the relevant groups and meet frequently enough to form a clear identification of one another.

HBTL stakeholders in Nepal are small and often remote village based economic entities who have been in business for several years and are also well known to one another. There is however no federation of these groups at present and they act more or less in isolation of one another. Plans are in the pipeline to deal with this issue particularly in the hand-made paper and essential oils sectors, but high transaction costs of working and organizing economic activities in rural Nepal are constraints at present.

SKPC is the newest entity being only 18 months old. While it has achieved significant success, it is still unclear how well-known the group members are to one another outside the village. Common Interest Groups have been formed and are self-selected, but a substantial cash subsidy is also involved. The longer term impact of this subsidy on group sustainability is yet to be determined but should be watched closely.

In the case of “free riding” SKPC is of the opinion that it has little control over members of the company who do not contribute beyond being shareholders. At present there are 6500 shareholders but 1500 active producers who

sell to the company. Given its newness this is currently not a problem but could present obstacles over time if non-active shareholders want to change company policies in ways that do not favor active producers. So it is advisable for SKPC to increase the size of its active shareholder component. The issue of “free riding” is more relevant to DNPL and HBTL since non-cooperators can also have claims over the resource. This has in fact presented problems in the past for DNPL in its oak forest based sericulture activities but the “relevant group” was able to resolve the issue in favor of the silkworm rearers. In all three cases the “k” group can be identified as the respective Boards of Directors who have determined that their cost/benefit ration is sufficiently favorable to warrant their active participation in running the enterprise.

The importance of income effects is best illustrated by the oak tasar value chain activities undertaken by DNPL. The entire value chain from rearing of silkworms, spinning and reeling yarn from cocoons, to weaving of fabric is being undertaken locally by the producer households. At each stage of value addition the producer household realizes more income. This has even greater importance since the rearing activities are yet to be commercially viable, but are carried by the profitability of the spinning, reeling and weaving activities.

In the case of HBTL’s lokta handmade paper, while there is substantial potential for value addition by producers, it has yet to be realized due to lack of networking among producer groups. Federations of paper-making producer groups could result in a substantial improvement in the quality of paper, in lowering production costs, introducing improved methods all of which translate into significant income gains for Nepal’s very poor remote villagers who rely greatly on natural products like lokta for their economic security. On the other hand, under the current arrangements if other more lucrative offers were to materialize, it is likely that a number of paper-makers and raw material collectors would abandon the sector.

SKPC attracts members’ active participation by offering Rs 100 per quintal (100 kgs) more for wheat seed than the market. At present the demand is good and the quantities managed by the Producer Company do not pose a threat to traditional market forces, but if this situation were to change, there is uncertainty as to how competitive the Company could remain. Wheat seed production is a sector of relative easy entry, easy exit with many buyers, thus it falls more within the Market-Based Value Chain governance type which is the least likely to facilitate upgrading opportunities for primary producers or to reward organization among these producers.

Applying the Value Chain Typology

Oak tasar silk garments value chain. Chain governance is characterized as a network in which firms develop information-intensive relationships with essential competences divided among them. The interaction is coordinated and the relationship is characterized by reciprocal dependence. Rearers depend on spinners and reelers to purchase their cocoons and spinners and reelers depend on rearers for the supply of this raw material. Similar reciprocal arrangements exist between the yarn producers (spinners and reelers) and weavers. The first several steps in the chain (seed cocoon preservation, rearing of silkworms, spinning and reeling of yarns and weaving of fabric) are all conducted by various producers who are often members of the same household and are all shareholders in the producer company.

Coordination and information exchange within and among these various steps of production are the responsibility of the producer company which also is responsible for vertical linkages both backward and forward. The producer company is also responsible for product development and marketing of the final products (shawls, stoles, mufflers, saris, etc.). Buyers may and often do specify certain product performance standards to be attained such as the use of certain weaves or process standards, the use of natural dyes, but a level of confidence that the supplier can meet them has to be achieved.

In terms of upgrading, a variety of options have been employed. Process upgrading is on going with improved spinning, reeling and weaving machines being tested and adopted. New varieties of oak plantations have been introduced that serve as both an improved and more reliable supply of food for the silk worms as well as a biodiversity conservation strategy in the fragile Himalayan environment.

Product upgrading presents interesting lessons as the most important innovations have come from the producers themselves. The idea of blending wool yarns with the tasar silk yarns was thought of by a village woman spinner and resulted in the creation of a unique fabric that caught the attention of the market. Experimenting with various locally available plant-based materials to produce natural dyes led to the discovery that a highly invasive plant, for which no use had been found, is suitable for making natural dyes in a variety of exciting colors.

Functional upgrading was the first type of upgrading to be adopted; and that too out of necessity. The initial business plan called for production to stop at the yarn production stage, but a substantial drop in the price of oak tasar yarn due to the sudden and unexpected appearance of cheap good quality Chinese oak tasar yarn on the Indian market led to a choice to either give up the activity altogether or move further up the chain to weaving of fabric. That choice coupled with introducing wool yard blend made all the difference for the Company. A truly unique fabric was developed that captured the market's attention.

Beekeeping/honey value chain is considerably different. For one, ease of entry/exit is far more common than with sericulture. Beekeeping has been a traditional subsistence activity in the mountains for many decades with honey treated as a barter item for ghee (clarified butter) and thus its price is not set by the market but by exchange for ghee making it a costly item. Efforts to get producers to reduce the price have been mixed. The barter price is Rs 100 per kg whereas a true market price would be closer to Rs 60 per kg. The solution was to encourage beekeepers to sell whatever they could for Rs 100 on the local market with the company purchasing any surplus at Rs 88, still higher than the market price. To make honey a viable commodity, three strategies were promoted. First of all the honey was certified as organic (the first organically certified organic honey in India) and secondly a brand was developed – Devbhumi Honey – honey from the land of the gods. Thirdly, less expensive honey from the foothills was purchased and sold as Special Grade (but not certified organic honey) to balance out the more costly mountain honey. One thing in the subsector's favor was that the quality of both the organic and special grade honeys was exceptional. Finally, by-products (organic bees' wax and pollen) help to make the industry more economically viable. The honey value chain is more like any agricultural commodity value chain in that there is nominal value addition. The major difference lies in market development which has potential with both niche and international dimensions.

Chain governance in the honey subsector in India was traditionally dominated by one large company with all India coverage and many small barely viable local products with very limited markets. Honey consumption in India is comparatively quite low on a per capita basis, used mostly for medicinal and religious purposes. Hence the large company has been able to purchase wild honey very cheaply, process it extensively and make a rather poor quality product. In order to compete in this setting the producer company had to focus on relatively new, but growing, niche markets characterized by urban upper middle class consumers who have started using honey as a table item and who wanted good quality and even organically certified products. This has been the primary focus of the Company from the beginning; and pragmatically, while attempting to develop its own brand, it was not reluctant to sell to other markets which either wanted bulk packing for institutional purposes or for their own branding or packaged bottles but again for their own branding. Thus the producer company adopted a dual strategy of working two value chains – one in which the buyers totally controlled the transactions and the other in which the Producer Company struggled to create its own brand and develop its own markets.

With its current product mix of high quality **grains and pulses seeds** (value chain) SKPC while it is carrying value adding activities by selecting and certifying seeds, is operating within a Market type value chain characterized by easy entry and exit, where a number of suppliers can meet buyers demands and switching suppliers is relatively easy. In such a chain which may be described as "flat" (where the product is produced and sold locally) upgrading potential is limited and the Company has probably exhausted its upgrading possibilities. While competitiveness can be sustained to some extent through greater efficiencies in production and processing resulting in lower costs, this will only take the Company so far. Without the opportunity to innovate and undertake product and process development, the Company is likely to eventually face difficulties in remaining competitive. It would be advisable to start searching for a broader product mix with greater upgrading opportunities.

DNPL and HBTL on the other hand have product mixes that present them with the potential and challenges to undertake a variety of upgrading options and in some cases allow them to operate in more than one chain or channel. The clearest example of this is DNPL's sericulture subsector which allows the primary producers to operate throughout the entire value chain. This is reflected in its ability to take advantage of upgrading options in process (improved or new fabrication technologies; the introduction of natural dyes from locally available raw materials); product upgrading through blending silk yarns with other natural fibers to create much in demand unique fabrics; functional upgrading in terms of outsourcing its supply of raw material and when needed fabrication of yarns and fabric when demand exceeds local supply. With its honey operations DNPL is able to operate in different chains, both network where it promotes its own brand name and creates brand equity and quasi-hierarchy where it produces for others. This ability to operate in multiple chains has allowed the Company to support its own brand development through resources acquired by operating in a quasi-hierarchical chain where it produces for other's brands.

HBTL has as yet unmet potential to also undertake a variety of upgrading options that could make the Company more competitive. The biggest bottleneck is lack of horizontal networking at the primary producer level that extends beyond the organization of primary producers at the very local level. Once these localized entities are able to form greater economies of scale through wider horizontal organizing, they should be able to realize and sustain greater competitive advantages. The Company has made one very important advance in that it is a Chain of Custody (CoC) certified company accredited by the Forest Stewardship Council. This opens up important niche markets particularly in Europe and the United States.

None of the cases under consideration falls under the pure hierarchy type. Such economic entities are more likely found in areas where plantation economies have been traditional and have evolved into outgrower models. This is often the case in the production of fruit, fresh vegetables, and fresh flowers for export markets where companies in the destination countries invest in local production and are heavily weighted in power equations. In such cases, primary producers are often at risk of losing their markets when cheaper alternatives are found.

Among the described cases we were able to find some initial supporting evidence for the two hypotheses: the importance of both organizing of small scale producers and of favorable external conditions for the success of the integration of primary producers into select value chains. There were substantial differences among the three cases in our study: namely oak tasar silk and beekeeping/honey subsectors that are part of the Indian Producer Company are arguably more successful than handmade paper subsector that is part of the Nepal community-owned private limited company and pulses subsector that form the part of the Madhya Pradesh producer companies. Some of the reasons for this differential success particularly in the case of SKPC maybe because of a poorly selected value chains and no previous history of cooperative action on the part of the producers. It is too soon to verify if this is in fact a valid assessment.

PLANS FOR FUTURE RESEARCH

We are planning to expand our current study to a substantially larger number of cases of primary producer organizations that we will recruit through various governmental and nongovernmental institutions that provide aid to primary producers. We will administer a questionnaire-based survey regarding primary producer's involvement in various types of value chains along with the questions about the market conditions and the external assistance provided. We will use cluster analysis to identify different types of value chains in which primary producers participate and multiple regression analysis to understand the effects of various variables on the success of integration of small-scale producers into different value chains.

INTEGRATION OF PRIMARY PRODUCERS INTO VALUE CHAINS: RECOMMENDATIONS

SMEs typically confront a variety of constraints. To remain competitive and to grow, they may need to overcome several of these constraints at once. Constraints such as: lack of skills in processing; expensive processing equipment, and; lack of respect for contracts between suppliers and buyers for example, might all be critical to increasing production and growth in a subsector. Yet it is often difficult to say that one is more important than another. These constraints might need to be addressed concurrently in order to have the desired impact on micro and small-scale entrepreneurs. It is frequently difficult, therefore, to evaluate the relative importance of one constraint over another. Experience gathered from the cases that inform this paper however has highlighted three fundamental constraints that appear to apply to many if not most micro and small-scale enterprises. The first two refer to the organization and management of SMEs and are usually defined as horizontal and vertical linkages. The third refers to various types of upgrading of the economic activities that are open to SMEs depending on the types of chains in which they are working.

The case studies that were developed to inform and illustrate the constraints and opportunities above are significant not only because they highlight successful examples of organizing and integrating primary producers into value chains, but also because they are taking place in some of the most remote and inaccessible places on earth leading to the conclusion that such models will be replicable in many other locations.

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ACTIVITY BASED COSTING LEADS TO STRATEGIC DECISION MAKING

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ABSTRACT

The main objective of this paper is to show the insufficiency of traditional costing systems and to offer a solution, which is Activity Based Costing (ABC) in pricing and strategic decision making processes. The differences in situations before and after implementing ABC and benefits from using ABC have been shown by using an implementation example. In the first part of this article background information, necessity and advantages of ABC are explained. In the second part, the implementation of Activity Based Costing is shown through a case study.

INTRODUCTION

Classical production rules have been changed as a result of high competition and traditional rules are not valid since 1990s anymore. Firms are forced to increase the variety of their products and improve the quality of them, decrease the distribution time, decrease production turnover and try to upgrade all their activities according to the latest international market needs to fulfill market requirements. According to Kavandi, in order to implement all changes mentioned above successfully, corporations should give a special importance to the areas such as research, development, construction, planning and controlling (Kavandi, 1998; 113). All these improvements result in a change in the cost structure of enterprises such as increase in overheads in indirect activity area.

ABC can be shown as a solution to the new challenges which were mentioned above in terms of creating high cost transparency. Remer says that ABC means investigation and optimization of activity costs through analysis, planning and process management in overheads (Remer, 2005; 18). Lack of transparency increase the fraction of overheads on the products and their allocation can not be made accurately. Since it builds upon the deficiencies of traditional costing techniques caused by the misallocation of overhead costs, ABC may be thought of as the highest evolution of cost accounting to date (Mohan, Patil, 5).

ABC can be described as a new management tool to control the increasing overheads of the firm. In an era in which market challenges are very high, the ability to react quickly and efficiently has gained a significant importance. In addition to process management and process modeling, one of the most important tasks that should be performed is to structure the costing system according to the process oriented approach.

Activity Based Costing was presented first in the USA by Müller und Vollman with the article "The Hidden Factory" in 1985. In their article they investigated overheads systematically. Then, Johnson and Kaplan introduced another costing method in their article "Relevance lost: The rise and fall of Management Accounting". They revealed why corporations must make major changes in the way they measure and manage costs.

Since total costs such as research, development, quality management, logistics, administration have increased in the last two decades as a result of market developments and technological progress, ABC has gained a great importance. It is supposed to fill the deficits of the traditional costing systems. Moreover, its most important aim is to supply the relevant information to support the decisions concerning process structures, production programs and improve the planning, management and control of the total costs.

Transparency of the costs can be used as a central term and also as the aim of ABC. Through ABC inefficient structures can be discovered and optimized. Optimization can be made in two ways: First, the complexity can be reduced and second the whole process can be optimized through reengineering. The aim of ABC is activity oriented calculation of the overheads which is based on the appraisal of the processes. The main objectives of ABC can be summarized in the following five points:

- to increase cost transparency,
- to improve overhead calculation through process oriented approach,
- permanent total cost management to guarantee the efficient resource consumption,

- optimization of the processes and
- to support strategic decisions.

Practice proves the idea regarding transparency above. A survey carried out by Stoi in 1999 shows that, the most important reason why German companies implement ABC is to increase the transparency of costs and activities. Another reason is to improve the calculation of prices, then to optimize price calculation and to improve processes (Stoi, 1999; 54).

The necessity of ABC can be explained in two main points: First, overheads had a small share in total costs formerly. The specific and total cost ratio was 70% to 30% in 1960s. But today this ratio has changed to 40% to 60%. Moreover the change in production conditions is another reason for the increase in overheads. Through automation, labor was replaced by capital. High depreciation, machinery, maintenance and service costs result in high overheads (Olshagen, 1991).

The changes in competition can be another reason for the increase in total costs. Increase in competition and customer oriented approach caused not only a decrease in prices; but also they increased product quality, fast up the development of new products, shortened product life cycle. Moreover, companies are forced to respond market needs and changes in the market as fast as possible. Because of all reasons mentioned above, being competitive requires using resources efficiently. In order to avoid strategic false decisions companies need very accurate information like costs of the products and activities and they should also be able to realize unnecessary, and cost increasing processes.

Supporters of ABC claim that the traditional costing systems cannot produce such kind of information that will help enterprises in their strategic decisions. Because the costs that they listed under fixed costs are actually fixed in the short term. Remer says that a corporation can only change its competitiveness through learning its costs truly but traditional costing systems can not support this information (Remer, 2005; 22).

According to Hardt (1998; 138) ABC is not an independent, self-sufficient costing system, it is a supplementary costing system. Through ABC a process-oriented organization is possible. However, the high implementation costs can be mentioned as a disadvantage of ABC.

The implementation of this concept requires some organizational framework. Technical and structural aspects are especially important. Furthermore, implementation of ABC in cost calculation area strongly depends on IT possibilities. Many different software programs are available on the market which can analyze and print the data in a work-on-ready format with all necessary graphs and tables.

Case Study: Implementation of ABC in a Transportation Company

In the implementation example of this article a small size international transportation company was selected and the costing structure in the company was examined. We tried to find out what would happen if the company had used the ABC instead of traditional costing system. The reason why a distribution company was selected is a survey which shows that the qualitative improvement possibility is highest in logistic and distribution areas (Stoi, 1999; 55).

In order to manage the processes it is important to classify the processes. In the literature different considerations can be seen. One of the most important of them is Horvath/Mayer Concept. This concept allocates the processes in the main and subprocesses (Horváth./Mayer.,1993).

Activities are the smallest part in the implementation, and it is identified through a verb like "Accept the goods". Sub processes are cost related operations which can be formed by bringing some activities together. Sub processes are also divided into two; amount dependent sub processes and amount independent subprocesses. Amount dependent sub processes are called cost drivers. Planning and organization can be examples for cost drivers. Main processes are homogeny chain activities. They consist of many sub processes of cost drivers. The sum of corresponding sub processes forms the cost of main processes.

Differentiation Criteria of Processes

As mentioned above, repetitive activities create amount dependent costs and these processes are called amount dependent processes. There are also amount independent costs, where are not repetitive but process dependent.

There are such kinds of activities which are neither repetitive nor process dependent. We call them as process independent processes.

To differentiate fixed and variable costs, the new method (activity amount dependent and independent) brings an absolutely new structure.

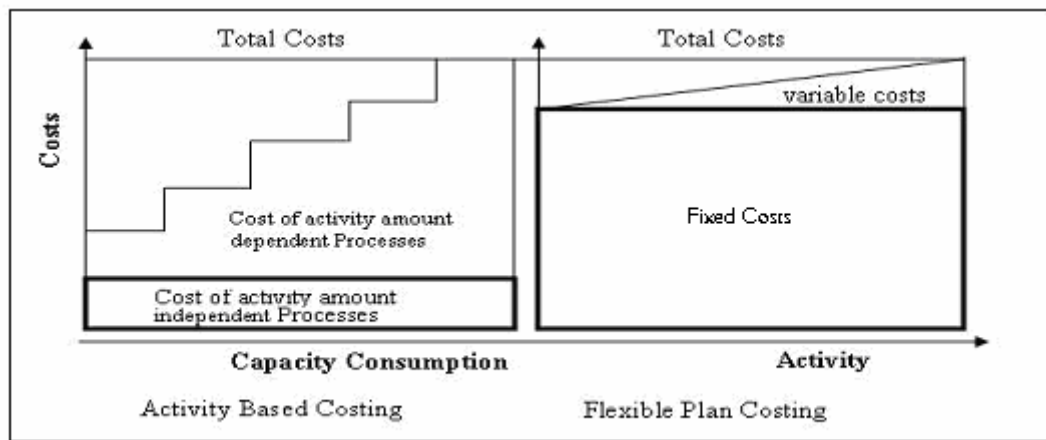


Figure 1: Two different costing perspectives, Remer (2005), S. 35

In this paper Process Cost Calculation (PCC) will be used instead of Activity Based Costing. Both have the same origin but there are some slight differences between them. American based ABC was changed by Germans through small additions. For example, in indirect cost area ABC does not differentiate main and sub processes. Today Process Cost Calculation (Prozesskostenrechnung) has been used in German speaking area instead of ABC.

Before we apply the ABC in a firm, we should identify the organizational requirements that will affect the success of implementation. There are two dimensions of implementation: First, from the structural and second from the technical infrastructure point of view.

From the organizational point of view, the implementation needs a process oriented controlling system which supports redesign and management of the processes. This allows continuous coordination between process quality, process duration and process costs by enabling to make fast and better decisions in the company. As a result, efficiency will increase, time delay and time delay related costs will be minimized.

From the functional point of view, it is advisable to start implementation from a department which is well known for the intensity of its overheads. This will allow implementation team a high rationalization potential.

The case study in our paper is an implementation project of ABC in an international transportation company. The duration and process of the implementation of ABC may vary depending on the companies' growth levels and the field they operate in. It took four weeks to carry out this project but this can take up to 6 months for big corporations. The reason why a transportation problem was selected is the high number of logistic firms or logistic departments which are using ABC. The survey carried out by Stoi which we mentioned above proves this idea. Moreover, this survey shows that a big majority of the companies (77%) implement ABC only in their overhead intense departments (Figure 2).

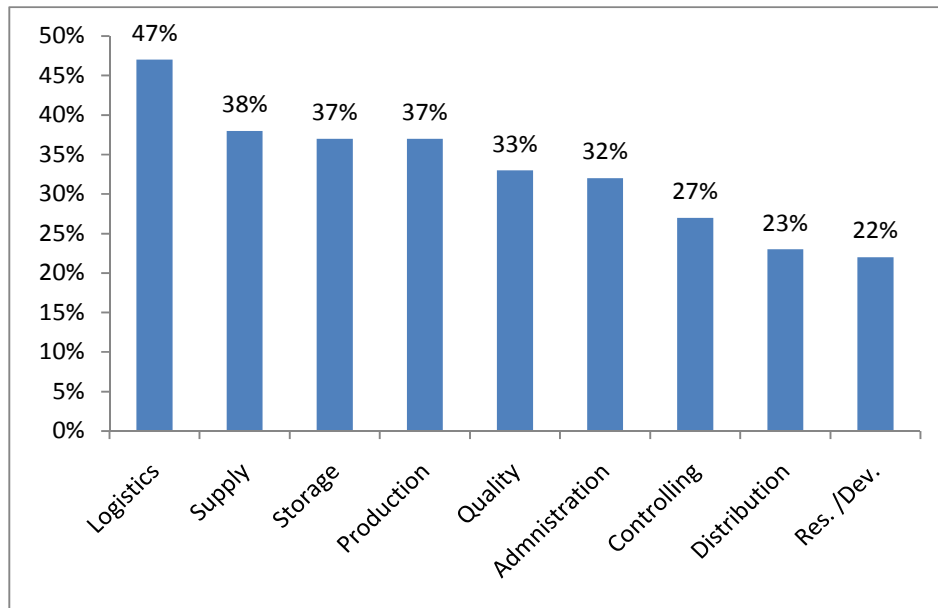


Figure 2: Percentage of ABC Usage in Departments (Stoi, 1999, P55)

ABC can only be successful when top management understands the aims and optimization potentials of implementation and supports the project. That's why Remer says that "the success of the ABC starts in the brains of managers and employees." (Remer;2003, 68). Without full support of the management the project cannot achieve its aim. In Germany managerial support is seen as the most important factor for the implementation (Stoi; 1999, 56).

The first step we took was to form a project team which will be responsible for the implementation. In building the project team general principles of project management was taken into account. At the first step, staff was informed. The aims of the implementation project and their expected contributions were explained. We also needed to use computer and software. Since it was a small company we used some basic software tools such as Microsoft Excel. If it were a huge company we would have to use a special software which enables us to enter a pile of data. These software tools are not only expensive, but also require a training to use them efficiently.

We first analyzed activities, then subprocesses and lastly the main processes. Required information was collected through oral and written surveys and questionnaires. Moreover, we used available information and didn't ask questions whose answers are easy to find in old documents.

Forms were prepared to find out all activities occurring within the company and they were distributed to the staff. This step was very important because the German version of ABC is based on activity analysis. Each employee was asked to write and describe their activities in the form. It is always difficult to identify and write down what you are doing usually. Therefore staff was given some time to think about their activities. After collecting forms (see Table 1) the data was imported into the computers. Activities, cost drivers and cost pools were identified and process costs for each step were calculated.

Project: Activity Based Costing Responsible Person: H. Hayri NUROGLU			XXX International Transport Ltd. Co.		
Activity Assessment Form					
Cost Driver Code	Cost Driver	Name: Kenan DEMIR			
123-8730	Administration				
Activity	Measure	Frequency Per Month	Required Time Per Month		Per Year
			In %	In Days	In Days
Preparation of Import Documents	Pro Order	95	11,11	2,22	26,64
Preparation of Export Documents	Pro Order	108	8,33	1,67	20,04
To Collect/Give Drivers' Money	Pro Tour	55	16,67	3,34	40,08
Negotiate Import Customers	Pro Order	60	5,56	1,11	13,32
Negotiate Export Customers	Pro Order	38	1,11	0,22	2,64
Negotiate with Customs	Pro Loading	400	1,11	0,22	2,64
...
...
		Total	100, %	20	240

Table 1: Form to Find out Activities in the Administration Department

According to the above form, Mr. Demir deals with 1680 orders annually. After collecting all forms we created a catalog for each department and gathered the forms together

In the next step, by combining activities the subprocesses were found out. As mentioned before, subprocesses are one step before main processes. After combining activities into subprocesses, we searched whether they are amount dependent or not. Then we created activity dependent and independent processes.

Subprocesses	Possible Cost Drivers
Export / Import offers	Number of the Offers
Customs Duties	Number of Tours
Driver Navigation	Number of Delivery
TIR-Carnet Collect/Control	Number of Tours
Recording / Archives	Number of Tours
Manage the Division	Activity independent Subprocess
Answer the Complaints	Number of Tours or Complaints
Control the Documents	Number of Tours
....	...

Table 2: Subprocesses and their possible Cost Drivers

The table above is an example for Subprocess assessment which was filled in an interview. Mr. Demir wrote 11 subprocesses.

Project: Activity Based Costing Responsible Person: H. Hayri NUROGLU										XXX International Transport Ltd. Co.		
Subprocess Assessment Form												
Cost Driver: Administration			Staff		Personel-Cost (YTL)		Material-Cost (YTL)		Other Costs (YTL)		Total-Costs (YTL)	
Responsible Mr. Demir			Planned	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
Capacity 2 Employees = 480 Working Days			2	2	977,4	977,4	17,000	16,740	15	22,878	17992,4	17740,7
Requester	Subprocess Description	Activities	Collector of Subprocess Activity	Measurement	Amount per Year	Capacity consumption per Year		Subprocess cost per Year In YTL				
						In %	MA-Anteil					
Customer	Deal in orders	..	Administration	Order	2400	38,5	0,65	42242,67				
Custom	Custom Formalities	..	Administration	Order	580	1,266	0,025	227,784				
Administration	TIR-Carnet Collect/Control	..	Administration	Tour	480	1,66	0,02	298,67				
Delivery	Driver navigation	..	Delivery	Customer	2400	16,67	0,22	2999,3				
Accounting	Receipts control	..	Accounting	Order	960	11,11	0,22	1998,96				
...				
...				
Total activity dependent Subprocesses						85,7	1,71	47766,44				
	Manage the Division	29	...			4,5	0,09	809,66				
	General Administratral Issues	39	...			9,8	0,19	1763,26				
Total activity independent Subprocesses						14,3	0,29	2572,92				
Total of all Subprocesses						100,0	2	50339,37				

Table 3: Subprocess Assessment Table

By dividing the cost of activity dependent subprocesses to the related amount gives us the average cost of each subprocess. This is the cost of performing a subprocess.

The result of the subprocess analysis can be understood better through a graphical display. According to graph below, subprocesses for administration department have reached the required transparency.

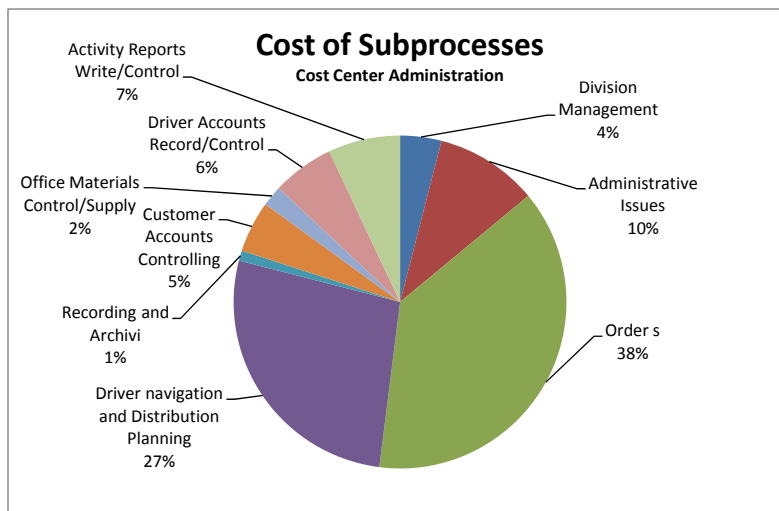


Figure 3: Graphical display of the cost centers for Subprocesses

In the third step we built main processes. The relevant data for main processes are a summary of subprocesses, cost drivers of the main processes, amount of cost drivers and resource consumption. In creating main processes experience plays an enormous role. Here, not only knowledge of cost calculation, but also knowledge of process modeling is important.

Main Processes	Cost Drivers
Order processing domestic	Order
Order processing abroad	Order
Distribution	Number of Pallet, Kg
Inform Customer	Customer
Inform Personnel	Staff
Cost planning	Cost Center
LKW Service	Trucks
Driver Accounts	Staff
LKW Customs, RO-RO Documents	Order
Distributor inform	Distributor

Table 4: Main Processes and Their Cost Drivers

The number of main process cost drivers should be as low as possible, so much as needed. This is important for keeping costs of cost drivers on the border.

After we created the main processes, we calculated the main process costs. As an example;

Total Main Process Costs

Main Process Amount

$$= \frac{22197,5 \text{ YTL}}{2400 \text{ Orders}} = 9,25 \text{ YTL cost per export order.}$$

As a result, we calculated the main process cost for an export order. To summarize, we first analyzed the activities, then created subprocesses and allocated the activities to this subprocesses. At the end, we allocated the subprocesses to the main processes. Then we compared the cost calculation for an export order according to the old costing system.

According to the old costing system it costs 5772,96 YTL to distribute one truck goods from Adapazari to Venlo, the Netherlands. But according to activity based costing it costs only 5574,87. Classical methods lead to higher calculated costs than process oriented approach.

CONCLUSION

At the end of these process identifications and calculations it was seen that total cost for a service decreased by 3.5 %. Furthermore, as you can see from the Figure 3, the transparency of the overheads increased. This can affect redesign of the production, pricing strategies and customer relations of the company. As a result of these changes one of the most important instruments for strategic management will be accomplished which is the exact calculation of cost that will enable business to make right decisions about processes. This example shows that ABC is appropriate not only for big companies as stated in the literature; it is also suitable for small size companies.

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STRATEGIC MANAGEMENT AND PLANNING PROCESS IN PUBLIC SECTOR: THE CASE OF THE UNDERSECRETARIAT OF THE PRIME MINISTRY FOR FOREIGN TRADE, TURKEY

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ABSTRACT

Over the past decade, strategic planning has become a standard part of management thinking and practice in Turkish public sector. As a relatively new approach in Turkish financial system, public administrations are obliged to prepare and implement their strategic plans in order to maintain reliable, accountable and transparent management, create real stakeholder and public value, as well as to develop effective and goals-based strategies to cope with changing circumstances. In this paper, I first review the strategic management and planning concept in Turkey, and then carry on with literature in general. With regard to methods and phases to develop a strategic plan, I will introduce a public organization case from Turkey as a recent and effectively prepared Strategic Plan for the periods covering the years 2009-2013. Regarding my consulting experience during this process, the strategic planning model of the Undersecretariat of the Prime Ministry for Foreign Trade (UFT) is provided as a real-life experience to analyze the issue from a practical perspective. To illustrate the kinds of questions and issues raised during the planning process, the development of the Strategic Plan for this organization is given in a step-by-step process throughout the paper. The studies showed that the Undersecretariat of the Prime Ministry for Foreign Trade can be a successful application model of strategic planning for other public administrations.

Keywords: Strategic planning, strategic management, public organization, Undersecretariat of the Prime Ministry for Foreign Trade (UFT).

INTRODUCTION

With globalization and changes throughout the world, there has been sustained attention to governmental management and performance in Turkey in the recent years. Since the late 1990s, in Turkish public organizations, a movement of rationalization has been underway in significant and growing intensity (Alogan and Yetiş, 2006; 669). With more attention to the issues of accountability, efficiency and effectiveness in resources and organization performance, ongoing public sector reforms have taken place in Turkish public administration. One of these reforms is “Strategic Planning” approach in conjunction with “Performance-based Budgeting”.

Özden (2006; 316) points out that the concept of strategic planning started to find a place in the Turkish literature in the 1980s. When the 2000s started, strategic planning was perceived as a new concept of restructuring efforts in public administration. Following the economic crises that Turkey went through in 2000 and 2001, relations with international monetary agencies and Turkey’s intention of joining the European Union required some changes to be implemented in Turkish public sector. Initial efforts to develop strategic planning and performance-based budgeting were made in 2001. The restructuring of budget and financial management process was supported with PEPSAL (I, II, III), Public Financial Problematic Structural Adjustment Loan, launched by the World Bank (SPO, 2006). As one of the commitments on public reforms, strategic planning was seen as a major component of the PEPSAL initiative, and it became the base of a financial reform called Performance-based Budgeting. The Loan was a budget financial support to help Turkey build strategic planning. Accordingly, “Strategic Planning Guide for Public Administrations” was prepared and published by the Undersecretariat of State Planning Organization (SPO) in order public organizations to prepare and implement their strategic plans according to standardized criteria for planning processes outlined in the Guide¹. Organizations have to prepare their plans earlier than the date determined in the transition schedule and submit them to the SPO.

The new legal arrangements adopted strategic planning as a basic goal (Özden, 2006; 316). Within the framework of 5018² and 5436³ numbered Public Financial Management and Control Law; financial

transparency, accountability, responsibility, strategic planning, performance based budgeting, multi annual budgeting, internal control and internal audit were arranged to be the fundamental components of developing new financial management and control system. In the Article 9 of the Law No. 5018, it is set forth that: “in order to develop missions and visions for future within the framework of development plans, programs, relevant legislation and basic principles adopted; to determine strategic goals and measurable objectives; to measure their performances according to predetermined indicators, and to monitor and evaluate this overall process, public administrations shall prepare strategic plans in a cooperative manner”. Consequently, the new concept of “Strategic Planning with Performance Based Budgeting” will consequently transit organizations from input focused budgeting to output based budgeting.

The Strategic Planning process and phases are the focus of this paper. Both nonprofit and public organizations can benefit significantly by analyzing their environmental opportunities and constraints by formulating mission and goals that allow them to fulfill the needs of some segment of society (Wright, Kroll, and Parnell, 1996; 301). The Article 9 of the Law no 5018 specifies that; “The Undersecretariat of State Planning Organization shall be authorized to...determine the agencies that would be obliged to prepare strategic plans and the schedule concerning the strategic planning process.” The Undersecretariat of the Prime Ministry for Foreign Trade (UFT) was granted as one of these organizations to prepare a strategic plan covering the years 2009-2013. In order to present the fundamental phases of the strategic planning process and a series of related steps, the very first Strategic Plan studies of the UFT are provided as a case study in this paper. Besides, the issues faced during the development of the Plan and some of the challenges confronted while practicing the processes were given. Although the UFT’s first Strategic Plan required many efforts to be formed, strategic planning tool is believed to become a way of life within the Organization as an annual planning cycle once it is executed. The Organization, following the development of the Strategic Plan, shall create a budget that incorporates the functional parts of the Strategic Plan to be accomplished in the coming year. While a strategic plan must be considered with Performance and Budgeting Program as a holistic approach, this case is particularly based on the strategic planning process of the UFT, since performance-based budgeting studies have still been on progress and will continue until July 2008.

Strategic Management and Planning: An Overview

How strategic management and planning did first become a global new approach? Strategic management first began to take place in the literature in the 1950s and 1960s. After World War II, environmental changes with unexpected internal and competitive demands increased the need for more advanced methods in management processes. Significant theorists, such as Chandler (1962), Selznick (1957), Ansoff (1957; 1965), Drucker (1954), Andrews (1980), Mintzberg (1987; 1988; 1994), Steiner (1979) and Porter (1979; 1980; 1987; 1996; 2001) pioneered and developed strategic management as a discipline. Pearce and Robinson (1997; 3) explain this progression period in management science as follows:

“Perhaps the most significant improvement in management processes came in the 1970s, when “long range planning”, “new venture management”, “planning, programming, budgeting”, and “business policy” were blended. At the same time, increased emphasis was placed on environmental forecasting and external considerations in formulating and implementing plans. This all-encompassing approach is known as strategic management or strategic planning.”

In years, many authors and sources have described strategic management process in various ways. With every stage of the historical development in strategic management, we have learned significant amounts (Alogan and Yetiş, 2006; 672). Consequently, there are a choice of models and approaches used in strategic management. Various studies have examined a large number of organizations in terms of strategic management systems over different time periods and with different research methodologies. Each of these studies and approaches has brought diverse meanings, interpretations or additional contributions to strategic management concept. In order to analyze the benefits of strategic management, some definitions are listed below:

“The strategic management process helps organizations identify what they intend to achieve and how they will accomplish valued outcomes.” (Hitt, Ireland, Hoskisson, 1999; XXIV)

“Strategic management is a sum of processes related to the activities of top management and involves setting up the necessary research, analysis, assessment and selection efforts to plan strategies, executing all sorts of structural and motivational measures to apply these strategies, then controlling the strategies in terms of their appropriateness for purposes both before the strategies are applied and after.” (Eren, 2002; 18)

“Strategic management is defined as developing effective strategies; planning, implementing and controlling these strategies to reach organizational goals.” (Aktan, 1999; 6)

“Strategic management involves making decisions that define organization’s mission and objectives, determine the organization’s most effective utilization of its resources, and seek to assure the effectiveness of the organization within its environment.” (Byars, 1991; 5)

From a wider perspective, one can say that strategic management provides overall future direction and guidance to the organization. In terms of the relationship between strategic management and strategic planning; Steiner (1997; 4) suggests “strategic planning is a backbone support to strategic management...it is not, of course, the entirety of strategic management but it is a major process in the conduct of strategic management”. Strategic management can be broken down into two phases; strategy formulation and strategy implementation (Byars, 1991; 5). Whereas strategy formulation which is also the subject of this paper is concerned with decisions and actions relating to describing an organization’s mission and vision, conducting a situation analysis and environmental scanning, setting up strategic goals and objectives, and selecting strategies to achieve these objectives; strategy implementation is concerned with developing budgets and programs, aligning resources, developing functional strategies and establishing an organizational structure to manage and control the process. As a result, strategy formulation process is the basis of strategic planning. Drucker, (1974; 611) draws the issue on the base of the tasks of top management as:

“the task of thinking through the mission of the business, that is, of asking the question “what is our business and what should it be?” This leads to the setting of objectives, the development of strategies and plans, and the making of today’s decisions for tomorrow’s results. This clearly can be done only by an organ of the business that can see the entire business; that can make decisions that affect the entire business; that can balance objectives and the needs of today against the needs of tomorrow; and that can allocate resources of men and money to key results”.

Strategic planning can be described as a path that takes an organization from its current to its desired position through attained objectives, goals and targets. It is about aligning mission, resources and relationships. Drawing on Olsen and Eadie (1982; 4), Bryson (2004; 6) defines strategic planning as a disciplined effort to produce fundamental decisions, and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it. In that case, how a public organization might benefit from strategic planning is the question. No doubt strategic planning brings great benefits to organizations (Bryson, 2004; p. 11-13, Barry, 2005; p. 9-12). Goodstein *et al.* (1993; 6) suggests that strategic planning helps the organization develop, organize, and utilize a better understanding of the environment in which it operates, or the industry or arena in which it operates, of its customers - current and potential - and of its own capabilities and limitations. From now, it is clear that strategic planning helps produce better performance results after a systematic, structured and data based process implemented. In addition, research shows that strategic planning today seems to be one of the widely used management tools (Rigby and Bilodeau, 2007). According to Bain & Company’s survey that covered global respondents from various industries and completed in 2007, strategic planning became the most frequently used tool amongst twenty-five most popular management tools including Total Quality Management, Six Sigma, Business Process Reengineering and Balanced Scorecard.

Strategic planning tool can be used by private and public sector organizations. Both types of organizations preparing a strategic plan basically try to determine the questions of who they are, for whom they do the planning, and how they will advance. Both derive benefit from strategic planning as a management tool in acting strategically and improving organizational performance. On the other hand, both can be affected by changes in the outside world therefore face many challenges and difficulties. Not only political reasons, but also other circumstances such as global environmental change, terrorism, socio-cultural environments, the economy, etc. affect decisions of all sorts of organizations. At this point, the most noticeable difference between a public and private organization’s strategic planning approach is the circumstances that affect them and the reasons to create a strategic plan. While developing strategic plans, private organizations identify their mission, vision, goals and strategies by focusing on the market, customers, competitors, technology, innovation, suppliers and employees as well as global conditions. Most importantly, a privately-owned organization is governed by a board of directors, and operates for profit gain. Thus, the best interest of the organization has always primary importance. On the other hand, public organizations are accountable to many parties for their work, in addition to public. They are very sensitive to political disturbances as they subject to the electoral process as are government organizations. In this context, a public organization’s major aim to prepare a successful plan is the motivation of creating public value and interest for good governance and a better country.

Practical Framework: Developing the Strategic Plan for the UFT

The organization

Founded on 1994, the Undersecretariat of the Prime Ministry for Foreign Trade is the highest authority that controls and directs issues concerning exports and imports. Initially, it functioned under the name of Prime Ministry Undersecretariat of Treasury and Foreign Trade. With Turkey's new liberal economic and export-led model, the Undersecretariat was separated from Treasury with the name of Undersecretariat of Foreign Trade by a legislation dated on December 9, 1994. The Organization mainly assists the government in determining the policies of foreign trade and arranges bilateral and multilateral trade and economic relations along with exports, encouragement of exports, imports and contracting services abroad, monitoring the implementations and promoting them. The UFT consists of central, provincial and overseas organizations. Central organization is composed of 7 General Directorates (GD), namely: GD of Exports, GD of Imports, GD of Agreements, GD of European Union Affairs, GD of Free Zones, GD of Standardization for Foreign Trade and finally GD of Economic Research and Assessment. There are 3 consultancy and auditing units, and 4 assisting units within the scope of central organization. Overseas organization arranges trade and economic relations between Turkey and other countries. In addition, the UFT has complementary institutions such as Export Promotion Center (İGEME) and Exporters' Union.

It is also critical to mention some of the management structure observed in the UFT as the complexity of management system is one of the factors that influence the formality and direction of a planning design. Being a large, rule-driven and bureaucratic public organization like many public organizations in Turkey, there are three different levels of staff in the UFT classified as senior management, middle management and lower management. In addition to these, there are administrative, clerical and support staff operating. Basic procedural and managerial characteristics of the Undersecretariat are as follows: tasks and duties are defined, standard procedures are followed, communications and assignments are in writing, while routine decisions are made at lower levels exceptional decisions are made at top, expertise is respected and promoted by seniority through examination, lines of authority and responsibility are firmly defined so authority flows from title, middle managers (heads of units) stand between top level (director generals) and lower level (heads of departments) managers and workers, and they are not often bypassed.

Planning team

The reasons for planning and the issues or choices that need to be addressed during the planning process have a major impact on how to go about planning, whom to involve, and even whether a strategic plan needed (Allison, Kaye, 2005; 1). In accordance with the Article 15 of the Law No. 5436, Bylaw on the Working Procedures and Principles of Strategic Planning in Public Administrations³ dated 06.01.2006; three different organs were established in the UFT with the purpose of leading strategic planning studies. Eren (2003; 174) points out that strategic plans are prepared by senior management of the organization. UFT's Strategic Planning Group was established consisting of Strategic Plan Board, Strategic Plan Executive Committee, and Coordinating Unit under the Strategy Developing Unit (SDU). Strategic Plan Board (SPB) is composed of Undersecretary and Deputy Secretaries of the UFT, heads of boards, director generals, heads of units and heads of departments of the UFT. Strategic Plan Executive Committee, with 25 members both from general directorates and functional units, was formed to lead unit-based studies in strategic planning process and communicate the studies carried out to SPB. Furthermore, strategic planning working groups of 5 members from each unit were formed in order to execute effective studies on unit basis. These groups met regularly and made strong interaction and communication among the units through the process. The Coordinating Unit under the Strategy Developing Unit (SDU) was conducted responsible to build, coordinate and implement the Plan through organizing and enabling participation among the organization members.

Plant (2006; 5) argues that the theory and practice of strategic planning appears to remain rooted in traditional bureaucratic, top-down assumptions and arrangement with little attention to how the rest of the organization is engaged. So, a bottom-up planning approach should be applied for an integrated plan. Thompson (2001; 378) put it this way stating "bottom-up planning involves managers throughout the organization, and therefore ensures that people who will be involved in implementing plans are consulted". For a bottom-up along with a top-down planning approach, SDU successfully organized and coordinated the main activities in the process but leaved much of the decisions and activities to the organization members.

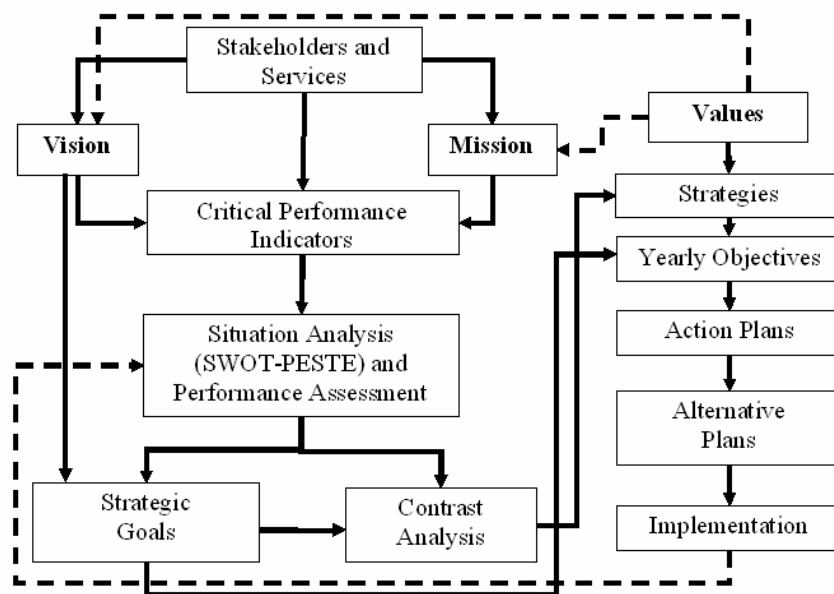
The role of consultants in the process

Public organizations in Turkey engage wide groups of employees in strategic planning process so that they can contribute to the quality of the plan to a great extent. However, organizations can sometimes need consulting service in their planning as they may not have the necessary practical knowledge for all phases of the planning

and implementation process. This situation occurs especially on the first application of strategic planning. According to Fogg (1994; 53), “most first-time planners and team members don’t have the needed technical facilitation skills” and recommends “without question, therefore, get a professional facilitator who has the requisite skills, can keep confidences, is viewed positively, and is perceived as being objective by your organization”. The SPO Guide as well allows and encourages public organizations to get assistance from consulting firms in order to facilitate them in their strategic planning process. The UFT needed the help of consultants who could assist and facilitate the developing planning frameworks and the skills necessary for the preparation and implementation of a successful strategic planning application.

A skilled planning consultant can help your planning focused and on track (Barry, 1997; 27). TÜSSİDE consultant team assisted the UFT in designing, developing and adopting strategic planning and management systems to the Organization. They mainly trained participants, facilitated meetings, gave advice and assistance on key issues, gathered and summarized data. TÜSSİDE (Turkish Institute for Industrial Management) which is a subsidiary of TÜBİTAK (The Scientific and Technological Research Council of Turkey) was established as a public organization in the 1980s to provide public and private enterprises training, consultancy, research and publishing services for their effective management and continuous improvement. With the direction of Strategic Planning Coordinating Unit of the UFT and the expertise of the consultants; SPO Guidelines and the academic and practitioner literature were integrated to design the Strategic Plan. A rich foundation of domestic and global examples of concepts, tools and techniques of strategic management and planning processes were effectively applied to the Undersecretariat. To help one envision the strategic management process model of TÜSSİDE, a schematic model is presented in Figure 1.

Figure 1: Strategic Management Model used by TÜSSİDE for the UFT’s planning process



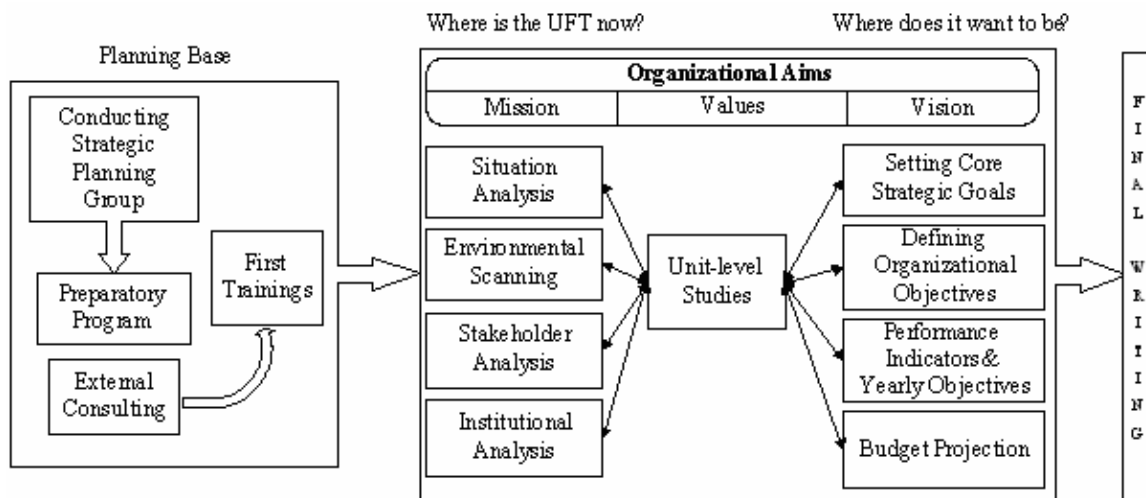
The Strategic Planning Process

There is no simple organizational strategic planning model that fits all organizations, nor is there a single best planning for the first time. The Strategic Plan was identified as a high priority within the Undersecretariat. The initial planning process was launched in May 2006 with a preparatory period before the Plan began to accelerate and take form. During this period; the process was organized, the necessary planning groups were established and finally the planning was launched. Later, the whole process was assisted by consultants in accordance with the instructions and requirements set out by SPO Guide that would satisfy criteria of the Public Financial Management and Control Law. The process came upon the interim period before the Turkish general elections were held on 22 July 2007. A minor delay occurred this time due to uncertainty as any possible result of the elections had the possibility of affecting the Organization’s structure therefore the direction of the Strategic Plan. However, no change came about after the elections, and the strategic planning process continued as it was planned. The entire work was completed in December 2007, and soon after the Plan was presented to the SPO - in January 2008. The five-year Strategic Plan of the UFT will begin in 2009.

The UFT’s planning process which can be seen in Figure 2 involved a large number of internal and external stakeholders as inclusiveness and broad participation were encouraged throughout the process. Challenges

aroused during the process, but these were resolved over time and became learning experiences for future strategic plans. Consensus among staff and strategic plan organs – namely Strategic Plan Board, Strategic Plan Executive Committee and Coordinating Unit - was the most appropriate form of communication during this period. In order to fulfill this purpose, planning activities were put forward for discussion and review to staff and the organs periodically.

Figure 2: The UFT's Planning Process Flow



The Undersecretariat-wide Strategic Planning Project consisted of following steps. Some of them were carried out simultaneously.

Step 1: Preparatory period of strategic plan; planning for the strategic plan

In the Article 8 of the Bylaw on the Procedures and Principles of Strategic Planning in Public Administrations dated 26.05.2006 and no 26179, it is stated that preparatory program shall be prepared in order to cover the phases of strategic planning process, the timetable denoting the dates explaining when the phases and activities shall be completed, responsible units and persons, training needs assessment, consultancy services needs assessment, if required; human and technical resources needs as well as forecast of expenditures for the planning process. By planning to plan, we mean the in-depth consideration of how the planning itself will be conducted – who will be involved, what the timetable will be, what the anticipated consequences of this planning are (and what some of the unanticipated consequences could be), what resources are necessary, and so on (Goodstein *et al.*, 1993; 93). So, Preparatory Program of Strategic Plan 2009–2013 of the UFT including the strategic planning schedule was prepared for determining the activities to be realized in strategic planning process, the activity duration and responsible units and persons as well as data needs assessment, training needs assessment and consulting needs assessment. The Strategic Plan Preparatory Program of the UFT provided a clear guideline before the process began.

Step 2: “Strategic management” trainings; first orientation

The top-team members and key managers who must lead or facilitate planning for business units and key functional departments should attend a half- to two-day in-house program on strategic planning (Fogg, 1994; 79). In order to create a common terminology about strategic management and planning, and enhance improvement on the concepts and the methods to be applied among the members of the planning team and within the Organization, two comprehensive training and working program on “Strategic Management”, each lasting 4 days, were given in TÜSSİDE. The trainings were given to the members of the Strategic Plan Executive Committee, Coordinating Unit and Working Groups who were expected to work in strategic planning process in addition to internal stakeholders from provincial organization of the UFT so that they are incorporated in the Organization’s future direction. These trainings were also given with the aim of sharing the basic concepts of strategic management and planning with others involved in the strategic planning process, leading them through the process in their own units and forming a common language. The trainings consisted of various theoretical topics on strategic management and practical trainings on stakeholder analysis, mission, vision, values statements, situation analysis, environmental scanning, developing strategies, setting up strategic goals and objectives and so on. After gaining theoretical knowledge on these topics, the participants were asked to identify the UFT’s above named key plan elements during illustrative workshops. The outcomes throughout group-studies were later shared in the whole training group. These first illustrative exercises in trainings helped make

group consensus on critical issues of initial elements of the first plan. Draft outcomes of the studies were later shared, contributed and improved through various briefings, trainings and meetings in the UFT.

Step 3: Shaping vision, mission and values statements

Mission, vision and values are very important elements of a strategic plan. The UFT planning groups carried out studies for determining organizational mission, vision and values. Final statements were developed after wide-range, participative studies and meetings. In terms of building aims of an organization, Steiner (1997; 162) argues that in larger organizations the process takes place gradually, with much participation from top managers. The records of draft statements that were gained in previous trainings were also discussed intensely with new suggestions and changes (additions/extractions and modifications) in sharing meetings. Sometimes a single word aroused intense controversy (Goodstein *et al*, 1993; 191). However, further arguments and contributions were effectively consolidated, agreed on and finalized at the end. After all, they were designed to enhance the public image of the UFT as well as demonstrate elements of organizational operations.

Mission Statement

An organization's mission is its statement of basic purpose or reason for existence (Barry, 1997; 41). The UFT's mission statement describes exactly what activities it is in and why it exists. It gives the members of the Organization clarity of focus to tie into the primary purpose of the UFT. The statement was paid attention to be a clear, briefly stated, meaningful, convincing and relevant representation of the Undersecretariat. The mission statement of the UFT: "is to determine and execute foreign trade policies that will encourage increasing innovativeness, entrepreneurship, competitiveness and international economic and commercial cooperation on knowledge-based economy, with the aim of development in the national economy and increased contribution to social welfare while taking corporate cooperation into consideration".

Vision Statement

Whereas a mission statement answers the questions about why the organization exists and what program(s) it offers, a vision statement answers the question, "What will success look like?" The pursuit of this shared image of success motivates people to work together (Allison, Kaye, 2005; 100). So, vision description is simply what the organization intends to accomplish over the next years. It must be powerful, inspiring and widely respected by all members of the organization. The vision statement of the UFT: "is to be the Organization forming foreign trade policies which will provide our country to take place as one of the leader countries in the world trade."

Values Statement

Steiner (1997; 119) describes values as settled habits of regarding, and attitudes toward, events or phenomena. Organizational values show how organization members accomplish its mission, and what fundamentals there are to success. Values scanning process of the UFT involved in-depth discussion and debates in various meetings. Members of the Organization participated in meetings to generate and discuss ideas on values statement. When all the responses grouped, consolidated and selected, shared values statement of the UFT was described. The values statement of the UFT put employees at the forefront and draws them together. It also focuses on quality for all processes based on advanced employee talent and expertise. Values of the UFT:

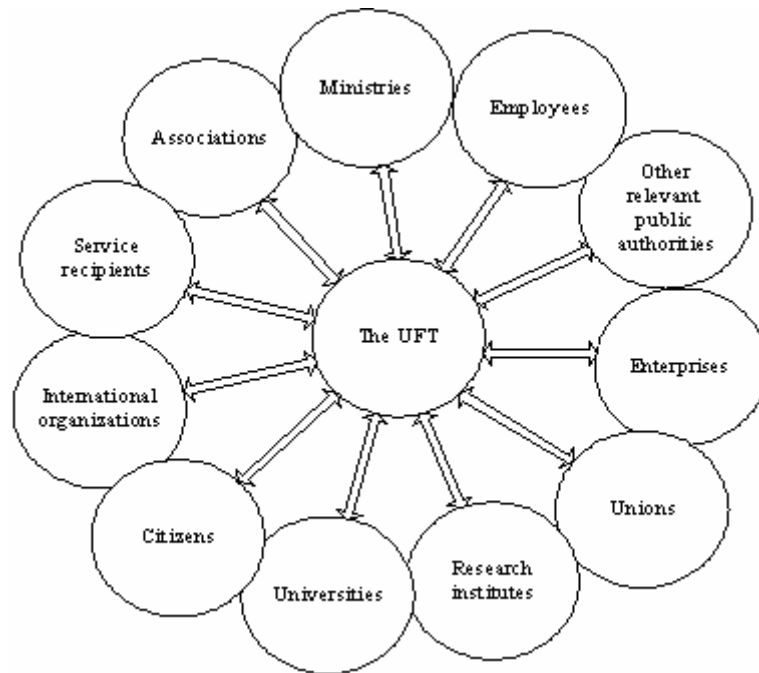
- working attitude that has a *task-oriented* and *analytical* approach in all processes
- *dynamic, foresighted* and *proactive* employees
- *coherent* and *determined* policies
- *specialization* for individual and organizational improvement
- aptitude for *cooperation*
- sense of *responsibility*
- *communicative* management and employees
- *pioneering* and *innovative* organizational culture

Step 4: Conducting stakeholder analyses

Bryson (2004; 107) observes that stakeholder analyses are critical because the key to success in the public and nonprofit sectors is the satisfaction of key stakeholders. Moreover their views should be reflected in the strategic plan. A wide-spectrum of stakeholders involved in the UFT's strategic planning process. Based on the assessment of impact and importance measures on received/customary services with external stakeholders, unit-based analyses were made to identify exactly who the Undersecretariat's key stakeholders are. Consequently, the UFT had a list of actors involved in its operating area. To determine the stakeholders, SDU prepared and shared an example of stakeholder analysis matrix with units so that each unit documented its stakeholders. Then, the results were consolidated and prioritized. Figure 3 presents internal/external stakeholder network of the UFT in generalized names. Of those prioritized, representatives of various public and private organizations were invited to a stakeholder workshop designed for a large-group key and strategic stakeholder input to contribute and comment on the plan studies. Approximately a hundred people were attended to the workshop excluding the representatives of the UFT. To represent the Organization at the highest level and support planning studies, Deputy Secretary of the Undersecretariat attended the workshop, too. During the workshop, participants

generated ideas in order to assess organizational performance of the UFT. Topics of the workshop mainly included areas of organizational strengths and weaknesses, environmental opportunities and threats of the UFT with other relevant planning issues. Stakeholder satisfaction is very important to the success of the services of the organization. To find out how well the UFT is doing in meeting stakeholders' expectations and to collect information on ideas and insights into developable areas of the Organization, questionnaire-based surveys were applied to the workshop participants and representatives of sixty other stakeholder organizations through mail.

Figure 3: Stakeholder network of the UFT



Step 5: Situation analysis and environmental scanning: SWOT-PESTE Analyses

Situation analysis is based on present internal and existing information on organizational capabilities whereas environmental scanning is about the assessment of external situation so as to monitor and find out what new occasions, advances or barriers there may be to affect the organization in the future. In order to review the Undersecretariat's external and internal situation, respectively PESTE Analysis (analysis of political, economic, social, technological, environmental factors) and SWOT Analysis (analysis of organizational strengths, weaknesses, opportunities, and threats) were used. During these studies, macroenvironmental factors through PESTE analysis were studied first. After that, SWOT analysis was conducted by mostly focusing on strengths and weaknesses, because PESTE factors were classified and used as opportunities and threats in SWOT analysis. These analyses were conducted all through the strategic planning process of the UFT at different times and with different working groups. Initial trainings at TÜSSIDE, the stakeholder workshop and unit-level studies all included SWOT-PESTE analyses of the UFT, thus the final outcomes which enlisted in the final Plan came by from the consolidation of these studies.

Step 6: Institutional analysis: assessing organizational resources

This step consists of the assessment of resources in order to determine organizational performance capabilities and be aware of its current ability in supporting its future vision. This is a part of the assessment of internal environment of the Organization in evaluating its existent and accessible strengths and weaknesses. Each unit separately defined the quantity and quality of their financial and physical resources, infrastructure of information technologies and human resources as well as important activities and projects carried out and concluded so far. All the information from each unit was gathered and analyzed afterwards. These studies helped the UFT make informed decisions regarding its goals, objectives and programs on future aspects while providing new awareness and insight into its internal context.

Step 7: Setting core strategic goals

Strategic goals are established to further an organization's interests in the long-term. They are based on the results that will bring the organization to its vision. Once broad strategic directions are clarified, detailed implementation planning will follow (Thompson, 2001; 384). After properly going through the previous steps of conducting basic statements, and assessing the environment and situation of the UFT, the ongoing process

required comprehensive discussions on organizational strategic goals. This step guided the Organization in a more detailed process and shaped it on clear future developments over the next five years. Identifying strategic issues typically is one of the most riveting steps for participants in strategic planning (Ackermann, 1992). First, draft strategic goals were set through several meetings. These studies started in initial trainings. Broad studies, discussions and consolidations were made after within the planning groups. Fundamental questions that were asked while developing core strategic goals were how the Organization can better perform and advance its operations, how it can maintain organizational development and build up positive public interest for foreign trade. Eventually, six strategic goals were identified. These are:

1. To expand foreign trade culture and awareness throughout the Country
2. To sustain organizational development
3. To provide sustainable export increase
4. To develop import policies that will foster manufacturing, and prevent damage and threats disturbing economy
5. To build up policies that will enable high supply of high quality and secure goods
6. To develop policies that facilitate foreign trade, and advance overseas contractor and technical consultancy services

Step 8: Unit-level strategic planning studies

This step consists of bottom-up development of the Strategic Plan. In organizations, different units cover specific areas of operations. In the process of strategic planning, each unit is responsible for developing its own strategic plan and these plans relate to the implementation of overall strategies and objectives of the organizational strategic plan. Functional and departmental managers who think through and debate with subordinates and higher-ups what their units need to focus on and do have a clearer view of how to lead the unit (Thompson, Strickland, 1995; 27). Each unit gathered and studied individually with the facilitation of consultants for developing a unit mission, objectives, performance indicators, and conducting SWOT-PESTE and stakeholder analyses. Following these studies, all the information obtained was elevated to the top organizational issues. Organizational objectives, for example, were shaped by unit-based objectives that are significant for the future of the Organization and have impact on the overall processes. Furthermore, as a preliminary work for ongoing strategic planning and later studies of performance-based budgeting; each operating unit defined a comprehensive list of their unit-based activities in order to create precise annual forecasts and budgeting related to organizational goals and objectives.

Step 9: Developing objectives, performance indicators and yearly objectives

(Allison, Kaye, 2005; 178) describe an objective as a precise, measurable, time-phased result that supports the achievement of a goal. Each objective of the UFT was established by determining how it might work with the relevant strategic goal(s) in order to make improvements in the Organization. As stated in the previous step, each unit studied and developed its objectives and performance indicators concentrating on organizational goals. Second, all objectives and performance indicators were gathered from all units and revised based on careful analysis to produce overall objectives for the entire Organization. This is where organizational plan incorporates unit strategic plans although some of the objectives were shaped with a direct approach from the top to give a major strategic direction to the Organization. While there will be a mix of quantitative and qualitative objectives, the former will be easier to measure, although the latter relate more closely to the mission of the organization (Thompson, 2001; 111). The UFT has more qualitative objectives than quantitative objectives to gauge its performance. Relatively, all organizational objectives of the UFT were quantitatively detailed by performance indicators and yearly objectives as in the table demonstrated in Figure 3. Besides, objectives as was the case with strategic goals were paraphrased in broad outline in the

Figure 3: Presentation of the table filled in for each strategic goal of the UFT

STRATEGIC GOAL						
Objectives	Performance Indicators	Yearly Objectives				
		2009	2010	2011	2012	2013
No						
...						

final Strategic Plan to be clearly understood. Once intended objectives were determined, they were allocated to yearly determined objectives covering each year of the planning period, 2009-2013. Yearly objectives represent what is expected of the Plan on a yearly base and what will be obtained in an appropriate time-scale.

Step 10: Budget projection

An important step in the process was to present the first-year financial projection of the Strategic Plan to give detailed information about the requirements of the operations that are going to be implemented for the upcoming year. The annual budget forecast of 2009 was organized by types of budget appropriations and types of expenditures based on organizational objectives and core strategic goals. In the end, the values of strategic goals were estimated by adding up forecasted budgetary sums of objectives through calculating the projected implementation cost of each. These studies were made by gathering information from units by using their own judgment in pursuing organizational objectives related to their operations. This forecast study gave an appropriate level of detail in the Plan enough to monitor and guide on how much it will cost to carry out operations in 2009 to accomplish strategic goals.

Step 11: Reviewing, final writing and submitting the Plan to the SPO

The planning committee should evaluate both the planning process and the planning documents that have been developed (Allison, Kaye, 2005; 299). After all the procedures and studies were carried out within the above explained process and communicated within the planning organs and upper management, agreement was reached and draft Strategic Plan of the UFT was diligently written up. It was then reviewed and only a few adjustments were made. The Undersecretary reviewed and approved the Plan. And finally, the Strategic Plan of the Undersecretariat was submitted to the SPO for approval. This paper was completed while the Strategic Plan was still in the course of approval process by the SPO.

Some Challenges Encountered

Steps in developing the Strategic Plan involved some challenges, too. The challenges emerged mostly included problems in communication due to bureaucratic structure of the UFT. Sometimes competing ideas about unit-based or organizational priorities caused confusion. Occasionally, more than necessary information obtained resulted complexity. Between whiles it was felt among the members that the planning framework is getting too difficult. As a result, reluctance and lack of commitment began as a drawback. To tackle this issue, important issues were focused; planning approach was made smoother and clearer in the succeeding steps without deteriorating the main planning flow. Although particular staff members from all levels involved in the whole process most of the time, sometimes, other members who didn't receive any trainings or have little idea on strategic planning had to attend the studies instead of them because they were abroad for business, busy with other meetings, etc. This slightly damaged the integrated entity of planning studies as replacers could not make enough contribution like key planners. So, poor group dynamics caused disadvantage these times. In spite of all the challenges encountered, problems were solved overtime through timely leadership and a thought-out, structured planning process.

CONCLUSION

Public administrations have to prepare their strategic plans prior to the date determined in the transition schedule specified by the SPO. Accordingly, the UFT effectively prepared its Strategic Plan for the periods covering the years 2009-2013, and presented it to the SPO in January 2008.

With guidance from the State Planning Organization, a well-defined and formalized Strategic Plan was developed in the UFT. Strategic planning concepts, principles and techniques which are compatible with Turkish economic and legal system were implemented to the Organization. The whole process involved external stakeholders as well as management and staff within the UFT. In the end, the UFT's strategic planning process lasted over one and a half years in total. The strategic planning efforts during the process were perceived as a management tool in the Organization. The gains made in the UFT are noteworthy, and lessons have been learned as a result. Following the completion and implementation of the Strategic Planning Project, the total expected outcomes of the organization are mainly the occurrence of impetus for change and the development of a goals-based, effectively managed and result-oriented organization. The UFT is now expected to establish a clear destination and a route, be proactive in developing and implementing strategies, underline the magnitude of external trends (opportunities and treats), maintain reliable, consistent, transparent and accountable management, and create real public stakeholder and public value. Finally, after the preparation of Performance and Budgeting Programs, the UFT is going to have budget-oriented and forecast-based planning methods. As a conclusion, The Undersecretariat of the Prime Ministry for Foreign Trade can be a successful application model of strategic planning for other public administrations.

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TÜBİTAK-TÜSSİDE. The opinions expressed in this paper are those of the Consultant, and do not necessarily reflect the views of TÜSSİDE or the UFT. The name of the case organization is explicitly identified in this paper as the Strategic Plan will soon be open to the general public at www.dtm.gov.tr.

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STRATEGIC PLANNING IN PUBLIC SECTOR: AN EVALUATIVE STUDY OF SPECIAL PROVINCIAL ADMINISTRATIONS IN TURKEY

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ABSTRACT

The main object of this paper is to evaluate the use of strategic planning approach in the Special Provincial Administrations in Turkey. A study which involves the evaluation of the findings regarding the strategic planning approach in the special provincial administrations, in Turkey, presented. In the aim of this, the data obtained from the 66 Special Provincial Administration of Turkey, via surveys, is analyzed in the extend of strategic planning process. The result of this study reveals that 66 special provincial administrations have used the strategic planning approach in their organizations. Secondly, in this study, many data have been gathered about the use of strategic planning approach in the Special Provincial Administrations. Thirdly, with an internal analysis the strengths and weaknesses; with an environmental analysis the opportunities and the threats have been determined. Lastly, the findings and the recommendations of this study show that an effective strategic planning approach is achievable in the special provincial administrations

Key Words: Strategic Planning, Public Sector, Special Provincial Administrations.

1. INTRODUCTION

Strategic planning is of growing interest to public sector managers. Since the 1980s, it has been emphasized by policy makers and public managers in their management of public business. The concept has come to mean a conscious, rational decision process by which an organization formulates its goals and then implements and monitors them, making adjustments as environmental and organizational conditions warrant. Goals are established in light of the organization's resources and its internal strengths and weaknesses, as well as the opportunities and threats that exist in its external environment. Goals are expected to be mutually reinforced and integrated into a comprehensive whole, so that organizational activity can be coordinated and controlled (Roberts, 1993:153).

The practice of strategic planning, at any rate, is assumed to be transferable to all organizations. The concept of strategy and strategic planning are just as important in the public sector as in commercial firms (Johnson and et all, 2005:23). While analysts acknowledge constrains in the application of strategic planning to public organizations (see, for example, Whelen and Hunger, 2004), they nevertheless recommended its introduction and acceptance, with modifications, into public sector practice (Bozeman, 1993:154). Therefore that is both appropriate and possible to transfer strategic planning to public services.

One of the main public service providers is the special provincial administrations which are branches of public administration of Turkey. They are the public entity enjoying administrative and financial autonomy, which is set up to meet the local and common needs of the people dwelling in the province, and whose decision-making branch is elected and made up by electors. These organizations should also use new public management approaches, such as strategic planning, to provide effective, efficient and economic services for citizens.

The paper aims to evaluate the implementation of strategic planning in the special provincial administrations. It provides a brief review of major concepts of strategic planning and issues related to the application of strategic planning in public organizations. The reviews of strategic planning concepts and public strategic planning are important because they provide background information for the evaluation of the linkage between strategic planning and local government management. To explain this, the paper then addresses the characteristics of the special provincial administrations. Within this framework, the findings of the research, conducted in 2007 in the special provincial administrations, have been evaluated. Finally the paper ends with conclusions and recommendations of applying strategic planning approach in these administrations.

2. THEORITICAL FRAMEWORK

2.1. Definition of Strategic Planning

Strategic planning refers to a systematic effort to establish organizational purposes, objectives, policies, and to develop the strategies which will be used to achieve the organizational purposes. This approach was developed

by private organizations in the 1950s to help managers align their organizations with changing environments so that they could achieve their organizational objectives. Since the mid-1980s public organizations in Turkey have been using some form of strategic planning.

Strategic planning concepts, procedures and tools must be tailored to the specific context. It examines external trends and forces that affect an organization or community (Scott et al., 2004:2). Strategic planning has come to be a recognized management process for the formulation of organizational plans and strategies—planning with strategic purpose in mind. John Bryson's well received book, *Strategic Planning for Public and Nonprofit Organizations*, defines SP as "... a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it." (Fraser and Stupak, 2002:1199).

The objective of strategic planning is to develop strategies and plans in a manner which best fits a specific organization to its particular environment. It does this by utilizing techniques designed to evaluate the internal characteristics of the organization, the idiosyncrasies of the environment, and the possibilities for strategic exploitation of both. There are several models of these techniques. (Mintzberg, 1994:134) They vary in complexity and detail, but they commonly incorporate what is known as the "SWOT" (Strengths, Weaknesses, Opportunities, and Threats) analysis. This is a systematic appraisal of the opportunities and threats presented by the organization's environment and the strengths and weaknesses within the organization for the purpose of rationally and purposefully developing plans which encompass strategic purposes by "fitting" the organization to its environment (Fraser and Stupak, 2002:1199).

A common strategic planning process consists of at least four broad components that are closely interrelated (Liou, 2003: 22):

(1) External and internal analysis of the organization - By analyzing the external environment, managers are in a better position to define the available strategies that best align with their environment. In this stage, political, environmental, societal, technological, economic, and legal factors and their implications for the organization are analyzed (Whelen and Hunger, 2004:59).

In analyzing the internal environment of the organization, we seek to understand the factors influencing internal stakeholders and the consequent strengths and weaknesses of the organization, compared to other organizations working to serve the same needs and markets (Bovaird, 2003:58). Resources to be identified and analyzed include financial capacity, facilities, human resources, and technological advantages. Strengths might comprise distinctive competencies, areas in which the community or organization is seen as a market leader, and unique external relationships. Weaknesses might involve deficiencies in resources, skills, or capabilities (Bryant, 1997:30).

(2) Determining the mission and vision - This is the second step of strategic planning process. **A vision** establishes a community's or organization's view of the future. It often is described as a destination point, "a place to be" in the future. For a community, for example, developing a vision that accurately reflects common values and issues can be a substantial challenge (Bryant, 1997:31). **A mission** statement is a statement of the overriding direction and purpose of an organization. It can be thought of as an expression of its *raison d'être*, why it exists (Scholes, 2005:209). A mission statement is the starting point for an organization's entire planning process (Stone, 1996:36). As Drucker (1992:205) said, it (the mission) focuses the organization on action. It defines the specific strategies needed to attain the crucial goals. It creates a disciplined organization.

(3) Development of goals, objectives and strategies - After identifying organization's vision and mission, goals, objectives, and strategies should be indicated in strategic plans. **Goals** are indicates what the organization would like to become or achieve based on the external and internal analysis and shared mission. **Objectives** are statements of specific outcomes that are to be achieved. Goals and objectives must be clearly related to the vision. In a sense, they are milestones on the route to realizing the vision, and as such they must be explicit, precise, and measurable. **Strategies** refer to the specific actions required to achieve the development goals and objectives.

(4) Implementation and evaluation of strategic options - This stage of the strategic planning process involves the implementation and evaluation of the plan. *The implementation plan* should indicate not only goals and objectives, specific strategic actions, expected results, and action plans, but also the outline of task assignments, a time line, and a list of the specific entity with resources to assess specific implementation targets within the specific time periods. *The evaluation process* considers measurement of the goals, selection of evaluation criteria, and assessment of the overall effect of an economic development.

Implementing strategic planning involves many tasks for managers: designing the organization's structure and culture to match its policy; developing managers and employees to ensure that they have the appropriate background, skills, and attributes to make the policy work; employing the right functional policies to support the organization's overall goals; establishing compatible financial, accounting, information, and evaluation systems to reward performance (Bozeman, 1993:160).

2.2. Strategic Planning in Public sector

Strategic planning in the public sector evolved out of planning processes in the private sector, after a gap of some years. The earliest stages of strategic thinking in the public sector were aimed at planning rather than

management (Scott et al, 2004:5). It is a relatively new innovation to government, and according to some observers, part of a quiet revolution underway in public sector management (e.g., Bryson, 1988; Osborne and Gaebler, 1992,). Recent research suggests that the best public sector managers have been creating strategic planning processes to address the unique features of public sector organizations (e.g., Bozeman and Straussman, 1990,). In doing so, managers have been moving away from traditional, hierarchically managed agencies towards a management style that highlights responsiveness to citizens, excellent quality services, employee empowerment in the workplace, and an ongoing strategic planning process emphasizing the organization's mission and values.

Proponents of strategic planning/management pointed out many benefits of applying strategic planning in public organizations. For example, they claim that strategic planning helps public organizations think strategically; clarify future direction; solve major organizational problems and improve performance; deal effectively with rapidly changing circumstances; build teamwork and expertise; and especially facilitate the politics-administration interface through the building of cooperative relationships between elected officials (those who make public policies) and public managers (those who implement the policies) (Liou, 2000:18). All this, strategic planning proponents believe, will optimize the “fit” of the organization to its environment (Bryson, 1995:7). These elements enhance the development of strategic thought and action which is “...the most important thing about strategic planning...” (Bryson, 1995:42).

The criticisms of strategic planning are discussed in H. Mintzberg’s 1994 book *The Rise and Fall of Strategic Planning*. Mintzberg argues that strategic planning has become a ritualized application of analytical procedures which intend to decompose organizations and environments into their constituent elements and which usually fail to produce real strategy. Strategy, he contends, is synthesis rather than decomposition. “Analysis may follow and elaborate synthesis, by decomposing and formalizing its consequences. But analysis cannot substitute for synthesis” (Mintzberg, 1994:321).

A key difference between strategic planning in private sector settings and public sector/local government is that firms in market settings often have clear measures of performance in the form of market share, financial return or share price. Few indicators are available to public sector organizations, though there are some analogies with private-sector organizations.

Local governments can not operate in the same ways that businesses can. There are limitations to the amount of revenues they can generate. And, whereas a business can walk away from a market or a product that is non-productive, local governments cannot. Indeed, local governments must administer some programmes that have a low likelihood of efficient returns on investment (Gordon, 2005:29). Strategic planning environment requires local governments to share power with other public and private organizations. It also requires local governments to learn new skills for fostering collaboration, and alters the traditional assignment of roles, responsibilities and accountabilities across organizations and sectors (Scott et al, 2004:12).

In sum, this review has explained the major concepts of strategic planning, recognized the increasing importance of strategic planning in public organizations, and identified the conditions and factors associated with the success of strategic planning. The explanations of these concepts are important in understanding the following evaluation of applying strategic planning approach in local governments.

3. A STUDY AT SPECIAL PROVINCIAL ADMINISTRATIONS IN TURKEY

In this part of this study, basic characteristics of the special provincial administrations-SPAs as local authorities, and the findings of this study have been evaluated.

3.1. Characteristics of the Special Provincial Administrations-SPAs

Local authorities are grouped under three headings in Turkey: special provincial administrations, municipalities, and villages. SPAs can be characterized as follows (Article: 2, The Law 5302):

(1) Definion and Duties of the SPAs: Special provincial administration is the public entity enjoying administrative and financial autonomy, which is set up to meet the local and common needs of the people dwelling in the province, and whose decision-making branch is elected and made up by electors. The jurisdiction of the special provincial administration shall include the provincial boundaries. It has the duty and entitlement to do the following, provided that they are of a local and common nature:

(a) Within provincial boundaries: services relating to health, agriculture, industry and trade; environmental arrangement plan of the province, public works and housing, protection of soil, prevention of erosion, social services and assistance, granting micro loans to the poor, nurseries and orphanages; procurement of plots of lands for primary and secondary education schools, and the meeting of their needs for the construction, maintenance and repairs of their schools,

(b) Beyond municipal boundaries: services relating to reconstruction, roads, water, sewage, solid wastes, environment, emergency assistance and rescue, culture, tourism, youth and sports affairs; supporting forest villages, forestation, and establishment of parks and gardens.

They can carry out any activities to fulfill the duties and services assigned to it by laws, and issuing and supervising the authorizations and licenses specified in laws for the activities of natural and legal persons. They can also issue regulations, orders, introduce and implement prohibitions and impose the punishments set out in laws within the framework of the power vested in the special provincial administration by relevant laws.

(2) Organs of the Special Provincial Administration: Special Provincial Administrations have three organs:

- *General Provincial Council* - General provincial council which does not exercise any duty related to execution is the general decision-making organ of the special provincial administration and is composed of members directly elected by the electorate in the province.
- *Provincial Council* - Provincial executive committee is both the decision-making and the executive organ of the special provincial administration. It shall be chaired by the governor and comprise five members to be elected by the general provincial assembly every year from among its own members for one year through secret ballot and five members to be selected by the governor every year from among the chief officers, one being a chief officer of the financial services unit.
- *Governor* - The governor shall be the chief of the special provincial administration and the representative of its legal personality. Governor, based on the Law of 5442 on Provincial Administration is on the one hand, the head of the general provincial administration, the representative of the state and the government, and the political and administrative executive agent of each minister individually, while on the other hand, within the framework of Law of 5302, the governor is the head of the special provincial administration which is a local authority and the representative of its legal personality. He/She is appointed by the decision of the Council of Ministers and the approval of the President.

(3) Organizational Structure of the Special Provincial Administration: Organizational Structure of the Special Provincial Administration shall consist of the general secretariat, financial affairs, health, agriculture, reconstruction, human resources, and legal affairs departments. Establishment, abolition or combination of other departments according to the norm staffing system and existing needs shall be made upon a decision of the general provincial assembly, in regard to the population, physical and geographical nature, economic, social, cultural characteristics as well as the potential development of the province.

Secretary general shall organize and provide the services of the general provincial assembly on behalf of the governor and in line with his/her commands, in accordance with legislative provisions, the decisions of the general provincial assembly, the purpose and policies of the special provincial administration, the strategic plan and the annual work program. To this end, s/he shall issue the relevant commands to the organizations of the special provincial administration, and supervise and ensure their implementation.

(4) Financial Structures of Special Provincial Administrations: The budget of the special provincial administration is a council decision that shows the estimated income and expenses within the fiscal year and the subsequent two years, and that allows the collection of revenues and making of expenditures. The revenues of special provincial administrations can be combined under three groups based on its resources: (1) Own resources (2) Shares allocated from state revenues (3) Other revenues

(4) Strategic Plan and Performance Plan: The SPAs prepare development plans and programs, and strategic plans, in line with the regional plans, if any, and develop a yearly performance plan prior to the beginning of the relevant year, and submit them to the general provincial assembly. The strategic plan shall be developed in consultation with universities and chambers of profession, if any, and non-governmental organizations concerned with the issue; it shall take effect after being adopted at the general provincial assembly. Development of the budget shall be based on the strategic plan and the performance plan.

3.2. Domain of the Study and Sampling

The domain and the sampling of this study consist of the SPAs (in 81 provinces of Turkey). The domain of the sampling is 82%. It is assumed that the SPA administrators have given the correct answers to the survey questions. The method of the research is survey model. The data obtained from the 66 Special Provincial Administration of Turkey, via surveys, are evaluated, in the extend of strategic planning process. The result of this study reveals that 66 special provincial administrations have used the strategic planning approach in their organizations.

The questionnaire consists of 36 questions and was sent to all provinces. The first 9 of the questions show the general profile of SPAs; 10-18th questions are about strategic planning activities of the SPAs; 19-34th questions are external environmental factors; 35-36th questions are internal factors of SPAs. The questions are prepared according to the 5- Likert Scale. “Z Test” was used for the test of the research hypothesis.

3.3. Findings about the Profile of the SPAs

The findings with regard to the profile of SPAs are:

- There are less than 100 **villages** in 3 % of the SPAs; 100-200 villages in 15% of the SPAs; 201-400 villages in 33% of the SPAs; 401-800 villages in 40 % of the SPAs; more than 801 villages in 9% of the SPAs in Turkey.
- The research suggests that there are less than 5 **districts** in 11 % of the SPAs; 6-10 districts in 42 % of the SPAs; 11-20 districts in 42 % of the SPAs; and more than 21 districts in 5 % of the SPAs.
- The research suggests that there are less than 10 **municipalities** in 12 % of the SPAs; 11-20 municipalities in 17 % of the SPAs; 21-40 municipalities in 31 % of the SPAs; 41-80 municipalities in 32 % of the SPAs; more than 81 municipalities in 8 % of the SPAs.
- There are less than 5 **departments** in 5 % of the SPAs; 6-10 departments in 70 % of the SPAs; 11-20 departments in 3 % of the SPAs; 21-30 departments in 5 % of the SPAs; and more than 31 departments in 5 % of the SPAs.
- There are less than 10 **member of the general provincial councils** in 1 % of the SPAs; 11-20 council members in 15 % of the SPAs; 21-40 council members in 38 % of the SPAs; 41-80 council members in 40 % of the SPAs; and more than 81 council members in 6 % of the SPAs.
- The amount of the **budgets** are less than 10 million in 10 SPAs; 10-21 million in 21 SPAs; 20-40 million in 13 SPAs; 80-160 million in 3 SPAs; and more than 160 million New Turkish Lira in 1 SPA.

General Descriptive Statistics related to the profile of the SPAs are shown in Table 1. It includes information about the number of employees, total population, number of villages of districts, of municipalities, of departments, of general council members and the amount of the budgets.

Table 1: General Descriptive Statistics

	N	Range	Min.	Max.	Average	Standard Deviation
Number of Employee	64	1279	37	1316	543,06	292,554
Total Population	65	11907000	93000	12000000	897189,1	1516724,9
Number of Village	65	1191	45	1236	449,40	253,644
Number of District	66	30	2	32	11,27	6,138
Number of Municipality	66	201	5	206	40,82	32,814
Number of department in SPAs	66	30	5	35	10,77	6,211
Member of Provincial Council in SPA	65	217	8	225	41,06	31,423
2007 Year Budget of SPA	64	320000000	5000000	32500000	34462515	42873005

3.4. Findings about Strategic Planning Activities in SPAs

The findings with regard to the strategic planning activities in SPAs are:

- It has been found that each SPA has **implemented strategic planning** activities.
- It has been found that **strategic planning** has been prepared and implemented in 40 provinces for more than 3-5 years, in 19 provinces for 1-3 years, and in 2 provinces for more than 5 years.
- **Strategic planning teams** have played an important role in 63 provinces out of 66 for the strategic planning studies. Province governors and general secretaries followed them.
- Among the options that have been vitally emphasized is the option of “**contributions to provinces’ development and improvement**”. The other options are “**quality service supply**”, “**activation of local potential, and high productivity**”.

- Province governing units, provincial council, public opinion researches, central government, district governors and universities made up 80% of the sources that **used in determining the strategies**.
- It has been seen that firstly, “**rural infrastructure and development**” secondly “**education and health**” and thirdly “**irrigation and drinking water**” are the **strategic subjects** that have been determined by SPAs.
- In **strategic planning strategies**, in relation to internal sources, SPAs mostly used the data are respectively; middle-ranked managers (72.7 of provinces), general secretary (63.6 %), members of provincial council and SPAs’ staff.
- In strategic planning studies, SPAs have benefited from public institutions (84.6 %) in **collecting the data** on external environment. Universities followed this by 50.8 %. Evaluating the result by percentage, the other public institutions constitute 22.09 % of the total options. And then respectively municipalities, SPAs, the other governing bodies in European Union Countries and SPAs around etc. are ranked.
- SPAs’ strategic planning studies **success** has been noted as follows: 45.5 distinctively successful, 38.18 % successful, 50.91 % normal level, 1.82 % unsuccessful and 3.6 % distinctively unsuccessful. According to this result SPAs (about 89.10 %) they have found themselves for more successful in strategic planning implementations.

The strengths and weaknesses of SPAs, and opportunities and threats for SPAs are shown in Table 2 and Table 3 respectively.

Table 2: Internal Analysis-Strengths and Weaknesses of SPAs

Strengths		Weaknesses
<ul style="list-style-type: none"> • Research Development • Personnel Quality • Financial Situation • Organizational Structure • General Secretary • Managing Mentality • Public Relations • Distribution of Competence and Responsibility • The Size of Organization • Hierarchal Structure • Information Flow within Organization • Coordination Amongst Unites • Internal Communication • Participation in Decision Making • Appraisal and Motivation • Harmony in Source Distribution and Existing Strategies 	<ul style="list-style-type: none"> • Employment of Contractual Personnel • Public Opinion Research • Funds of R. &D. • General Provincial Council • Machine, Vehicles, and Equipments Owned • Privatization • Foreign Credit Potential • Internal Training Activities • Provincial Council • SPAs’ Objectives • Quality of Services Supplied • Impartiality in Supplying Services • Team Spirit • Cash Situation of SPAs • Financial Variability • Harmony of Organizational and Individual Objectives 	<ul style="list-style-type: none"> • Political Effects in SPAs’ Decision Making • Cost of Services • Foreign Credit Potential

When we evaluate Table 2, it can be seen that internal environmental factors are strengthening points for SPAs, whereas political effect, service cost, and foreign credit possibility are weaknesses at SPAs.

Table 3: External Analysis-Opportunities and Threats for SPAs

Opportunities	Threats
<ul style="list-style-type: none"> • Environmental Factors About Political Parties “Majority Party in General Provincial Council” • Expectation of Village Residents and Their Contribution to Infrastructural Projects • Bank of Provinces • Municipalities • SPAs Businesses • Provincial Planning and Coordinating Boards • Judicial Environmental factors “Law 5302 Number, “European Local Autonomy Charter” and Judicial Regulations About SPAs” • Political Stability and Governmental Policies • Increasing SPAs’ Revenues Related to Environmental Factors, Economic Actions, and Bank Credits, Fund and Source Usage, Development Planning, Economic Actions, Economic Expectations in the Country • Technological Environmental Factors • Labour ethics and Changes in social Values • Environmental Cautiousness of Local People, Purification of Waste Water, greening and Protection of Animal Life • Central Governments’ Other Factors Except From Ministry of Internal Affairs • Marketing Factors: Alternatives of SPAs and Competitors of SPAs • Relations With Businesses, Non-Profit organizations and Public Organizations 	<ul style="list-style-type: none"> • City Residents Factor • Immigration Trends to City • Inequality of Income Distribution and Existence of Shanty Families • Demographic Changes About Village Residents • Regional Strains and Terror • Impact of Inflation • Increase in SPAs’ Expenditure • Population Increase and Fast Urbanization, Socio-Cultural Differences Amongst Districts and Villages • Ethnic Structure of Local People • Air, Water, Land Pollution and Noise • Guardianship of Central Government Over SPAs

Table 3 shows that some factors create opportunities, whereas others create threats. As can be seen from Table 3, some environmental factors, such as Majority Party in General Provincial Council; Bank of Provinces; SPAs Businesses; Provincial Planning and Coordinating Boards are evaluated as **opportunities** for the SPAs. City Residents Factor; Immigration Trends to City; Inequality of Income Distribution and Existence of Shanty families; Demographic Changes About Village Residents; Regional Strains and Terror; Impact of Inflation; Increase in SPAs’ Expenditure; Population Increase and Fast Urbanization; Socio-cultural Differences Amongst Districts and Villages; Air, Water, Land Pollution and Noise; Guardianship of Central Government Over SPAs are **threats** for the SPAs.

4. CONCLUSION AND RECOMMENDATIONS

Generally speaking, due to the changing global and local environmental conditions, public managers have interested in new management approaches such as strategic planning for the last two decades. The application of strategic planning has been successful in some Western Countries’ public sector administrations. This trend has affected the management of Turkish public sector. The SPAs, according to the Turkish Law 5302, have to prepare and implement strategic planning approach. In all provinces of Turkey, those local administrations have played very important roles especially in the rural infrastructure of villages. It has been crucial to examine the

management of the SPAs from the strategic planning perspective in order to become successful in their activities. What is clear that The Turkish Special Provincial Administration Act 2005 has placed considerable pressure on those authorities to build up their strategic policy skills and to develop new skills to make them more effective in the roles of facilitator, negotiator, and catalyst.

Evaluating the findings from the perspective view of management theory, the following recommendations are made regarding the use of strategic planning approach in SPAs:

- **Strategic Consciousness:** Strategic planning process starts with strategic consciousness. Strategic consciousness requires being aware of change, to notice the competitors, and to believe in the necessity of new strategies (Mirze and Ülgen, 2004:57). It is too difficult for managers to be successful, if they are not aware of the necessity of strategic planning.

In restructuralisation process, managers, staff, and general council members of SPAs should well analyze the environmental changes and their possible effects on SPAs activities. Governor, president of the general provincial council, and general secretary need to develop strategies in uncertain and complex conditions. It is assumed that managers, who read the developments and changes well, will choose the right managerial equipment in their organizations.

- **Performance Measurement:** Performance measurement is a widely used and disseminated technique emerged from European countries (Shedler, 2004:371). This technique has played an important role in the implementation of reform programmes of public sector in OECD countries (Sanderson, 2001:297). By doing this, especially public accountability increases; whether sources are used effectively and efficiently or not is announced to citizens. With performance management, success will be appraised and the reasons of failure will be diminished. Therefore, the result will be explained to public and public support might be obtained (Greiling, 2005:5).

Performance measurement is seen as an instrument of strategic planning implementations. For example, British Local Government Law 2000 orders all local governments to provide community strategy plans for environmental social improvement (Cetin, 2000). And also asks local governments to provide performance indicators in order to see the results.

In the SPAs it is necessary to design integrated performance management systems together with human resources systems in order to assess employees on correct indications and focus on value added areas. In the stage of vitalising designed performance management system, the support of expertise companies, universities and institutions should be taken.

- **Effective Communication:** Communicating is critical to any strategy implementation process. Implementing strategy is more than issuing a one-time declaration from the president or CEO about a company's goals. Effective communication continually reinforces a company's direction and its progress toward achieving it (Galphin, 1997:28).

In the SPAs reliable and effective communication is vitally important in the implementations of strategies. Because, strategic planning is not something that is applied just once, but beyond that it affects the future of institutions and their objectives. Sending messages and effective communication channels will ease the strategic change and their applications. For this, sufficient knowledge and suitable environment are necessary. To strengthen the communication in SPAs, some attitudes such as delegating the power, and unifying the literature in oral and written communication would be beneficial. Effective communication will help to increase in owning the work and motivation.

- **Organizational Structure:** Structure is a crucial driver of implementation and change, as the structure identifies and communicates key activities and the manner in which they will be coordinated to achieve the community's or organization's vision. The vision, goals, and objectives should be clearly reflected in the structure of the organization (Bryant, 1997:33).

One of the preconditions in order to develop strategic planning understanding in SPAs is to design these institutions for present time and coming decades according to expectations. Organizational structure should be designed in such a way that SPAs will be able to increase their performance. All these targets might be obtained by creating a good institutional culture, a good organizational climate, participation of workers in decision making, minimizing organizational conflict and managing the change and also developing the managerial systems and attitudes.

- **Strategic Human Resources Management:** Human resources, as competitive superiority, should be given utmost privilege in fastly changing in internal and external conditions and in new management understanding (Barutçugil, 2004:57). This kind of behavior might gain workers' dedication and SPAs adopt themselves to changing environmental conditions. With a good human resources planning, a

comprehensive strategy should be developed in order to have qualified human resources. There should be an endeavor in order to obtain right people for right job in right place and time. Job analyses in SPAs should be well done and then selection of workers, training of employees and career planning should be emphasized. Beside this, performance and motivation techniques should be used.

SPAs should develop policies by seeking answers to the questions below (Eren, 2002:370): Do we own sufficient number and quality employee in realizing the strategies? What will the level of knowledge, talent and experiment of labour force is and in which resources are they obtained? Which of the existing personnel should be trained in increasing knowledge, talent and behavior? Which personnel should be trained on technological knowledge and talent and which ones should be trained on managing and public relations, institutional culture and strategic vision? Which systems and attitudes should be adopted in recruiting? How can we provide personnel in gaining behavioral customs and discipline? What the policies will be in determining promotion standard for new posts? And finally, to whom and which kind of motivation techniques will be applied?

- **Organizational Culture:** Culture reflects shared assumptions, beliefs, and values that influence action within the community or organization. These shared characteristics can best be understood and described through widespread involvement in developing the vision.

SPAs, after the integration with the institution of village services, should take necessary precautions in order to eradicate differences between the personnel of both organizations and build a new organizational culture by reducing organizational cultural differences. For this, active participation in determining the organizational vision, mission and goals will be extraordinary contribution to establishing a new organizational culture. Fair wage policy, motivation, career planning techniques will also be other modern management techniques for the SPAs' successful managements.

- **Prevention of Extreme Politization:** One of the new public management's aims is to differentiate task and duty of public managers from politicians. This approach sees politicians as strategists between managerial and political relations. Politicians will choose suitable strategies, strategic aims, determine strategic visions and macro level source will be allocated by them. Managerial politics will be applied by public administrations. Upper level public managers will take the leadership by subsidizing their authority to their sub workers. They will, therefore, be able to focus on targets and objectives, develop visions and have a new managing culture (Eryılmaz, 2005). By this way, public managers will be accountable to citizens as well as political leadership in service standards, quality measure and customer satisfaction.

Political effects in SPAs' decision making is, in the survey, is explored as one of the weaknesses of these institutions. Prevention of politization in management is necessary for professional management in SPAs. In the present process, it is understood that basic principles of management science should be used in determining physical and social environment of workers. For example, it is in the responsibility of SPAs to give the freedom of job selection to workers which is called personnel empowerment. The use of authority, most of the time, should not be hampered by political reasons.

- **Rehabilitation of Financial Structure in SPAs:** As in every organization, prerequisite of SPAs to realize their tasks is to have a qualified human resources and technical support as well as financial power. For example, most of the SPAs in this survey have underlined and emphasized the question of financial power as a means of authority. Again, some SPAs have seen service costs in some views as a weakness. To strengthen the financial situation of the SPAs, service users may contribute to the costs. Secondly, the SPAs should use their potential resources by selling water, stone and sand production facilities. Thirdly, as seen in internal analysis, SPAs have positive point of view for long-term financial allocations. Beside, although they saw foreign credits as a means of power, practical experience and interviews have shown that they are very reluctant in using long-term financial credits.
- **General Secretary:** Law 5302 of SPA has brought a new organizational approach to the Spas. According to this law, SPAs have been functionally divided into different departments under the authority of General Secretary. The point should be noted is that quality of personnel and their positions are so flexible. Therefore, inexperienced people are sometimes appointed to the posts that are far from their qualities and talent. Mainly, it can be said that after the integration (unification) of SPAs and villages services organizations, political interventions instead of professional behavior have come to forefront. This kind of structuralisation has spread out to the other units of SPAs. In the appointment to the general secretary position, local government management experience and professional approach should be preferred. Thus, the local government reforms will be more successful within a shorter period.

- **Relations between SPAs and Central Government:** Central government and local governments, in Turkey, are run on the principles of unified management understanding and sharing services. In an environment, which public and private sectors are closing to each others, SPAs should cooperate with the central government institutions. This cooperation should be arranged on the basis of service and project development.

Law 5302 issued in 2005 gave vast authority and tasks to SPAs. However, with which financial sources these tasks will be implemented is not clear. Another problem is that there are still a big conflict between those institutions in the implementation of duties and sharing responsibilities. For example, education, and cultural and sportive activities have run by different central government departments. SPAs have only the right to give positive or negative response to their financial demands. Those unites decide their investments themselves and determine their activities themselves and they are completely belong to the central government whereas, SPAs are not a unit or department of central government and they do not have a hierarchic tie with it.

- **Relations with Other Institutions:** Undoubtedly, if strategic planning activities are only applied in SPAs positive results of applications will be limited. Because, SPAs will have to be in a permanent relations with the other institutions and organizations. Especially in education, health, sportive activities, SPAs success mainly depends on the relations with and performance of the other organizations in the region.

It is difficult to say that SPAs have good relations with their stakeholders in strategic planning studies. Our experiences show that SPAs do not benefit from district governors and neighborhood leaders. These professional public administrators and locally elected leaders' contribution should be taken into consideration as because they undertake important responsibility duties lower level. Participative, controlling, questioning and collaborative villages and neighborhoods' contribution should be increased (Akın and Güleç, 2003:437). Elected governors and leaders in districts and villages will then feel themselves responsible to express the need and problems in their area.

SPAs are evidencing a growing awareness of, and involvement in, their strategic planning activities. This will be accompanied by expectations of the projected outcomes. As such, local government managers will increasingly be measured on their ability to implement the plans. A constant awareness of, and focus on, the plans will therefore become an important aspect of future local government executive leadership. The success of SPAs depends on the synergy that might be created by the relations between groups and individuals. The relations, therefore, should be designed in a way that to allow the creation of this synergy so that harmony instead of conflict and division will come in forefront. This will bring a dense collaboration and success.

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THE ASSOCIATION BETWEEN ECONOMIC DEVELOPMENT INDICATORS AND CULTURAL DIMENSIONS: THE CASE OF TURKEY

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ABSTRACT

Over the past years, some developing countries have experienced substantial economic growth, diminishing the economic gaps with developed countries. Nevertheless, for other developing countries the gaps even widened. One of the factors that play role in these growth differences is argued to be culture. In past, economic development is found highly related with specific cultural dimensions. Hofstede identified four main cultural dimensions that reflect cultural differences across nations, basing on a large survey study with IBM employees. These cultural dimensions were power distance (PDI), individualism (IDV), masculinity (MAS), and uncertainty avoidance (UAI). In the current paper, we mainly aimed to investigate the association between Hofstede dimensions and qualitative (i.e. quality of life index) economic growth measures as well as quantitative growth dimensions (i.e. GDP, GDP growth rate, growth output measures on agriculture, manufacturing, industry and services) particularly for Turkey case. Then, we discussed specifically on the implication of these findings to recent economic growth of Turkey.

We utilized countries' scores on Hofstede cultural dimensions in order to study cultural differences. The survey data Hofstede had analyzed covered value scores of employees in 70 countries (including Turkey) between 1967 and 1973. Our measure of quantitative economic growth indicators was taken from World Data Bank's database in World Development Indicators, 2006. Basing on findings in previous literature, we selected GDP per capita, GDP growth rate, and growth output rates on agriculture, manufacturing, industry and services from database. The qualitative growth dimension was the quality of life evaluations across countries. The Economists Intelligence Unit computed quality of life scores for countries basing on survey results of 111 countries. Quality of life index of a country measures the aggregate score of individuals on their life satisfaction level. Researchers suggested that quality of life scores have high correlations with GDP per capita and growth rate.

We included scores of 68 countries in total, which had data on economic growth database, quality of life and Hofstede survey study. We conducted a correlational analysis among four cultural dimensions (PDI, MAS, UAI, IDV), economic growth indicators of 2006 and quality of life indexes of 2007. Using Bonferroni approach, we corrected significance level against Type-I error. We found significant positive correlations with individualism dimension and GDI per capita and quality of life index. Individualism correlated negatively with GDP growth rate and service output. There were significant positive correlations between power distance and agriculture output, as well as service output. Power distance negatively correlated with GDI per capita and quality of life index. Masculinity dimension and uncertainty avoidance did not correlated with growth indicators and quality of life index. We found that, in line with previous findings, high individualistic and low power distance countries have higher GDI per capita. Individualism goes along with lower GDP growth rate and service output. Countries of citizens who are more satisfied with their lives are more individualistic and have lower power distance. The implications of these findings were discussed for Turkey.

INTRODUCTION

Economic growth is the improvements in the quantity of outputs of the citizens. According to World Development Indicators Report (World Bank Report, 2007), economic development indicators are growth rates in Gross Domestic Product per person and its derivatives – outputs in service, industry, manufacturing, and agriculture. There are many factors that play role in the economic development rate of a country. For instance,

researchers argued that property rights, property protection, the rule of law (de Soto, 2000), free-market economy and stability in macroeconomic indicators might influence the economic development indicators (Lopez-Claros, Porter, Schwab & Sala-I-Martin, 2006). Moreover, geographical features and climate might also interact with economic developmental forces (Hofstede, 1991/1997; Sachs, 2000). Over the past years, some developing countries have experienced substantial economic growth, diminishing the economic gaps with developed countries. Nevertheless, for other developing countries the gaps even widened. One of the factors that play role in these growth differences is argued to be culture. In current study, the main aim is to examine the association between economic growth and cultural factors.

Researchers argued on one controversial factor that involved in national differences in terms of economic growth rate – cultural differences. Cultural differences reflect the individuals' differences in “collective programming of the(ir) mind” (Hofstede, 1991; p. 4). Each individual learns the “shared motives, values, beliefs, identities, and interpretations or meanings of significant events” (House, Hanges, Javidan, Dorfman & Gupta, 2004) from his/her social environment and behaves in accord with these shared motives, values, beliefs, identities and interpretations. According to Hofstede (1991), the shared values of individuals in a given culture particularly reflect the core cultural differences across different communes. Despite several cultural transformations within a society, some shared values of the society are resistant to change. In his words (1991),

“There are many things in societies that technology and its products do not change. If young Turks drink Coca-Cola, this does not necessarily affect their attitudes toward authority. In some respects young Turks differ from old Turks, just as young Americans differ from old Americans... In the sphere of values – that is, fundamental feelings about life and about other people – young Turks differ from young Americans just as much as old Turks differ from old Americans. There is no evidence that the values of present-day generations from different countries are converging.” (p. 12)

Hofstede identified four main value dimensions that reflect cultural differences across nations, basing on a large survey study with IBM employees. These cultural dimensions were power distance (PDI), individualism (IDV), masculinity (MAS), and uncertainty avoidance (UAI). Previous studies showed significant relations between Hofstede cultural dimensions and quantitative economic development indicators, such as GDP and GDP growth rate (Hofstede, 1991). High individualism and low power distance involved in GDP growth rate and industrialization of a country. However, in one study, researchers found no significant correlations between the degree of individualism and the economic growth (i.e. GDP growth rate) (Fedderke & Klitgaard, 1998).

Besides, economic growth is related with economical and social well-being of individuals within a country, which is called quality of life. Quality of life of citizens is usually measured with financial indicators, such as income level of individuals (Economist Intelligence Unit, 2005). Nevertheless, growth rate in income level of citizens was found to be not significantly related with the overall increase in the people's satisfaction with their lives. Therefore, based on the results of life satisfaction survey studies for 74 countries, researchers identified mainly nine predictors of quality of life: GDP per person (“material well-being”), the average life expectancy in year (“health”), “political stability and security”, divorce rates (“family life”), religiosity or trade-union membership (“community life”), the climate and geographical qualities of country, the rate of unemployment (“job security”), indicators of political liberties (“political freedom”) and comparison of earnings of men and women (“gender equality”) (Economist Intelligence Unit, 2005: p. 2). Researchers calculated 111 countries' life satisfaction level with a quality of life index, which provides reliable comparison between countries or nations.

These nine predictors go hand in hand with cultural factors within a country. To our knowledge, however, the relation among Hofstede cultural dimensions and qualitative economic development indicators, such as quality of life index, has not been studied. In the current paper, we mainly aimed to investigate the association between Hofstede dimensions and quality of life index as well as quantitative growth dimensions (i.e. overall GDP growth rate; and annual growth output measures on agriculture, manufacturing, industry and services) particularly for Turkey case. Then, we discussed specifically on the implication of these findings to recent economic growth of Turkey.

METHOD

Sample

Countries that have score in both Hofstede cultural dimensions and either quality of life index or other economic development indicators (N = 66) are sampled for initial analysis on the relation between cultural dimensions and economic development (see, Appendix I).

Measurements

Hofstede cultural dimensions are the measure of cultural differences among countries. These cultural dimensions were derived by Hofstede (1980) from the survey study between 1967 - 79. Overly 70 countries including Turkey have value scores for four Hofstede cultural dimensions (i.e. power distance, individualism, masculinity, uncertainty avoidance). Power distance focuses on authority orientation and the attitude to inequality among members of the nation. In large power distance countries, individuals see power distance as acceptable and superiors are not easily accessible, unlike countries with low power distance orientation. Individualism involves in self-orientation. The individual values of citizens are important rather societal cultural norms. Collectivism lays other side of individualism dimension. It focuses on the group identity and well-being of the group. Masculinity dimension is about behavior and the approach to gender issue – differences in assertiveness and caring among gender groups. Masculinity focuses on assertiveness across gender groups, while femininity is the opposite of masculinity and involves caring values. Uncertainty avoidance focuses on risk orientation and nations' tolerance to ambiguity. Nations that have low uncertainty avoidance are comfortable with uncertain situations and conditions, whereas high uncertainty avoidance goes with preference to stability and exactness (Smith, Bond & Kagitcibasi, 2005).

The measure of quantitative economic growth indicators was taken from World Data Bank's (2007) database in World Development Indicators, 2006. Basing on findings in previous literature, we selected GDP per capita, GDP growth rate, and growth output rates on agriculture, manufacturing, industry and services from database. The qualitative growth dimension was the quality of life evaluations across countries. We utilized the estimated quality of life scores of countries (The Economists Intelligence Unit, 2005). Quality of life index of a country measures individuals' life satisfaction level (see Appendix II).

RESULTS

Economic growth indicators for each country were given in Table-1. In order to examine the relation among cultural dimensions, economic growth factors and quality of life index, Pearson correlations were calculated. There was a possibility of inflated Type-I error and therefore we used Bonferroni correction for significance level ($p = .001$). All analysis was two-tailed.

Our results showed that annual growth rate in GDP ($r = -.539, p < .001$), in service output ($r = -.547, p < .001$), in agriculture output ($r = -.503, p < .001$); in industry ($r = -.567, p < .001$) and manufacturing outputs ($r = -.578, p < .001$) had significant negative correlations with power distance. Annual growth in GDP ($r = -.433, p < .001$) and service ($r = -.432, p < .001$) had moderate correlations with individualism. Power distance negatively correlated with the quality of life ($r = -.544, p < .001$), while individualism dimension had positive correlations with satisfaction level ($r = .566, p < .001$) (see, Table-1).

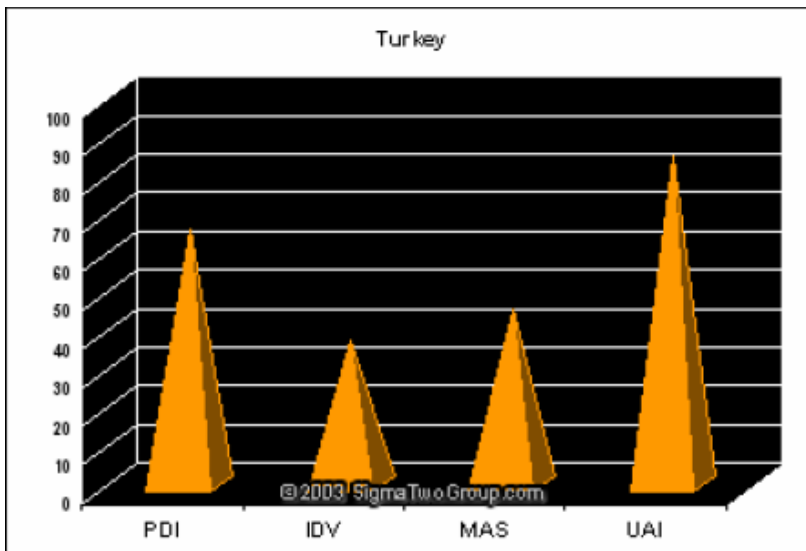
Table 1.

Variables	PDI	IDV	UAI	MAS
Gross Domestic Product in 2005	-.375**	-.110	-.119	-.072
GDP annual growth rate between 2000-05	-.539***	-.433***	-.243	-.006
Agriculture annual growth rate between 2000-05	-.503***	-.287*	.137	-.011
Industry annual growth rate between 2000-05	-.567***	-.385**	-.125	-.030
Manufacturing annual growth rate between 2000-05	-.578***	-.320*	-.098	-.046
Service annual growth rate between 2000-05	-.547***	-.432***	-.275*	-.030
Quality of life index	-.544***	.566***	-.132	-.016

DISCUSSION

As presented in Figure-1, Turkey is high in power distance dimension (PDI = 66); its citizens accept and expect the distance between their selves and authority figures. They are comfortable with the inequality among citizens. Authority figures are not easily accessible at the perception of Turkish citizens. Turkey is also low in uncertainty avoidance (UAI = 88). Turkish people are not comfortable with the ambiguous and uncertain situations and they cannot tolerate uncertainty. People try to minimize the possibility of uncertain or unstructured situation with societal rules, laws. They do not take risks very easily. Moreover, Turkey is low in individualism (IDV = 37) and masculinity dimension (MAS = 45) when compared to other nations. Former means that Turkey is a more collectivist country, in which in-group values are important and people have strong bonds with other members of the in-group. Individuals tend to have strong group identity and they try to enhance their group well-being, rather than their own subjective well-being. Similarly, latter finding indicates that Turkey has more feminine value orientation compared to other nations. IBM survey results showed that women did not differ in terms of this dimensions, but men participants went along masculine dimension and feminity. In Turkey, men have more caring values rather than assertiveness, or achievement/power orientations. They have less assertive oriented values that involves power struggle compared to men in other nations (Smith, Bond & Kagitcibasi, 2005).

Figure 1. Hofstede's Cultural Dimensions for Turkey



PDI: Power Distance Index, IDV: Individualism, MAS: Masculinity, UAI: Uncertainty Avoidance Index
http://www.geert-hofstede.com/hofstede_dimensions.php 28.02.2008

Our results indicated that power distance value was related to lower growth rate in GDP, service, agriculture, industry and manufacturing output. This was in line with the previous works of Hofstede (1980). Low power index was found to be related to modern agriculture, high urbanization, and high technology and developed middle class. We also found that individualistic countries have lower GDP growth and service output growth rate, similar to Hofstede's findings (1991). Similarly, Anbarci and Kirmanoglu (2004) found that as individualism increases, growth volatility decreases. There are collectivist-oriented countries that have well prosperity, such as Singapore (IDV: 20), Hong Kong (IDV: 25) or Japan (IDV: 46) (Hofstede, 1980), but as in the case of Turkey, the general trend in countries value orientation match with their prosperity.

Economic development does not only involve in objective monetary indicators of growth but also people's perception on and satisfaction with their lives. The whole country or nations transforms in qualitative terms during economic growth. In this paper, we found strong relations between the qualitative economic growth correlate (i.e. quality of life) and nations' value orientation in Hofstede cultural dimensions. Nations that have higher power distance orientation significantly had lower score in quality of life index, indicating lower satisfaction level of individuals. Moreover, the overall of satisfaction level of citizens was high as in more individualistically oriented countries. These results were in line with the view that traditional institutions (e.g. religiosity, trade unions), political participation and trust in the politicians have declined; there are problems in

family and marital life as reflected on high divorce rates within modernization period which come about individualism and low inequality with power domains (The Economist Intelligence Unit, 2005).

Hofstede cultural dimensions are very useful in the analysis of cultural differences among countries. Nevertheless, nations' scores do not represent the scores of each individual within a country but show a general trend and exceptions within a country are always expected. This is particularly important for the case of Turkey, because in Turkey, there are varieties of cultural groups, which lessen the homogeneity of the variance in Turkish scores. Thus, score of Turkey in a given cultural dimension of Hofstede may not be representative of its citizens, but only show the average trend. Moreover, these cultural values were taken from IBM employees within large cities of Turkey. They represented the highly educated; middle and upper class citizens in the sample, while low middle and lower classes were not represented in the survey. Thus, we have to be cautious when we interpret the results of the value study. Besides, survey data is not up to date and some aspects of value orientations might have changed over time for some nations. There have been cultural and economical shifts in Turkish society since survey study. However, Hofstede cultural dimensions have been widely used within many empirical studies that confirm their validity and they were argued to be still a powerful tool for the comparison of cultural differences across nations (Smith, Bond & Kagitcibasi, 2005).

Due to cross-sectional nature of our study, we cannot refer a directional relation between culture and economic development. Do cultural differences across nations account for economic development differences? Alternatively, does the level of economic growth give way to cultural differences? Economists recognized that people does not always have rational decision making processes in economical Endeavour. They tend to make decisions basing on what they are used to do or what others are expecting from them (Beugelsdijk & Schaik).

Inglehart and Baker (2000) argued that cultural heritages of societies might give way to the economic development trends across different nations. We should not view culture as a stable entity but as a dynamic structure, which is continuously recreated. According to Inglehart and Baker (2000), with industrialization, societal organizations and social norms have greatly changed. In the process of modernization, individuation has been increasing – individual's autonomy is more emphasized. In traditional societies, individuals are motivated by traditional, religious and communal norms, while in modern and industrialized societies people have achievement orientations. In latter, economic growth, oriented goals are important, contrast to survival motivation in the former economy. Traditional and communal norms lose strength in industrialized countries and individual-based economic enhancement. In today's postmodern societies, instead of economic growth, the main motivation of the society is to increase the well-being of individuals, such as their quality of life.

Appendix I. Values for Geert Hofstede Dimensions

Country	PDIa	IDVb	MASc	UAId
Arab World*	80	38	52	68
Argentina	49	46	56	86
Australia	36	90	61	51
Austria	11	55	79	70
Austria	11	55	79	70
Bangladesh	80	20	55	60
Belgium	65	75	54	94
Brazil	69	38	49	76
Bulgaria	70	30	40	85
Canada	39	80	52	48
Chile	63	23	28	86
China	80	20	66	30
Colombia	67	13	64	80
Costa Rica	35	15	21	86
Czech Republic	57	58	57	74
Denmark	18	74	16	23
East Africa**	64	27	41	52
Ecuador	78	8	63	67
El Salvador	66	19	40	94
Estonia	40	60	30	60
Finland	33	63	26	59
France	68	71	43	86
Germany	35	67	66	65
Greece	60	35	57	112
Guatemala	95	6	37	101
Hong Kong	68	25	57	29
Hungary	46	80	88	82
India	77	48	56	40
Indonesia	78	14	46	48
Iran	58	41	43	59
Ireland	28	70	68	35
Israel	13	54	47	81
Italy	50	76	70	75
Jamaica	45	39	68	13
Japan	54	46	95	92
Luxembourg	40	60	50	70

Malaysia	104	26	50	36
Malta	56	59	47	96
Mexico	81	30	69	82
Morocco	70	46	53	68
Netherlands	38	80	14	53
New Zealand	22	79	58	49
Norway	31	69	8	50
Pakistan	55	14	50	70
Panama	95	11	44	86
Peru	64	16	42	87
Philippines	94	32	64	44
Poland	68	60	64	93
Portugal	63	27	31	104
Romania	90	30	42	90
Russia	93	39	36	95
Singapore	74	20	48	8
Slovakia	104	52	110	51
South Africa	49	65	63	49
South Korea	60	18	39	85
Spain	57	51	42	86
Surinam	85	47	37	92
Sweden	31	71	5	29
Switzerland	34	68	70	58
Taiwan	58	17	45	69
Thailand	64	20	34	64
Trinidad	47	16	58	55
Turkey	66	37	45	85
United Kingdom	35	89	66	35
United States	40	91	62	46
Uruguay	61	36	38	100
Venezuela	81	12	73	76
Vietnam	70	20	40	30
West Africa***	77	20	46	54

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a PDI: Power Distance Index, b IDV: Individualism. c MAS: Masculinity, d UAI: Uncertainty Avoidance Index

*Arab World consists of Islamic countries - Egypt, Iraq, Kuwait, Lebanon, Libya, Saudi Arabia, United Arab Emirates.

**East Africa = Ethiopia, Kenya, Tanzania, Zambia

*** West Africa = Ghana, Nigeria, Sierra Leone

Appendix II.

	Quality of life ^a	Agriculture annual growth rate ^b	Industry annual growth rate ^b	Manufacturing annual growth rate ^b	Service annual growth rate ^b	GDP annual growth rate ^b	GDP ^a
Argentina	6,4700	2,500	3,800	3,700	,900	2,200	13,350
Australia	7,9300	-,500	3,000	1,600	3,600	3,200	31,010
Austria	7,2700	-,200	2,100	1,400	1,400	1,500	31,420
Bangladesh	5,6500	2,500	7,300	6,700	5,600	5,400	1,660
Belgium	7,1000	-,100	,400	,400	1,900	1,500	30,660
Brazil	6,4700	4,500	2,300	1,800	1,700	2,200	8,760
Bulgaria	6,1600	,400	5,700	8,700	5,100	5,000	8,664
Canada	7,6000	,900	1,600	,200	3,000	2,500	34,150
Chile	6,7900	6,000	3,800	3,700	4,000	4,300	12,120
China	6,0800	3,900	10,900	11,100	10,000	9,600	6,270
Colombia	6,1800	1,900	4,900	4,100	2,800	3,500	7,330
Costa Rica	6,6200	1,700	3,600	3,300	5,400	4,200	9,000
Czech Republic	6,6300	4,400	3,600	4,700	3,600	3,500	17,600
Denmark	7,8000	-,100	-,900	-,2500	1,800	1,200	32,490
Ecuador	6,2700	4,400	6,200	4,500	4,600	5,100	4,030
El Salvador	6,1600	1,400	2,100	2,200	2,400	2,200	3,780
Estonia	5,9100	-,1700	10,500	11,500	6,600	7,500	14,800
Finland	7,6200	-,200	1,700	1,900	2,600	2,400	29,650
France	7,0800	-,900	1,400	1,200	1,600	1,500	30,640
Germany	7,0500	1,600	,600	1,000	1,000	,700	28,250
Ghana	5,1700	5,000	4,600	1,400	5,300	5,100	256,000
Greece	7,1600	-,2000	3,300	2,200	4,700	4,400	22,340
Guatemala	5,3200	2,600	1,500	1,500	2,800	2,500	4,050
Hong Kong	7,3500	-,200	-,3400	-,5700	5,700	4,300	31,660
Hungary	6,5300	7,200	3,800	4,700	3,600	4,100	16,050
India	5,7600	2,500	7,500	6,900	8,500	7,000	3,290
Indonesia	5,8100	3,400	3,900	5,200	6,200	4,700	3,840
Iran	5,3400	5,500	7,000	10,200	5,100	5,800	7,630
Ireland	8,3300	.	.	.	.	5,200	36,790
Israel	6,4900	.	.	.	.	1,900	21,310
Italy	7,8100	,200	-,200	-,1200	,900	,600	27,960
Jamaica	6,0200	-,2700	2,000	,100	1,700	1,800	4,200
Japan	7,3900	-,900	,000	,800	1,700	1,400	30,750
Luxembourg	8,0200	.	.	.	.	.	54,690
Malaysia	6,6100	3,400	4,600	5,200	5,300	4,800	10,450
Malta	6,9300	.	.	.	.	.	18,710
Mexico	6,7700	1,900	,600	,000	2,400	1,900	1,900
Morocco	6,0200	6,900	4,000	3,400	3,800	4,300	4,660
Netherlands	7,4300	1,300	-,100	.	1,100	,700	30,920
New Zealand	7,4400	,300	4,000	3,100	4,300	3,700	25,110
Nigeria	4,5100	5,800	5,500	8,800	6,300	5,900	960,000
Norway	8,0500	2,100	,700	,700	2,500	2,000	39,590
Pakistan	5,2300	2,300	6,500	9,100	5,400	4,800	2,340
Panama	6,3600	4,800	1,600	-,1400	4,800	4,300	6,760
Peru	6,2200	3,100	5,300	4,900	3,900	4,300	5,730
Philippines	6,4000	3,900	3,300	4,300	6,000	4,700	4,580
Poland	6,3100	3,300	3,200	6,700	3,000	3,200	12,830
Portugal	7,3100	-,1800	1,100	,000	1,400	,500	19,530
Romania	6,1100	8,800	5,600	.	5,500	5,800	8,252
Russia	4,8000	4,500	6,100	.	6,400	6,200	9,810
Singapor	7,7200	,900	3,200	5,200	4,800	4,200	32,530
Slovakia	6,3800	4,700	6,400	6,700	4,100	4,900	15,510
South Africa	5,2500	,800	2,700	2,300	4,400	3,700	10,810
Spain	7,7300	-,500	2,600	1,000	3,300	3,100	25,370
Sweden	7,9400	,200	3,700	2,700	1,700	2,300	30,590
Switzerland	8,0700	-,5300	1,100	,900	,200	,900	33,580
Taiwan	7,2600	.	.	.	.	.	28,070
Tanzania	4,5000	5,100	9,700	8,000	6,000	6,900	672,000
Thailand	6,4400	1,900	6,900	7,200	4,500	5,400	8,140
Trinidad	6,2800	-,7300	12,700	6,700	3,800	8,300	11,720
Turkey	6,2900	1,400	4,600	5,900	5,100	5,200	8,210
United Kingdom	6,9200	,700	-,100	-,900	3,100	2,400	31,150
United States	7,6200	,200	,700	1,300	2,700	2,600	41,530
Uruguay	6,3700	5,600	,700	2,300	-,500	,900	8,870
Venezuela	6,0900	4,700	-,200	,800	3,100	1,300	4,771
Vietnam	6,0800	3,800	10,200	11,500	6,900	7,500	2,890

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***STRATEGIC FINANCIAL
AND PERFORMANCE
MANAGEMENT***

BALANCED SCORECARD: IS IT A TOTOLGY OR A MISLEADING METAPHOR? IS IT A MAGIC WAND?

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ABSTRACT

This study aims to develop theoretical proposals for discussing the Balanced Scorecard (BSC) which leans on the metaphor concept which may lead to delusive conclusions. In this context, the application of a rational view on an eclectic system and practical difficulties resulting from psychological and ethical problems are discussed.

INTRODUCTION

Balanced Score-card (BSC) converts an organization's mission and strategy into a detailed performance measurement set and forms a full frame for strategic measurement and management. There are still some debates in research taking place in Turkey as to how this concept should be translated into Turkish. Kaplan and Norton mimic organizations to airplanes in today's complex-structured business world, having used the metaphor of "an organization is an airplane" and alleging that pilots cannot perform to standard by checking only a few indicators, they developed a set of specific indicators. In general, the use of metaphor connotates a way of thinking and viewpoint to comprehend the world. One of the interesting properties of metaphor is that it always leads to one type of specific comprehension. While metaphor highlights some specific interpretations, it often overlooks the rest. We have to accept that any theoretical approach or perspective that is analyzed for organizational or managerial matters may be deficient, biased and potentially misleading, although it may sometimes create valuable conceptual opportunities. Thus, a form of insight created by means of a metaphor may become a form of a visual impediment. There are some skepticisms in the BSC literature that totology has been made. Moreover, benefits of the logical perspective application to BSC should be discussed. When it is considered that the activity of disciplines such as finance, marketing, research and development and human resources should be incorporated with the strategy of management, it may even be claimed that BSC does not bring any improvement. The origin of these questions is the eclectic structure of BSC. It is because of this structure that the founders of the system refer to new managerial techniques and disciplines. Even this eclectic structure may be enough to criticize the BSC.

When the four dimensions of BSC are thought of together with each of their fundamental indicators and criteria, the resultant is a mania of measurement. If you cannot measure, you cannot improve. However, does the system omit psychological discomforts which have resulted from tens of criteria that measure ability, productivity, performance, stability and efficiency under the scope of development and learning? Is it not necessary to re-examine the ethics of auditors who disguise themselves as customers in order to check whether employees perform suitably for the objectives of the organization. What would the employees think about this situation if it came out? How would be the stress level that would be caused by such a control mechanism? How sincere in reality is the relationship between the organization's personnel and the customer once this trading experience is standardized in detail? Would not the targets that were expressed as numbers determined for all dimensions have a restrictive impact on the real performance of employees? Apart from this, exaggerated measures may cause the fogging of strategies and objectives. If employees do not check the measures, this may lead to alienation and adverse behaviour. Resistance to measurement may take place in the stages of design and usage. In addition, operational problems may take place in the computer system. Between the stages of design and execution, there may be deviations in the definite decisions of the top management due to abstractions. The goal of this study is to elaborate on all these issues and offer suggestions that lead to successful results.

Organization is an airplane

Kaplan and Norton, who compare the enterprises in today's complicated business world to an airplane, have developed certain indicators on the basis of the fact that pilots cannot advance looking at a few indicators (1996: 1-3). The airplane metaphor is useful in terms of the fact that it indicates the speed of change in today's business world and that managers need to act taking many different factors into consideration. However, it is necessary not to consider this metaphor only for its function to enrich the expression, but comprehend that it has a far bigger significance. Using a metaphor implies a way of thinking and seeing which penetrates our perception of the world generally. For instance, researches in different fields show that a metaphor produces a forming effect on expressing ourselves in daily life as well as on our way of thinking, language and science.

Another interesting feature of metaphors lies in the fact that it always creates distortions. A metaphor uses hinting images in order to create the things which could be described as "constructive pseudo". These images give the impression of nonsense if they are literally interpreted. The mentioned problems are studied in detail in Morgan's work, which studies metaphors in theories of organization and management (1997: 14-15). The book is based on a very simple hypothesis: Although they are limited, all the organization and management theories, are based on implicit images and metaphors which enable us to see and manage organizations in a distinguishable way. When metaphor is approached in this way, it is seen that a simple hypothesis, which states that a theory is composed of a metaphor, would have comprehensive results. Although every theoretical approach or perspective, which is studied in terms of organization and management, creates valuable chances of perception, it should be admitted that they are incomplete, prejudiced and potentially misleading. Morgan takes up the idea of "organization is a machine" which has developed particularly with the works of Taylor (1967), Fayol (1987) and Max Weber (1958). This metaphor can create the possibility of valuable perception in how an organization is structured in order to reach the predetermined results. However, it is incomplete. For instance, it does not take the humane sides of the subject. It is prejudiced; for instance, it exaggerates the structural and rational dimensions of the subject. It is misleading; for instance, an organization is not a machine and in fact, it cannot be designed, structured and controlled as a whole which is composed of inanimate components. Briefly, a metaphor is paradoxical in terms of its structure. It also can create the possibilities of strong perception which has the quality of distortion. Because the way of seeing, created with a metaphor, becomes a way of not seeing (1997: 14-15). In his earlier books, Morgan states that the good usage of a metaphor always carries creative discoveries to some extent, because it is partly based on truth (1980). While the selective comparison in metaphor draws attention to the similar qualities among the objects, it represses the differences. Effective basis of a metaphor is a form of a creative expression which is a fake structure defending imagination (Morgan, 1980: 612). Pinder and Bourgeois (1982) have consequently argued that the usage of metaphor is not an honest science but a misleading guide to the objective truth. On the other hand, Astley maintains that although objectivity is lacking, several intellectual activities in management science are dedicated to the trading of metaphors and representative organizations (1985: 503). For instance, the compelling appearance of "machines" (Ward, 1964), "garbage cans" (Cohen et al., 1972), "iron cages" (Weber, 1958), "theatres" (Mangham and Overington 1983) and especially "psychic prisons" (Morgan et al., 1983) and similar metaphors serve the same purpose.

The theories of adapting appearances to any discipline are a significant part of scientific writing. Appearance is not reporting facts down-the-line, but catching the scientific imagination. As Daft stated (1983), our research products should have a symmetry and beauty. They should be interconnected with meaningful units in order to have a poetic quality. Theories are appreciated due to their conceptual references, logical structures or their being psychologically sensible. Internal compatibility, consistency, structural elegance and many other factors are substituted for empirical truth in determining the effect of theory. The reason why the published theoretical studies generally attract more attention than empirical studies is their ability to excite the aesthetic senses (Astley, 1985, 503).

As for the BSC, the inconveniences, which may be created by the metaphor of "organization is an airplane", should be noted. In fact, the metaphor of airplane is a version of the metaphor of machine and also misleading just like the metaphor of machine. When the indicators in the cockpit point out the failures in a part of the airplane, technicians detect the cause of the failure, repair the broken piece or change it. However, we cannot perceive the low performance in an organization like a failure in technical parts. Workers cannot be considered as the parts of a machine and the causes of low performance cannot exactly be determined. The fall in performance may be caused by personal and emotional causes which they may not want to share. Besides, we cannot expect them to leave their emotions outside their works.

The Innovations Brought about by BSC and its Benefits

Powell accuses the resource-based school in strategic management for making tautology (2001: 881-882). The most significant quality of tautology is that it does not give additional information. For instance, in the expression of “singles are not married”, the sentence is away from the function of giving information since the word “single” already carries the meaning of “not being married” (Chalmers, 1976: 85). Therefore, since this kind of an expression cannot be falsified, it cannot be subjected to observation and there is not empirical information. Going back to Powell’s views on the school of resources, the basic competency school makes tautology with company heterogeneity, i.e. the expression of that the two companies are not similar to each other. Since this expression does not give additional information, it cannot empirically be observed since what is known is re-uttered. When it is attempted to be empirically observed, there is already a difference of performance and if there is a difference of performance, then the advantage of competition begins to be sought. The advantage of competition already exists in the concept of the basic competency just like in the example of the word single. The basic competency, which is not available everywhere, beneficial for customers and comprised of the integration of the talents and formed as an accumulative result of irregular learning, doubtless means the advantage of competition.

If Powell’s method, that he used while he criticized the basic competency school, is adapted to Kaplan and Norton’s views, it can easily be put forward that tautology is made with the concept of BSC. For instance, it is stated that the procedures of planning and target determining with BSC in a company enables the company to:

- Express their long-term results in quantity,
- Describe the mechanisms that are required to reach these results and provide resources,
- Determine the short term touchstones for financial and non-financial measures in Scorecard.

Yet these mentioned items are not the benefits provided by BSC, but the activities of BSC. Writers require the performers to perform the mentioned procedures and also show these procedures as the results of the system. Although it is possible to increase the number of these kinds of examples, an expression, in which the activities themselves are expressed as results, is insufficient to make a comment that it does not give new information about BSC.

As Kaplan and Norton state, while BSC preserves financial measuring as an important summary information of management and commercial performance, it at the same time attaches importance to more general and integrated measuring units which relates the existing clients, internal methods, employees and system performance to the long term financial success (2001: 27). In this respect, it cannot be said that BSC brings a new approach to financial measuring.

What BSC does is that it adds three new dimensions on financial measuring. It does not seem to be possible to bring forward that these three new dimensions have innovations and original ideas in themselves. For instance, the activities of determining the market segments in the dimension of customer are already maintained by the marketing departments of companies. Customer satisfaction, gaining customers and customer decisiveness and the standards of market share are already used, and that companies should be customer focused are already expressed by the systems like the Total Quality Management (TQM). Describing the need of customer and market, expressed with in-company procedures, creating goods/service proposal, innovation activities are already performed by R&D functions. The operations of producing and presenting product/service expressed in the process of operation are already taken up in the discipline of product management. The abilities, satisfaction, permanence and efficiency of employees, used in the scope of learning and development dimension, are already used by Human Resources Management (HRM) as the basic indicators. So what is the innovation brought about by BSC? Is it that the Scorecard measures are related to strategy? Does each of the disciplines such as financing, marketing, research and development, production management, human resources management not already say that their own activities should be taken up with the business strategy? The starting point of these questions is the eclectic nature of the system. It is because of this eclectic nature that the system founders make reference to many new management methods and disciplines. Among these are positioning school in strategic management (Porter, 1980; 1985; 1986; 1990; 1998; 2002), double-loop learning (Argyris and Schön, 1991 and 1996), activity-based costing (Cooper and Kaplan, 1991) and learning organizations (Senge, 1990). BSC is in fact aimed for only evaluating this interdisciplinary and multi dimensional structure of organizations.

Logic and BSC

Kaplan and Norton allege the fact that the BSC's usage for change orientation will create some powerful effects. They express that, operations for being able to have a good BSC would generally provide for the first time a clearer view of the future and for paving the way to get to that future. They stress that the system will gather top management's effort and decisiveness and constitute some endeavor and increased activity in the environment (1996: 16-355). Gautreau and Kleiner talk about the BSC as a tool for a holistic focusing on company, improving communication, determining corporate goals and ensuring strategic feedback. (2001: 153). Does BSC really create all those benefits? Such a broad measuring system looks capable of providing some kinds of benefit to the company. But, more relevantly, is BSC sufficient and necessary to generate such benefits?

Postulates are assertions that would be helpful for us to distinguish the statement as true or false (Ambrose and Lazerovitz, 1961; Salmon, 1973). The existence of some observations indicating that BSC generates some strategic benefits is quite natural as it's rationally considered. If a company applies BSC, some proofs are sought and found to be as believed that BSC provides for strategic management (above mentioned) benefits. As just the opposite case, meaning that, if a company already successful in strategic management applies BSC, this success is referred to BSC. However, BSC may have been necessary but not to generate the so called benefits. Also, just in the opposite case it may be enough but unnecessary. Departing from these two postulates, it is a big delusion to conclude that the BSC is either enough and necessary for strategic measurement and management.

BSC: A Madness for Measurement

Kaplan and Norton give plenty of examples about the measures to be done. One of these is the measure for customer satisfaction of Rockwater Company (Kaplan and Norton, 1996: 103). The measure of customer satisfaction takes place in the customer dimension which is one of the four dimensions that forms the BSC, and one of the five essential basics in this dimension. In the example of Rockwater, customer satisfaction is evaluated in decimal system in 16 criteria. When the other four dimensions of BSC and the basic indicators, which each of them have, are considered together with their criteria, the result is a complete madness of measuring.

You cannot measure it; you cannot improve it (Hamel and Prahalad, 1996: 183). However, think of the psychological troubles that may be created by the measuring of employees' abilities, productivity, performance, permanence efficiency in the scope of development and learning dimension in accordance with tens of criteria. Would it not be necessary to question that the employees of Kenyon Stores, which sets an example to the BSC applications, are inspected by the inspectors in disguise of customers, to see whether the employees behave according to the determined targets and to some extent would this type of job be ethical? If this situation comes into the open, what would the employees think about it? What would be the stress level which is created by such a control mechanism? How sincere in reality would the relationship be between the staff and customers as a result of standardizing a shopping experience as "(1) welcoming customers with a smiling face (2) informing about the products (3) announcing the special discounts (4) that the staff address customers by their names (5) that the staff truly thank customers and state that they would hope to see them again" (Kaplan and Norton, 1999: 99)?

Covey interprets this kind of applications as the attempt of making short work of it (2004: 34). As for him, managers are trying to "buy" a new culture, which is composed of advanced productivity, quality moral and customer service with strong speech, smiling lessons and external interventions or methods like merging companies, purchasing, seizing friendly or unfriendly. But in the meantime, they ignore the atmosphere of mistrust caused by these kinds of manipulations. When these methods do not work, they seek other techniques which may work and not care the natural principles and processes which are essential to create a complete culture of trust, and oppose them.

William Ouchi witnesses that the American vice-chairmen in the headquarters of a Japanese bank in the USA accuse both parties for not understanding each other about the targets at the end of their meeting with the Japanese chairman. The American vice-chairmen request how many dollars of increase there is in loan volume or what percentage of decrease in business expenditures are expected during the periods of one month, three

months and one year to be notified to them. Every American company spares a big part of their time to determine the specific and measurable performance targets. Every American business school teaches their students how to convert the global indistinct company targets into measurable performance targets. Management in accordance with targets, program planning-evaluation and cost-benefit analysis are the essential auditing tools.

As for the Japanese chairman, he believes that if his vice-chairman knew about “the philosophy of banking, what the business means for themselves, what he thinks about how they should behave towards employees, how their relationship should be with the people where they offer their service, how to handle their rivals and what their roles in the world should be”, they would not have insisted on targets. The American management method requires taking mechanic decisions, but Japanese management method requires cybernetic decisions (Morgan, 1997: 112). Along with these, Deming sees the target determining as a barrier for revealing the entire capacity of employees (1986) whereas BSC emphasizes an opposite understanding, i.e. the mechanical decision taking and the targets.

The points which can be taken into account as the disadvantages of BSC are as following (Özbirecikli and Ölçer, 2002; McKenzie, 1998):

- Focusing on a few key measures: Extreme criteria may cause the strategy and targets become indistinct.
- Using criteria which the workers can control: If workers cannot control the criteria, estrangement and adverse behaviors may occur.
- Keeping the company lines open and revising the programs frequently according to changes in company structure and strategies.

Barriers which may be faced in BSC applications, and the other possible criticisms are as follows (Örnek, 2000: 270; Bourne et al., 2000: 760):

- Resistance against measuring may occur on the phases of design and usage.
- Computer systems problems may occur during the process when the measures are executed.
- Between the phases of design and its execution, distortions may occur in the final decisions of the chief management with the distraction of attention.

BSC from a Pragmatist Perspective

Pragmatist data hypothesis stays away from positivist and anti-positivist points of view of scientific findings. Positivism emphasizes that the objectivity resides in the independent trueness of researches and observations. (Donaldson, 1992; Wickes and Freeman, 1998). When to anti-positivism, it defends that none of the participants’ assertions on the truth have subjectively and actively no privileges, but that all of them have creative role on it. (Burrell and Morgan, 1979; Astley, 1985; Martin, 1990). Pragmatism refuses positivism and neither theory gives satisfactory answer to their discussions such as objectivity, falsification and substantial experiences. It also rejects anti-positivism, since none of the theories satisfy them either. Pragmatists evaluate theories in a third criterion which is “theories’ solving capacities of human problems” (Rorty, 1989; Stich, 1990). According to pragmatists, science’s real duty is not finding the truth or the right thing; but to make human problems’ solving easier. Pragmatism ensures the researchers to overcome scientific problems. If sometimes hypothesis, in the light of pragmatism, passed through their opponents despite violent competition, then they do not need to make up some theory to meet the demands of formal science (O’Hear, 1989; Sklar, 1995). When it is looked from that perspective, the scientific foundations of BSC may be weak but it could be told that it is managerially powerful. Rather than being about academic, the subject is intended to the application. Besides, the system’s developers have managerial and consulting relations with various companies. If BSC would be helpful that the interests and activities of the organization’s managers and workers to focus in corporate mission and strategy, it means that it fulfills its mission.

Since it goes from every unit to institutional BSC, it could make this synergy go to the highest level as a holistic approach. If the BSC would be applied in an institution, unity of purpose may be formed among workers and the target deviations may diminish as strategies will focus on it. Furthermore, the institution may gain a dynamic structure. In BSC chosen companies, top management’s decisiveness will not be enough for success. Such companies are required to consider the participation as forming strategy. Thus, the strategy that is constituted will

be spread out on the base, and via BSC intermediation some performance indicators will show up and make possible the taking of appropriate decisions for the future.

CONCLUSION AND PROPOSALS

In Turkey, where the “institutional scorecard” tradition that is used to measure company performance has not taken place yet, the “table” and “panel” words which were suggested instead of the scorecard term remain insufficient. Our proposal for the concept of BSC’s translating into Turkish is “Balanced Company Performance Table (BCPT)”.

The airplane metaphor is useful for the fact that it shows the speed of change which is being lived and also the necessity of managers’ action as considering lots of different criteria. Nevertheless, it is significant not to think of this metaphor as an art of saying consisting of wording decoration. Understanding its importance matters much more. It is being discussed that the metaphor’s use is not fair science and it distracts from the objective truth. On the other hand, despite the objectivity’s lacking in metaphors, quite a lot of management science writers use metaphors. For determining the theory’s efficiency, it is necessary to prevent the replacement of empirical correctness by inner harmony consistency, structural refinement and many more factors in such type of usages.

In the direction of discussions asserting that BSC has an eclectic structure and could not develop a new expression, its scientific foundations might be claimed as weak; however, it could be seen as strong from the managerial point of view. Because it goes from every unit to institutional BSC, this eclectic structure could render this synergy to the highest level as a holistic approach. Rather than being academic, the subject is suitable for application. Besides, the system’s developers have managerial and consulting relations with various companies. If BSC would be helpful to the interests and activities of the organization’s managers and workers in focusing corporate mission and strategy, it means that it fulfills its mission. However, it is known that in many managerial domains, Turkey is closer to Japanese and Far Eastern culture than the American and Western societies’ norms. Then, this should also taken into account for its probable validity in BSC application, before asking those shortest and meaningful “why / why not...?” questions (Örnek, 2000: 274), it could be decided that the system would not be compatible with the country’s corporate cultures. With this reason, apart from the fact that “Companies in Turkey have no strategies except for a few grand sized companies” it is required to beat the brains on this kind of problems too. It is the company managers’ initiative to create a corporate culture consistent with this system.

In BSC chosen companies, top management’s decisiveness will not be enough for success. Such companies are required to consider participation as forming strategy. Thus, the psychological disturbances that may occur due to measurement of the workers’ talents, productivity, performances and permanency regarding dozens of criteria may be surpassed at some level. If the BSC were applied in an institution, unity of purpose might be formed among workers and the target deviations may diminish as strategies focus on it. Nevertheless, some controversial applications such as “workers’ conformity tests according to determined goals by shop visiting controllers who are disguised as clients” must be questioned. In this way, the strategy that will be constituted will be spread out on the base, and via BSC intermediation some performance indicators will show up and make possible the taking of appropriate decisions for the future. Furthermore, the institution may gain a dynamic structure. Companies which apply BSC must often go through updating in order to remain dynamic and alive; and they also must reform their vision and strategies according to the indicators.

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STRATEGIC MANAGEMENT AND MEASURING FINANCIAL PERFORMANCE IN PUBLIC COMPANIES

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ABSTRACT

At the present day, businesses should use their resources efficiently, determine exact strategies by exact data and benefit from strategic management in attaining its goals in order to survive from intense competition, follow technological development, catch unforeseen opportunities and turn risks to in favor of its own. By all definitions in literature, we define strategic managements like that it is a process of using production resources efficiently and productively in order to achieve goals of organizations. But basic philosophy of strategic management is to manage activities that enable business to survive in the long-term, have competition advantage and gain return more than average profit rather than managing routine daily activities. Strategic management that we faced as a management technique contains four elements such as vision, mission, strategy and action. Only instrument that determining which stage of strategy is practiced by the business that follows the strategy is performance measuring systems. Businesses measure their performances by financial methods and non-financial methods. Ratio analysis that is used in order to measure strategic goals that are classified in three groups as increasing return, diversification revenue mix and decreasing costs will be tested by Altman Z Score model in public companies.

This paper aims to show public companies the way of measuring financial performance, evaluating companies periodically and redevelopment continuously and consequently to determine criteria that enable businesses to adapt changing conditions and practice strategic management concept.

INTRODUCTION

In present century that we live, businesses need strategy more. Because businesses that have no difference from rivals when compared face to disappear. Hence on the one hand new dimension of competition forces businesses to use existing resources effectively and eliminate businesses that are not effective, on the other hand it forces businesses to raise performance by examining external environment conditions and following innovations.

Why some businesses become successful and have a powerful and impressive status in their sector and why others cannot success this? What are the managerial skills that save businesses from storms and waves of globalization and intense competition? The responding point of these questions is hidden in strategic management insight. It is necessary to determine exact strategies by bringing up business performance for consideration at the time of implementing strategic management whose importance is rising in information age 2000s.

Strategic management especially in public companies enables to manage risks, procure capital, decrease costs, raise return and determine whether existing resources are used efficiently and help to determine strengths and weaknesses of business by analyzing external environment, measuring performance level and comparing it with rivals.

So it is aimed that measuring financial performance of public companies in textile sector that is one of the most vital sectors of Turkey by ratio analysis and Altman Z Score.

STRATEGIC MANAGEMENT

Businesses' chance of survive may be higher in the case that environment is stable, conditions don't change rapidly, competition is not intensive. However, at the present day this case is not valid for any public or private sector and organization because of rapidly change (Merih, www.eylem.com). The situation that competition got a global dimension and customers detected individualism causes businesses see or create new opportunity areas. In this context, strategy has become an important issue for businesses.

When we look at the strategy that is used as “to create differentiation” by Porter and “to set up future” by Hamel, it refers to regulate the relations between business and its environment and to activate its resources in the direction of getting advantage against its rivals. Consequently, strategy requires looking to present by concept, theory and institutions of future (Oktay, 2006: 4-5). At the present day, changes that are lived at markets, customers’ viewpoints and legal arrangements because of globalization cause differentiation of problems that businesses struggled (Altıntaş, 2003: 1). First of all, strategy refers to either the plans made, or the actions taken, in an effort to help an organization fulfill its intended purposes (Miller and Dess, 1996: 5). Hence top management should look at strategy from three points: (1) strategy formulation, (2) strategy implementation and (3) strategic control (Wright, Pringle and Kroll, 1992: 3-4). Strategy has characteristics such as being related with goals, making analysis, regulating relations between business and its environment, struggling with future acts rather than routine acts, managing and activating financial and human resources in business, determining activity scopes of business in a complex and dynamic environment. These characteristics cause strategy is called as managerial strategy (www.kosgeb.gov.tr).

Globalization presents its effects on management as well as political, social and economic fields. Management has turned into strategic management as a result of global competition, changing factors that provide competition advantage, structural changing at labor, rising importance of information, appearance of information society and information economy and technological improvements. Strategic management can be defined as; using existing production factors (natural resources, human resources, capital, infrastructure, raw material...etc.) effectively and productively so as to business enable to survive in the long-term, provide it sustainable competition advantage and in consequence provide return more than average profit (Ülgen and Mirze, 2004: 26).

Strategic management is a broader sense that strategy because of basic characteristics that is follow (Aktan, 1999: 1):

- Since the purpose of strategic management is to raise future performance, profitability and productivity of organization, it aims to develop forward-looking vision. After determining the vision, mission that help to achieve this vision should be determined. Also, strategies and action plans should be created in order to achieve organizational success and goals.
- Strategic planning that is introduced by top management is implemented and followed by strategists work in the lower-level. Determining managers, experts and advisors that will work in the strategic management process is very important for the success of strategic management.
- Resources, strengths and weaknesses of organization, opportunities and threats in external environment are determined and analyzed by strategic management.
- Strategic management enable planning, organizing, coordination, implementation and controlling of organization’s activities related with future.
- Strategic management benefit from competition and portfolio analysis when developing and electing strategy.
- Strategic management helps “strategic thinking”. In this framework, the best strategy and tactics are tried to be determined and these are implemented.
- Since strategic management is conducted by broad participation of top management, it emphasizes that organization can reach its goals only by teamwork.

As a result of these characteristics, strategic management should have four elements such; vision to refer achievable forward-looking aims and goals; mission to refer vision oriented task and stability; planning that presents how and by which ways achieve organization to future and action that present ways followed in the frame of determined strategies (Oktay, 2006: 17).

Strategic management is an activity that develops the elements featured as economic and has primary effect on business activities such as productivity, sales return, raising market share, capacity utilization, product differentiation, liquidity, profitability, making innovation capability (Dinçer, 1998: 103).

PERFORMANCE CONCEPT IN BUSINESSES

Changes at the asset insight in businesses and rising importance of information at organizational business success change dimensions of competition in business. In consequence, businesses have to raise their performance consistently by decreasing costs, refreshing products and processes, improving quality and productivity and influencing market quickly in order to compete (Ağdelen and Erkut, 2003: 66).

In general sense, the performance is a concept that determine quantitatively or qualitatively the one is got as a result of an aimed and planned event. So it is necessary to evaluate the outcome of activity that is made in order to determine the performance. The performance of a business is the outcome of activities that is made for

achieving certain goals in a certain time period (Akal, 2002: 17). Business performance measurement refers to practices of collecting and presenting relevant information to a company's management staff, as a means of assessing the firm's progress towards achieving its strategic aims (Corea and Watters, 2007: 16). Businesses measure performance that is the most fundamental activity of management's control function generally in order to determine whether enable to meet customers' expectations, affirm accuracy of their knowledge about activities made, determine whether they are successful in general, be sure that decisions are made rely on real data rather than senses or assumptions, discover problematic areas or areas that will be improvement (Çoşkun, 2006: 28).

Traditional methods of assessing organizational performance have predominantly stressed the use of financial measures such as return on investment (Johnson, 1983). During the 1980s, however, realization grew that such traditional methods were no longer sufficient for organizations competing in highly competitive, dynamic markets (Johnson & Kaplan, 1987). The limitations of traditional approaches to performance measurement were exposed by numerous studies, which suggested that such efforts (Corea and Watters, 2007: 17-18): lacked strategic focus and were inadequate for strategic decision-making (Skinner, 1974; Kaplan & Norton, 1992); provided scant information on root causes (Ittner & Larcker, 1998); offered only historical backward-looking views of performance, while lacking predictive ability to explain future performance (Ittner & Larcker, 1998); failed to link non-financial metrics to financial numbers (Kaplan & Norton, 1992); were unable to account for intangible assets (Bukowitz & Petrush, 1997); measured created value ineffectively (Lehn & Makhija, 1996); merely reported functional, not cross functional, processes (Ittner & Larcker, 1998); and, tended to have too many financial measures that did not aggregate well from the operational to the strategic level (Kaplan & Norton, 1992).

One business's living and growing depend on its competitiveness. Determining business's competitiveness requires measuring and analyzing of this business's financial performance. Making decisions well, executing planning and control function effectively require measuring and analyzing financial performance regularly. It is necessary to know which data reflect business's performance exactly, how these data can be collected and how collected data is evaluated. After measurement and evaluation, thinking on results found, if performance is not satisfied, taking precautions that enable a higher performance is among the leading liabilities that are expected from a responsible manager (Acar, 2003: 21-22).

The performance concept in businesses requires to be defined and measured rely on seven criteria. These are dimension of effectiveness and efficiency of achieving level of determined goals after realized activities (Bakoğlu, 1999: 33); dimension of productivity that is a balance between all production resources that will give maximum outcome with minimum effort (Akal, 2002: 25); dimension of innovation that contains changing processes made in order to respond successfully in terms of technology, products, services, methods and policies to all pressure, threat and requests come from internal and external environment (Akal, 2002: 53); dimension of profitability that is the relative proportion of business profit to business equity; dimension of work life quality that contains wage, work conditions, organization culture, leadership insight, collaboration, communication, team insight, integration with work, business loyalty, participation to decisions, recognition and motivation; dimension of quality (Akal, 2002: 34).

Measurement is a way of getting information and is a process of finding icons that represent apparent characteristics of objects, events and deductions. In managerial sense, when it is looked in terms of any problem's solution, redevelopments made without measurement and analysis will be a fire fighting attitude rather than redevelopments made for removing origin reason of problem (Polat, www.kalder.org.tr). Comparability of financial data easily and providing information to investors are the basic reasons of using financial measures in businesses (Measuring and Reporting Intellectual Capital, par.51). In present day, businesses have to use their resources efficiently and measure their performance correctly to survive against rising competition and to follow technological changes (Çetin vd., 2006: 46). Businesses continue traditional insight by using financial indicators to take into account seven criteria above in their performance measurement and they can use nontraditional performance measures when it is inadequate.

A successful performance measurement system should provide five characteristics. Measurement system should (Sinclair and Zairi, 2000: 154):

- be mutually supportive and consistent with the business's operating goal, objectives, critical success factors, and programs;
- convey information through as few and as simple a set of measures as possible;
- reveal how effectively customers' needs and expectations are satisfied. Focus on measures that customers can see;

- provide a set of measurements for each organizational component that allows all members of the organization to understand how their decisions and activities affect the entire business;
- support organizational learning and continuous improvement.

FINANCIAL PERFORMANCE MEASURES

Performance measures help managers in terms of making decisions about routine activities, controlling and planning of activities, determining effectiveness and productiveness of process and activities and motivating employees to achieve business goals. Performance measures have two goals. One of them is to inform user about existing status of activities and to refer taking suitable actions in controlling, planning and implementing activities. The other one is to help evaluating of both employees' and managers' performance in terms of suitable awards (wage rise, premium, promotion) that will be given for good jobs (Kabadayı, 2002: 63). Financial performance measures benefit from three methods such as ratio analysis, residual income and economic value added. Economic value added that is the created wealthy for business owners is defined as creating more value and wealthy than another investment that have same risk level (Miller and Dess, 1996: 121). Residual income is a measure of accounting income in excess of a normal (required) return on capital employed (O'hanlon and Peasnell, 2002: 1).

Ratio analysis and Altman Z-Score early warning model will be used together in financial performance measurement that is the base of our study.

Financial Quantitative Analysis

Ratios are simply a way of looking at one number in relation to another number. The traditional mainstay of financial analysis has been the study of financial ratios, called ratio analysis. There are four types of financial ratios (Miller and Dess, 1996: 119-121): Profitability ratios provide information regarding a firm's overall economic performance. Liquidity ratios measure a firm's capacity to meet its short-term financial obligations. Leverage ratios indicate a firm's financial risks, that is, the relative proportion of its debt to its equity. Activity ratios reflect whether or not a firm is using its resources efficiently.

The first three types of ratios are most useful in assessing the financial performance. The most important caveat is that financial ratios must be viewed within the context of a particular strategy (Miller and Dess, 1996: 121).

Altman Z Score

In a classic paper, Edward Altman applied MDA to a sample of corporations, and he developed a discriminant function that has seen wide use in actual practice (Brigham and Gapenski, 1988: 805).

Altman have used five fiscal ratios and find a discriminant function by multiple discriminant analysis technique. This function is following (Eidleman,:1995: 52):

$$Z= 0.012X1+0.014X2+0.033X3+0.006X4+0.999X5$$

The notations of this function like that:

Z= Discriminant function

X1= Net working capital/Total assets

X2= Retained Earnings/Total assets

X3= Earning before interest and tax/Total assets

X4= Market value of common and preferred stock/Book value of debt

X5= Sales/Total assets

Altman Z Score model is used as a early warning model about firms' bankruptcy. However, it brought a new dimension to financial statement analysis by bringing accounting and finance data and statistical techniques together (Kutman, 2001: 60). So this model is being used in many researches.

In this study, financial performances of businesses are measured by ratio analysis and whether results supported by Altman Z Score model.

THE AIM, SCOPE AND SAMPLING MASS OF THE RESEARCH

There are various researches about performance measurement both in Turkey and in the world. It is aimed that financial performances of businesses measuring by both ratio analysis and Altman Z Score and making

evaluation. The research is made in 25 public companies that are quoted in IMKB and work in textile sector that is the leading sector of Turkey in terms of employment, export and value added. Required data for financial performance measurement by ratio analysis and Altman Z Score together is taken one by one from annual financial statements of 25 companies between 2003 and 2007 that are in legal internet web site of IMKB and they are used in calculations.

EVALUATION OF THE RESEARCH FINDINGS

The results of ratio analysis in financial statements between 2003 and 2007 belong to textile sector, which is our sampling mass, are given on Table 1 below:

Table 1: The Results of Ratio Analysis

COMPANY NAME	YEAR	NET PROFIT MARGIN	ASSETS TURNOVER	EQUITY TURNOVER	CURRENT RATIO	ASID-TEST RATIO	DEBT RATIO	DEBT/EQUITY	TIMES-INTEREST-EARNED RATIO
AKAL	03	0.00078625	1.01705127	1.8149419	1.5751695	1.182563	0.43962325	0.7845137	0.974764032
	04	0	0	0	2.244468	1.9769301	0.853492189	5.8255746	0
	05	-0.05713513	0.93999352	8.1597156	1.7407476	1.5520312	0.8848007	7.6806083	11.05331516
	06	-0.01769315	1.04565673	11.442914	1.7310984	1.6115194	0.908619714	9.9432794	3.182116592
	07	0.00710279	2.06739638	5.0695827	1.5516801	1.476214	0.592195949	1.4521581	-7.031340726
AKIN	03	0.06433409	1.40614734	2.7618809	2.6232345	1.511404	0.490873285	0.9641476	-4.83300561
	04	0.0488921	0.87315148	1.3877775	2.190689	1.4090669	0.370827474	0.5893892	-0.502217755
	05	0.00038285	0.80580064	1.3627476	2.087651	1.4038262	0.408694126	0.6911721	0.900046404
	06	-0.00122364	0.84281272	1.3610845	1.8661044	1.1032047	0.380778531	0.6149311	1.770585378
	07	0	0	0	0	0	0	0	0
AKSU	03	-0.02246073	1.24272167	2.5336755	1.801306	1.064166	0.509518222	1.0388117	1.406887725
	04	0.06940504	0.6582152	1.0555511	2.0117416	1.3077479	0.376425087	0.6036566	-0.538708143
	05	-0.16224453	0.63341435	0.98899	1.8031165	1.0535323	0.359534092	0.5613634	5.38041763
	06	-0.13875145	0.7911037	1.5730467	1.2080051	0.7602708	0.497088243	0.9884204	4.174085229
	07	-0.07697924	0.73879935	1.7381788	0.8874442	0.5078914	0.574957786	1.3527075	2.461537703
ALTINYILDZ	03	0.01196799	0.93320019	3.5690125	1.1061701	0.757878	0.73852706	2.8244875	0.898522317
	04	-0.17267574	0.12144851	0.2963822	1.0715841	0.5754351	0.590230165	1.4403944	2.714400239
	05	0.08886922	0.14645433	0.3145533	1.1047203	0.6607048	0.534405273	1.1477906	0.186565623
	06	-0.03643038	0.15393189	0.3502644	1.1824072	0.7764869	0.560526633	1.2754507	1.514151872
	07	-0.01788645	0.15378608	0.4006023	1.212817	0.8710648	0.616112839	1.6049321	1.128914644
ARSAN	03	-0.05751418	0.79887038	1.2401307	3.0500089	2.112451	0.355817571	0.5523553	3.165325494
	04	-0.13318805	0.40693438	0.583824	1.9506781	1.0196883	0.302984436	0.4346882	5.152134539
	05	-0.16442558	0.41482781	0.7008814	1.3921788	0.7819201	0.40813405	0.6895718	5.997772472
	06	-0.02998738	0.62814452	1.099124	1.278456	0.8480301	0.428504394	0.7497947	1.708828147
	07	0	0	0	0	0	0	0	0
BERDAN	03	0.0172187	1.08968311	-12.378386	0.701828	0.3871359	1.088031112	-12.35962	0.753405789
	04	0.10739653	1.26975362	-664.65833	1.0465328	0.4669459	1.001910385	-524.45456	-1.155658756
	05	-0.08398383	0.97655418	18.729015	0.9455404	0.4791334	0.947858754	18.178675	2.111430775
	06	-0.26610944	1.13171125	-4.7280192	0.774935	0.4061706	1.23936266	-5.1777611	2.004188544
	07	0	0	0	0	0	0	0	0
BISAŞ	03	0.04550823	1.22604887	2.2705013	1.0571187	0.7840631	0.460009615	0.8518848	-1.587591137
	04	-0.15373242	1.13115214	2.9374516	1.0664907	0.6126413	0.614920593	1.596867	7.075285782
	05	-0.27560811	1.02023618	3.4372717	0.6357829	0.4299203	0.703184304	2.3690941	7.489842244
	06	-0.24562547	0.97640667	20.906517	0.6605476	0.440704	0.953296542	20.411691	3.960008522
	07	0	0	0	0	0	0	0	0
BOSSA	03	0.01538748	0.77710478	1.1129922	1.538502	0.9711585	0.301787762	0.4322293	0
	04	0.09497744	0.83739693	1.0414616	2.8791154	1.9539854	0.195940637	0.2436893	0
	05	0.02922622	0.62102927	0.8299739	1.4702523	0.8718644	0.251748411	0.3364489	1.593993979
	06	0.10945751	0.75048341	1.0010414	1.9794099	1.2756326	0.250297301	0.3338621	7.991136558
	07	0.06365076	0.83428253	1.0965821	2.4488876	1.6317039	0.239197392	0.3144014	5.793256268
CEYLAN	03	-0.00269869	1.71537435	4.5350294	1.3105374	0.3752891	0.621750114	1.6437549	0.958574997
	04	0.0057606	1.77357753	5.065598	1.2854489	0.3435512	0.649877956	1.8561469	0.682549741
	05	0.01346733	1.75599365	5.806825	1.1447671	0.3171336	0.697598317	2.3068599	-12.71097409
	06	0.01009235	2.24332141	6.986767	1.5518373	0.6123617	0.678918531	2.1144743	0.554412281
	07	0.01126137	2.28805102	7.0775281	1.3998132	0.4835389	0.67671608	2.0932562	9.79172218
CEYTAŞ	03	0.00234311	0.65317808	0.7967469	1.9351981	1.1899551	0.180193791	0.2198005	0.916995941
	04	-0.06338927	0.63272077	0.7436764	3.5825265	2.9553019	0.149198762	0.1753627	6.042304666
	05	-0.11402565	0.45636364	0.5312721	3.2815536	2.709552	0.140998255	0.164142	-0.762406585
	06	0.19194053	0.6899556	0.8460103	3.453042	3.0840382	0.184459551	0.2261808	1
	07	-0.13440383	0.65684417	0.7118589	6.6557944	5.6981937	0.077283149	0.0837561	0
DERİMOD	03	-0.00011423	1.74109072	3.2385557	1.4805902	1.1744256	0.462386667	0.8600729	-3.748362672
	04	-0.01076049	1.750335	3.687554	1.5370606	0.4273257	0.525339833	1.1067704	-0.099751375
	05	0.05096864	1.91442839	3.9884184	1.5599637	0.7838616	0.520003121	1.0833469	-10.89303841
	06	0.05458539	2.18353364	0	1.5784559	1.1982128	1	0	-26.10084698

	07	0.04400535	1.80477512	4.6973398	1.4413131	1.0598752	0.615787827	1.6027286	-2.334242828
DESA	03	0.0558666	1.86508311	3.3052884	2.2258719	1.2825538	0.435727577	0.7721936	-1.558873429
	04	0.11388857	1.10073131	1.4564339	4.1260221	1.6389262	0.244228437	0.3231511	-2.881569767
	05	0.0770704	0.86139848	1.1790129	3.3328703	1.2919588	0.269390107	0.3687195	-2.063378797
	06	0.03576522	0.88709586	1.3899577	2.420831	0.538851	0.361782118	0.566863	0.42991025
	07	0.06258179	1.1030319	1.5806748	2.9349968	0.8015655	0.302176567	0.4330273	-4.950583631
EDİP	03	0.02977901	0.85242729	1.2442722	1.5251523	0.8770613	0.314918953	0.4596813	-0.824369073
	04	-0.03084779	0.68898562	0.9439258	2.896226	1.513524	0.270084994	0.3700225	2.068574281
	05	-0.17639077	0.53911604	0.799889	1.5074687	0.8291748	0.326011396	0.4837046	10.20660435
	06	-0.26620736	0.53218961	0.9380121	0.6450468	0.3794693	0.432641001	0.7625525	2.337767924
	07	0	0	0	0	0	0	0	0
GEDİZ	03	-1.15645088	1.08324211	1.70774	1.8063881	0.9058522	0.365686742	0.5765081	171.3430521
	04	-0.43258004	0.82242741	1.1796637	4.1460871	2.9877308	0.302828919	0.4343682	256.5496311
	05	0	0.21910241	0.3150911	1.5855684	1.4366885	0.304637856	0.4380996	1
	06	-0.17637431	0.50735113	0.7694067	1.6954919	1.5398304	0.340594338	0.5165172	2.551119389
	07	0	0	0	0	0	0	0	0
İDAŞ	03	0.04490118	1.6905351	3.3866529	1.5293427	1.1373773	0.500824214	1.0033023	-1.170158967
	04	0	0	0	0	0	0	0	0
	05	-0.00726002	0.91612268	1.4855356	1.53231	1.1064305	0.383304783	0.6215465	1.465473152
	06	0.00190079	0.85968623	1.8424157	1.3107984	1.0104526	0.533391829	1.1431258	1.080175263
	07	0	0	0	0	0	0	0	0
KARSU	03	-0.0146152	0.85074801	1.4299122	1.2611156	0.7525253	0.405034794	0.6807706	1.113336142
	04	-0.00209836	0.84530914	1.3465906	1.3674686	0.6063211	0.372259753	0.5930156	1.042339604
	05	-0.15978242	0.76318505	1.2436343	1.2159948	0.6531182	0.386326769	0.6295317	3.032082327
	06	0.01272064	0.90749073	1.4613046	1.5247795	1.0050963	0.378985928	0.6102695	0.851739321
	07	0.04339997	0.88387023	1.3546128	2.2157778	1.159018	0.347510811	0.5325924	-0.042469105
KORDSA	03	0.07524313	0.80959032	1.2391084	1.6022336	0.8202991	0.346634797	0.5305376	0
	04	0.0759996	0.81276884	1.1230832	2.2781302	1.3199991	0.276305747	0.381799	0
	05	0.11534252	0.76051392	1.0064237	2.2089067	1.2130012	0.244340204	0.3233468	-5.219023897
	06	0.05510531	0.74489167	1.5258809	1.7085703	0.9150426	0.511828445	1.0484602	-6.319630439
	07	0.01971322	1.07967501	2.0932139	1.899843	1.0305432	0.484202255	0.9387444	-3.026863207
L.KADİFE	03	0.05205988	1.13050066	1.2848429	9.329034	6.5305673	0.120125376	0.1365256	-1.751199244
	04	0.14633899	0.88580759	1.060507	5.0030202	4.0188712	0.164731987	0.1972205	-1793.632562
	05	0.12954548	0.63567611	1.0132883	10.155884	7.3935129	0.372660163	0.5940324	-2.312016971
	06	0.05533497	0.72744561	1.1762528	3.8780504	3.0210501	0.381556772	0.6169633	-1.26887998
	07	-0.06710048	0.69536931	1.0740939	6.489527	4.4857811	0.352599121	0.544638	3.570811208
MENDERES	03	0.01994919	0.80137806	1.2593309	2.5021781	1.5483253	0.363647731	0.5714566	-0.364265148
	04	0.01642042	0.91928278	1.2489084	3.210637	2.1965452	0.263930969	0.3585682	0.241921391
	05	0.02236479	0.86510811	1.123755	3.6534746	2.497386	0.230163035	0.2989763	-0.541968855
	06	0.04652686	0.88199379	1.2405783	2.6687912	1.9352744	0.289046244	0.4065612	-2.662579101
	07	0	0	0	0	0	0	0	0
MEMSA	03	0.05223421	0.65169412	2.1412644	1.406164	0.5740047	0.695649857	2.2856893	0.525647596
	04	-0.28655034	0.73470161	3.2489621	1.3709364	0.4897279	0.773865754	3.422152	2.403050324
	05	-0.26053048	0.61772511	6.4363491	0.9912991	0.34655	0.904025543	9.419439	3.398734249
	06	-0.63861301	0.30573784	0.8363207	1.0111976	0.3902558	0.634425109	1.7354176	3.202381265
	07	-1.24060292	0.06965703	0.2034427	0.6218464	0.237007	0.657608588	1.920634	3.809586779
METEM	03	-0.10197611	0.78587997	1.2942139	1.3350638	0.9401706	0.392774285	0.6468341	4.666290747
	04	-0.01896207	0.68082952	1.3067833	0.9630607	0.6612593	0.479003509	0.9193987	1.47154932
	05	-0.09084902	0.45945878	1.0239858	1.3122953	0.7775317	0.551303553	1.2286782	2.540936388
	06	-0.34929626	0.53701145	1.5319638	0.89536	0.6659657	0.64946204	1.8527581	3.952955199
	07	0	0	0	0	0	0	0	0
SÖKTAŞ	03	0.08269344	0.72040591	1.1572312	2.2431123	1.1919138	0.377474541	0.606636	0
	04	0.07960335	0.72628339	1.0967202	2.6300002	1.3618803	0.337767846	0.5100445	-3.216053775
	05	0.01782944	0.60330585	0.896435	2.082962	0.9811136	0.326994301	0.4858715	13.83965152
	06	0.02924398	0.55878073	0.8881671	3.3015972	1.6896408	0.370860785	0.5894733	0.745855318
	07	0.09280445	0.61223237	0	2.9490345	1.6267657	1	0	-7.24430122
SÖNMEZ	03	-0.04916326	0.7984842	0.993997	5.2250249	2.2816404	0.196693559	0.244855	-6.714992739
	04	0.19417801	0.98134255	1.1719228	6.9491046	4.0217035	0.162621874	0.1942036	-8.964652582
	05	-0.04288992	0.68116798	0.7608437	11.35078	7.3817899	0.104720253	0.1169693	3.879334691
	06	-0.2005133	0.65483066	0.7762944	3.9590411	3.1876594	0.156466098	0.1854888	4.629369953
	07	-0.11122525	0.70304403	0.7544937	10.259693	7.889073	0.068191012	0.0731813	11.48178609
YATAŞ	03	-0.06762806	0.95930772	2.5455957	1.2838193	0.5407522	0.62315001	1.6355758	1.342726155
	04	0.003943	1.0805809	2.8298506	1.3026158	0.564121	0.618149137	1.6188235	0.931421978
	05	-0.02245112	0.84459278	2.4162388	1.2828607	0.6419768	0.65045144	1.8608328	1.251272338
	06	0.02123	1.01001728	2.6728448	1.3587276	0.6359796	0.622119	1.6463358	0.786384223
	07	0.02263818	1.09879026	2.7921998	1.2279427	0.7444177	0.606478639	1.5411581	0.601066358
YÜNŞA	03	0.0347729	0.91224361	1.5707614	1.5567905	0.9126126	0.419234746	0.7218661	0
	04	0.05376872	0.95316562	1.63403	1.583502	1.018424	0.416678006	0.714319	0
	05	0.05962861	0.88195744	1.6199963	1.4722314	0.8123119	0.455580574	0.8368191	-2.215169503
	06	0.08538405	0.91837802	1.7739934	1.4487315	0.8805896	0.482310343	0.9316592	-6.882586598
	07	0.01564021	0.9334991	2.2670084	1.1606238	0.5827017	0.588224241	1.4285062	0.416278818

Column 3, 4, and 5 present the results of Profitability Ratios that are Net Profit Margin, Assets Turnover and Equity Turnover. The net profit margin, computed by dividing net income by sales, gives percent of net profit after tax per 100 liras of sales when we reflect it as percent (Okka, 2005: 98). When it is looked at column 3, many businesses in the sector have loss in periods of between 2003 and 2007, so net profit margins are seen to be negative. However there is no stability in sector net profit margins, they are like that periodically: 1%, 9%, 2%, 10% and 6% for BOSSA; 5%, 11%, 7%, 3% and 6% for DESA, 7%, 7%, 11%, 5%, and 1% for KORDSA, 8%, 7%, 1%, 2% and 9% for SÖKTAŞ, 3%, 5%, 5%, 8% and 1% for YÜNSA. So these firms are the best of textile sector when assessed from net profit margin side.

Assets turnover, calculated by dividing sales by total assets, indicates how much sales are realized what times of total assets. Since assets reflect investments made by business in means of costs, assets turnover shows what times of investments that the business make sale (Sayılğan, 2006: 154). In the same sector businesses that have higher assets turnover indicates that resources are used more productively than businesses that have lower assets turnover. Low assets turnover is the indicator of making excess investment to assets. Businesses that have the highest assets turnovers are periodically like that: 1.71, 1.77, 1.75, 2.24, and 2.28 belong to Ceylan and 1.74, 1.75, 1.91, 2.18, 1.80 belongs to Derimod.

Equity turnover, the last one of profitability ratios, is found by dividing sales by total equity and is the indicator of the equity effective using degree (Akgüç, 1998: 60). At the analysis of this ratio, fiscal status of business should be taken into account. Ceylan is at the first rank with its equity turnover 4.53, 5.06, 5.80, 6.98, 7.07 and Derimod is the second rank with its equity turnover 3.23, 3.68, 3.98, 0, 4.69. However Akal has the highest equity turnover in the sector, when balance sheet data are examined it is understood that it results from financing mostly by liabilities and having inadequate equity.

Column 6 and 7 reflect the results of liquidity ratios that are Current Ratio and Asid-test Ratio. Current ratio is computed by dividing current asset by current liabilities, measures business's total liquidity. Although high current ratio indicates the company's capability of meeting its current obligations (Okka, 2005: 86), too high current ratio like Ceytaş, Lüks Kadife and Sönmez indicates that business cannot use its assets efficiently. When the general structure of sector is examined, 1,5 current ratio like Akal, Ceylan, Derimod, Karsu, Yataş and Yünsa is enough.

Asid-test Ratio, is calculated by deducting inventories that are the less liquid from current assets and dividing by current liabilities, is an accepted status that it becomes 1 or higher than 1 (Akgüç, 1998: 34). Ceytaş, Lüks Kadife and Sönmez that have considerably high current ratio, have 3 and 7 times higher than acceptable limitation. It is undesirable for businesses since it indicates they have excess liquid. Ceylan, Karsu, Yataş and Yünsa that have acceptable current ratios have 0.3-0.8 asid-test ratios. It indicates that inventories have a considerable share in current assets in these firms. Also Akal, Akın, Bossa, Derimod and Söktaş is seen they are in the desired limitations in means of their asit-test ratios.

Column 8, 9 and 10 reflect the results of leverage ratios that are Debt Ratio, Debt/equity Ratio and Times-interest-earned Ratio. Debt ratio, is the proportion of total debt to total assets, measures the percentage of financing assets by liabilities (Akgüç, 1998: 36). However this ratio raise more than 50% is perceived generally a threat, at the situation of sector have been and in developing economies like Turkey it is acceptable because of difficulties in capital procurement. But when the table above is looked over, it is seen that debt ratio of Berdan is 100% and higher than 100%, equity of it decreases negative in balance sheet at some years. This exceeds the acceptable limitations. This situation is an indicator that third parties have more right on the business assets. When the other firms are examined, it is seen that Sönmez has the lowest debt ratio periodically with 19%, 16%, 10%, 15% and 6%; and followed by Ceytaş with 18%, 14%, 14%, 18%, 7%. Among the remainder 22 firms, 14 firms that are Akın, Arsan, Bossa, Desa, Edip, Gediz, İdaş, Karsu, Kordsa, Lüks Kadife, Menderes, Metem, Söktaş and Yünsa have lower debt ratio than desired 50%.

Debt/equity Ratio that is the second leverage ratio is the proportion of total debts to equity. Since debt ratio and debt/equity ratio present same event in different way, these two ratios are related with each other, actually. In our ratio analysis, it is seen that the lowest debt/equity ratio belongs to Sönmez and Ceytaş and the highest debt/equity ratio belongs to Berdan.

Times-interest-earned Ratio that is the proportion of earnings before interest and taxes to the financial expenses measures what times of interest the business get as revenue. The higher the result of the ratio, the better is the return of business (Okka, 2005: 96). But the sector is not in a good position, times-interest- earned ratios of only

Arsan, Bisaş, Bossa, Metem and Memsas is relatively better than other businesses. This situation comes into scene because of financial leverage and low profit margin of the sector.

When we look over all results of the ratio analysis, it draws attention that Derimod is good at 4 ratios that are asset turnover, equity turnover, current ratio and asid-test ratio; and Ceylan is good at 3 ratios that are asset turnover, equity turnover and current ratio in the sector. Other businesses cannot meet average at more than two ratios.

At the time of finding the results of five ratios in the Altman Model belongs to textile businesses that are our research sampling mass, the solution of formula is made by taken averages of data from financial statements between last five years (2003-2007). Table 2 shows the Z-Score number of businesses below:

Table 2: Z-Scores Belong to Businesses

COMPANY NAME	X1	X2	X3	X4	X5	Z SCORE
AKAL	0.219062377	0.006230466	-0.03924465	0.185973586	0.74591341	0.74770424
AKIN	0.266020097	0.050675628	0.009898832	1.486981585	0.926050621	0.938274822
AKSU	0.158077172	0.006435387	-0.093811764	1.179609956	0.775387439	0.780580944
ALTINYILDIZ	0.079465243	0.017841203	-0.03286746	0.672449463	0.25027861	0.254181761
ARSAN	0.141650545	0.028531891	-0.087049406	1.660056702	0.52847776	0.537136245
BERDAN	-0.08158823	0.012319745	-0.129586921	-0.057727356	1.12110251	1.114552093
BISAŞ	-0.126497831	0.003357301	-0.258882132	0.422092412	1.076429743	1.067871785
BOSSA	0.178550808	0.033907664	0.06142948	3.053048895	0.7649422	0.787140041
CEYLAN	0.184585394	0.016609133	-0.009196096	0.493039789	1.995005092	1.998112407
CEYTAŞ	0.310427016	0.027669992	-0.032597034	5.914801908	0.623625129	0.661527117
DERİMOD	0.27385146	0.037957505	0.086870963	0.497058302	1.904725827	1.912487816
DESA	0.571050581	0.045759635	0.049607367	2.144977209	1.113793675	1.13468003
EDİP	0.064458104	0.031708649	-0.07731752	1.971516712	0.640588008	0.65044246
GEDİZ	0.149876632	0.189535316	-0.491996919	2.016642668	0.686992775	0.686621754
İDAŞ	0.157582951	0.016439169	-0.0225761	1.116443124	1.033347555	1.040388999
KARSU	0.137173205	0.152450079	-0.069469005	1.645374626	0.850256488	0.860766382
KORDSA	0.169591469	-0.029663553	0.039502381	1.407016692	0.855404708	0.86591479
LÜKSKADİFE	0.341993889	0.035457737	0.035651911	2.2343108	0.768562395	0.786976545
MENDERES	0.41880506	0.214219367	0.010719866	2.488298679	0.867556665	0.889997388
MEMSA	0.028243214	0.010879155	-0.198922769	0.388714185	0.447684612	0.443495988
METEM	0.029831908	0.001673336	-0.111521844	0.905658269	0.601552108	0.603085695
SÖKTAŞ	0.21375612	0.059008647	0.036852194	0.955823101	0.640329768	0.650031694
SÖNMEZ	0.319003869	0.223982876	-0.003164046	6.157284662	0.764959784	0.807997926
YATAŞ	0.154865872	0.045449225	-0.110103453	0.601905501	0.99836505	0.999839383
YÜNSA	0.177233386	0.026030731	0.040254135	1.059571524	0.920459833	0.92971642

According to the compound ratio called Z, that is got by Altman Z Score Model have ratios used as early warning indicator interpreted like that (Altman, 1968: 100):

If $Z < 1.81$, the business has bankruptcy risk seriously,

If $1.81 < Z < 3$, the business has no great future but also has low bankruptcy risk,

If $Z > 3$, the business doesn't have any financial difficulty and there is no probability of bankruptcy.

At the light of this comment, when we examine Table 2, we see that only Ceylan and Derimod exceed 1.81 Z value. We see by order of Desa, Berdan, Bisaş and İdaş are the best among businesses that are under the 1.81 Z value. Altman Model that is an early warning system about business bankrupts provides us information about performance of businesses.

The ratio analysis and Altman Model that we have implemented on 25 public companies that work in textile sector in Turkey present us Ceylan and Derimod is the best in the sector in means of sector financial performance.

CONCLUSION AND EVALUATION

Businesses can survive in a raising globalization and intensive competition environment if only benefit from strategic management at the point of attaining aims and goals via exact strategies and performance measures at the point of measuring activities, their results and eliminating faults. Performance measures lead business managers at the decision making about future, planning and control steps by providing required information about business.

Performance measurement that is made related to position and future of textile sector that employ 2,5 million employees, have approximately 20 billion dollars export and 10 billion dollars home market in Turkey (Sezgin, 2007: 29) indicates that public companies in the sector have probability to go into bankruptcy. Also our study supports the bottleneck in the textile sector that have 11% share in the total production (GNP), 14% share in industrial production, 16% share in manufacturing industry, 11% share in employment, 28% share in employment of industry and 23% share in total export in Turkey (T.C Başbakanlık Dış Ticaret Müsteşarlığı, 2007).

Turkish textile sector is passing through a difficult process because of some reasons such as excess and unfair competition of Chinese textile, higher costs (energy, natural gas, labor, tax, social securities) than foreign rivals, exchange risk, poor financial structure, economic and political instability, inadequate R&D investments. Businesses in textile sector need to compose products, customer portfolio and markets relating to future in this period by force of sector characteristics. All of this works can be possible only if businesses introduce their vision, mission and strategies relating to future, implement them and strengthen their financial structures. In our study, it is tested that businesses in textile sector do not use their assets in a strategic manner by both financial performance measurement and Altman Z Score. It is seen that the sector will be in a more narrowing trend and even near bankrupt in the next period. So in the framework of strategic management, businesses that compose the textile sector should determine their vision and strategies on subjects such as strengthening financial structures, decreasing costs, rising profits, enlargement of product mix, being a brand and creating fashion. All of these are the requirements of competing with textile sector around the world.

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THE USE OF PERFORMANCE MEASUREMENT IN STRATEGY IMPLEMENTATION: A STUDY INTO THE SERVICE SECTOR

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ABSTRACT

The purpose of this study is to examine to what extent the results of performance measurement are used in strategy implementation. In order to put forth this relation, seven establishments operating in hospitality field were interviewed and data were gathered by examining documents. As the result of the study it was found out that indicators of financial performance were used in performance measurement; and that customer dimension and employer dimension, which are among the non-financial indicators, were used to a great extent. Only two of the establishments had self-devised measurement models and these two implement performance measurement periodically in order to develop a strategy. The results of the measurements are used in strategy implementation by the establishments. However, it was found out that the establishments do not adopt a participative setting in preparing the report of the results of the measurement and encouraging all the employees from all departments. What's more, department managers do not discuss the results of the performance measurements and do not take an inquisitive stance towards the reasons behind the results. The results of the study showed that chain establishments apply performance measurements systematically and properly. The managers of these establishments state that they have to apply performance measurements as a part of the firm's strategy. In other words, performance measurement is an obligatory task.

Key Words: performance measurement, strategy implementation, service industry.

INTRODUCTION

The issue of performance measurement has gained great importance in recent years due to the intensive increase in competition in global terms, the increasing influence of internal and external setting of business over the operations of the businesses concerned (Rolstadas, 1998). At present day, establishments have to evaluate their accomplishments in order to gain success in the changing business settings, and to check whether the set targets have been reached, if reached to what extent? (Karadayı, 2002). What's more, the constantly changing nature of the decision-makers in the fierce competitive market settings have made the need for information on the performance of establishments and information that will shape the future (Avcı, 2005). This necessity has been felt increasingly in all the establishments in a serious manner. In this context, whatever the fields of operation the establishments have, through carrying out performance measures on their present status, it has become a must for establishment to make use of the information in their decisions on how to boost their success (Halachmi, 2005; Tapinos et al., 2005).

Establishments carry out performance measurements due to a variety of reasons. Some of them are to depict their success, to find out the deficient aspects, to plan resources in an efficient manner, to provide motivation (Neely et al., 1994; Kliengebiel, 1998; Parker, 2000). However, to many authors, the main reasons why establishments measure their own performance is to steer the future projects and make up for the deficient points (Ittner and Larcker, 2003; Karadayı, 2002; Kaplan ve Norton, 2004), because, in order to set the organizational strategies, not only the external factors but the status of inter-organizational factors should be taken into accounts as well (Eren, 2005; Mintzberg, 1978). The fact that Ansoff (1975) put forward that developing a strategy is very much dependent on information stresses the importance of the information to be obtained from performance measurements. Besides, in the real business environment, it will not be true to say that performance measurement is carried out accurately. In other words, we cannot say that establishments take on the task of performance measurement and they make use of the results to obtain meaningful conclusions (Avcı, 2005; Yüksel 2003a; Yüksel 2003b).

Another problem confronted in the implementation of performance measurements is the approach by the firms in only financial (quantitative) respects and their focus on measurements based on figures. Nonetheless, because of the change in the business environment and stakeholders, non-financial indicators have gained importance and necessity. Furthermore, weaknesses in the non-financial aspects of performance dimensions will influence the development of financial performance in an undesired manner. In particular, coupled with the fact that in evaluating performance, service-oriented establishments are labour-intensive and customer-focused, it is argued that non-financial indicators should be used (Kaplan and Norton, 1992; 2003; Fitzgerald, 1991; Karadayı, 2002; McAdam, and Bailie, 2002). According to Bungay and Gold (1991), developing strategies based solely on financial indicators are of use in the short run. In order to set long-run strategies and perform strategic planning, it is essential that non-financial indicators should be used as well.

The study sets out to find out for what purpose the establishments implement performance measurement, what indicators (financial, non-financial) they use in performance measurement and whether they make use of the results in strategic development. Considering the insufficient number of studies into this topic, it is thought that the results to be obtained will be beneficial for both academicians in the field and researchers and will lead future studies.

THEORITICAL FRAMEWORK

Performance Measurement

Performance measurement is the tracking of the achievements of a program and its reporting process according to already set-objectives (Yüksel, 2003). Performance measurement, at the same time, is a method whereby an objective measurement of how tasks are performed is implemented in the provision of services and procedures (Performans Ölçüm Rehberi, 2000). Through the use of performance measurement performance is checked and selected within its own valid fields, performance is adjusted based on a set standard or tasks are valued according to given criteria. Performance measurement paves the way for quantitative assessment for the activities of the establishment at the whole organizational level (Parker, 2000). Measurement of the performance of an establishment is a series of procedures determining to what extent the establishment has attained already-set targets and performance management process is mainly comprised of setting the performance targets, performance measurement, feedback and motivation (Harrington, 1996).

According to Neely et al. (1995) performance measurement is the quantitative assessment of activities and effectiveness of an establishment. In the study, Neely et al. (1995) put that quantitative results enable feasible comparisons between the results and the targets. According to Drongelen and Cook (1997), performance measurement is the analysis of the factors that influence feasibility of targets set by an establishment and thus, obtaining the information. Both authors argue that the main objective of performance measurement is the examination of the factors hampering the implementation of the targets and obtaining the necessary information. On the other hand, Laitinen (2002) defines performance as the ability to yield results related to the targets of an establishment.

When the definitions stated above are gone over, it grabs our attention that performance measurement is a system of control and correction and helps compare the targets set and results accrued. It is important for firms to be knowledgeable about whether the expected targets have been reached. Managers determines whether the targets set have been reached, have the chance to identify the missing points in the way to the target and correct the missing or malfunctioning parts through the implementation of performance measurement. In the increasing competitive environment it is imperative that adjustments should be made in the light of the information obtained through the performance measurements in order to stand in the fierce competitive settings. Performance measurements should be implemented at regular intervals and in an organized manner.

Setting the strategy

There are a number of definitions on what strategy is. According to literature, related definitions on strategy commenced with the definition of Chandler (1962): “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out the goals.” Mintzberg and Quinn (1996), on the other hand, define strategy as “the pattern or plan that integrates an organization’s major goals, policies, and action, sequences into a cohesive whole”. When these definitions are examined, it can be seen that in general terms strategy is related to the adaptation of organizations to outer settings (Mintzberg, 1978) and it is the main way that helps develop the performance of the organizations (Zajac and Shortell, 1989). Strategy and determination of a strategy is the most important stage in the managerial process for establishments. Strategy leads the way to reach their targets in what circumstances and manners (Baum et al., 2001).

Since strategy is concerned with the processes, structures and the environments of organizations, it is influential on their performance and provides a support in the decision-making processes for organizations (Croteau, and Bergeron, 2001). Organizations are able to exhibit strategic tendencies that enable to reach the targets fast and make the targets more comprehensible. In the literature, when the explanation on strategy are examined, it has been observed that the term strategy is used in the meanings of “resource allocation; creating a unique position, a process, an integration, plans for actions” (Porter, 1980; Mintzberg, 1990). As a result, strategy is the combination of the decisions that clarify the complexities among the functions of an organization and that regulate the general objectives and that enable the desired outcome to be reached and that envisage a choice (Eren, 2005).

The use of performance measurement in strategy implementation

The results of performance measurement can be used for a variety of such purposes as controlling the employees and directing the resources. The purposes serving for performance measurement should be those related to strategic objectives and should be used effectively. (Hudson et al. 2001). In order for the result to be used to determine a strategy, several models have been put forward and discussed in the last 20 years. Among these are Balanced Scorecard, Performance Prism, Performance Pyramid, Integrated Performance Measurement System models that aim to reinforce the link between strategy and performance.

Strategy implementation is a constant process for establishments and will be so in the future. Some data may be needed in order to develop a strategy. Performance measurement provides the background necessary for the establishments so as to develop a strategy (Dyson, 2000). In this way, through reporting the measurement results and converting the data into open-information, learning will occur and the ability to learn will provide an enormous support in the determination of a strategy for organizations (Neely et al. 2000; Kaplan and Norton, 1992). According to Kaplan and Norton (1996), there should be an open-system based on cause-effect relation and performance measurement results and strategy should be comparable in order to use performance measurement results and reflect the results in organization. According to Simon (1990), common targets should be set and everybody should participate in the determination of strategy/target process in order to make use of the results of the performance measurement.

As many authors stated (Butler et al., 1997; Neely et al., 1994; Lynch and Cross, 1995), the model that sets the most intricate link between performance measurement and strategy setting is the Balanced Scorecard model developed by Kaplan and Norton (1992). The model, according to Lynch and Cross (1995), is the most comprehensive model that deals with the link between performance measurement and strategy setting. Aaltonen and Ikavalka (2002) underlines the fact that the model is the one that takes into account the middle-level managers playing an important role in providing the communication needed in strategy implementation. Another benefit to establishments the use of balanced Scorecard has is that it gives information on non-financial indicators in strategy setting. Similarly, Lynch and Cross (1995) emphasized that the model’s integration of financial and non-financial results in itself has crucial benefits for establishments operating in service industry. As a result, since Balanced Scorecard, together with strategies, envisages the development of performance criteria and pursuing these criteria in the way to strategic objectives, it embodies the factors of planning, implementation and control. The approach of balanced performance management, whose main objective is setting the criteria towards strategies, has become more and more common in use as a system of strategic management (Kaplan and Norton, 1996).

METHODOLOGY OF THE STUDY

Objective, sampling and data collection

The main objective of this study is to determine for what purpose the establishments use the results of performance measurement results and to determine whether the information obtained as a result of the performance measurement is used to lead the organizational strategy. As well as the above mentioned objectives,

- What the performance indicators are the establishments use are,
- For what purpose they implement performance measurement,
- For what purpose and how they use the results of performance measurements have been aimed.

The methodology employed in the study is a case study. This method offers the opportunity to obtain in depth information on a given issue, establishment and the event and to perform analyses on them (Yin, 2003). Nowadays, many establishments have developed no certain model for performance measurement (Yüksel, 2003a; 2003b; Avcı, 2005); let alone conducting performance measurement, which leads to an organizational handicap for the managerial terms. In this study, 12 large scale establishments were found to implement

performance measurement (both financial and non-financial) in the province of Muğla and districts, mainly Bodrum, Fethiye and Marmaris. 4 of these establishments stated that they did not want to take part in the survey, and one of them has been found to be insufficient for not having the capacity in providing information and hence was not included in the study. Table 1 exhibits the information on the qualifications of the managers and the establishments.

Not many establishments exist implementing performance measurement; this method was regarded suitable for the implementation of the study. In order to gather empirical data, interview technique was employed. Before starting the interview, questions related to the issue were asked. The main reason for this is that such authors as Yin (2003) and Seyidoğlu (2003) argue that an interview, the limits of which is undefined, is likely to cause problems in gathering data. In this regard, the interviewees were asked some salient questions on the issue under main headings. In forming the questions, “Dynamic Performance Measurement System”, developed by Laitinen (2002) and related studies conducted on the issue (Fitzgerald, 1991; Lynch and Cross, 1991; Hudson, 2001; Yüksel, 2003a; Karadayı, 2002; Akal, 2002) were benefited a lot. Each of the managers was interviewed nearly for to hours. The interview was noted down and the interviewees were asked to rate the questions between 1-5. Besides, at the end of the interview, some documents were collected used in performance measurement (for example customer satisfaction questionnaire) and these documents were made use of during the writing phase. The data gathering started in 1 February 2008 and it is expected to end by 1 March 2008. Data gathered were transferred to tables and then converted in to texts.

Findings of the study

In this part of the study, information on the qualifications of the managers and the establishments is presented. As seen in table 1, managers and the establishments have similar attributes and qualifications. Yüksel et al. (1999) and Yeo (2003) argue that the persons with higher or similar qualifications according to the sector will be of great benefit in terms of the reliability of the data of the study. In this study, this was taken into account.

Table 1: Qualifications of the establishments and managers

Establishment and manager code	Qualifications of the establishment	Qualifications of manager
A	5 star hotel, open throughout the year, 320 employees, operating for 12 years,	General directorate, employed for 5 years, holding undergraduate degree, male
B	5 star hotel, 280 employees, operating for 16 years,	General directorate, employed for 4 years, holding graduate degree, male
C	Holiday village, open throughout the year, 500 employees, operating for 13 years	General directorate, employed for 3 years, holding undergraduate degree, male
D	5 star hotel, 240 employees, operating for 8 years, chain establishment	General directorate, employed for 4 years, holding graduate degree, male
E	Holiday village, 430 employees, operating for 11 years, foreign chain establishment	General directorate, employed for 8 years, holding undergraduate degree, female
F	Holiday village, 350 employees, operating for 14 years	General directorate, employed for 12 years, holding graduate degree, male
G	5 star hotel, open throughout the year, operating for 17 years, foreign chain establishment	General directorate, employed for 4years, holding undergraduate degree, male

According to the findings of the study, all of the establishments included in the study are big-scale hospitality establishments. The number of the employees is above the average of the sector. Except for the establishment D, all of them have been in the sector for more than 10 years. When these qualifications are compared with the general structure of the sector, it can be said that the establishments participating in the study are experienced and old establishments. This situation can be an indicator that they are well-established. When the qualifications of the managers are examined; they are general managers and have been employed for at least 3 years, the reliability of the data will be heightened. Besides, the fact hat the managers are at least graduates of university take out the possibility that they may have problems in grasping some issues. As a matter of fact, during data collection no problems were confronted due to misunderstanding and misperception.

Table 2: Indicators Used in Performance Measurement

	A	B	C	D	E	F	G	
A-FINANCIAL PERFORMANCE								
Cost	√	√	√	√	√	√	√	7
Profit/profitability	√	√	√	√	√	√	√	7
Volume of Sales and Market Share	√	√	√	√	√	√	√	7
Occupation Rate	√	√	√	√	√	√	√	7
Reimbursement of the investment	√	√	√	√	√	√	√	7
B-NON-FINANCIAL PERFORMANCE								
Quality-Customer Dimension								
Service Quality	√		√		√		√	4
Customer Satisfaction	√	√	√	√	√	√	√	7
Customer Loyalty	√		√	√	√		√	5
Quality of Work Life (QWL)								
Employee turnover rate	√	√	√	√	√	√	√	7
Motivation of the employees					√		√	2
Absenteeism	√		√	√	√	√	√	6
Job accidents	√	√	√	√	√	√	√	7
Innovation								
Performance of the new markets	√	√		√				3
Performance of the new processes								
Performance of the new products/services	√	√		√	√		√	5
Performance of organizational innovations								
Productivity								
Total Productivity								
Labour force productivity	√	√	√	√	√	√	√	7
Capital productivity								
Resource use productivity	√				√		√	3
Social Responsibility								
Expectations and the reaction of the society								
Expectations and reactions of nearby establishments								
Total "yes"	15	11	12	13	15	10	15	

√= Yes

All of the establishments participating in the study make use of financial indicators in performance measurement. As for non-financial indicators, the most commonly used ones are the indicators pertaining to quality-customer and quality of work life. For example, all the establishments measure customer satisfaction and calculate employee turnover rate, absenteeism and job accidents. This situation stems from the fact that the establishments in the study operate in service sector and their success is mainly dependent on the satisfaction of two elements. In this part of the study, the opinions of the managers are presented and these opinions are written in italics.

The managers of the establishments emphasize that they have to focus on financial indicators in performance measurement. According to them, the owner of the establishment has some financial targets and these targets have to be reached.

All the establishments state that they measure customer satisfaction through questionnaire forms in reception and public relations units. The establishment B and F state that they have no system to find out the re-visiting customers. In their opinions, the establishment work with tour operators and re-visiting customers do not hold any important place.

All of the managers state that they get information related to the motivation of the employees through department managers. Only E and G establishments make this in a systematic way.

Only A, B and D establishments measure the performances of the new markets. Other managers state that they have been in the same market for a number of years and they feel no necessity to implement new measurements. The establishments implementing measurements perform it by the number of the tourist and the amount of expenditure. A, B, D, E and G establishments state that they implement performance measurements

for the new products. These establishments perform measurements according to the satisfaction level of tourists', because in these establishments, all-inclusive system is applied and it is impossible to perform measurement based on income.

All of the establishments measure labour force productivity. However, the managers apply this in simple means and in doing this the number of previous year's employees is taken into account. This sort of measurement is not an appropriate way of measurement known in the literature. A, E and G establishments measure resource productivity as well.

No establishments in the study took the social dimension (social responsibility) into account. Managers state that they do not have much affiliation with other establishments and hence they do not feel the need to perform such a measurement. To some managers, the main actors that they are interested in are customers and tour operators. Hence, since they have no link with other establishments.

Table 3: Information on the Use of the Results and Performance Measurement

	A	B	C	D	E	F	G
Do you a specific performance measurement model?					√		√
Do you implement periodical performance measurements?					√		√
Is your real aim "control" in performance measurement?		√	√	√		√	
Is your real aim "development" in performance measurement?	√	√	√	√	√	√	√
Are the units informed of the results of the performance measurement results?	√	√	√	√	√	√	√
Do the managers and the employees of the departments discuss the results of the performance measurement results?					√		√
Are the results investigated in the event that the performance results are lower than expected?	√	√	√	√	√	√	√
Are the results of the performance measurement put in a report?			√		√		√
Do you obtain new information from the results of the performance measurement?	√	√	√	√	√	√	√
Is every measurement compared with the precious measurements?			√		√		√
Are the results of the performance measurement used in displaying faults and taking corrective actions?	√	√	√	√	√	√	√
Are the results used in resource planning?	√	√	√	√	√	√	√
Are new policies and tactics developed according to the results of the performance measurement?	√				√		√
Is the strategy of the establishment modified according to the results of the performance measurement?	√	√	√	√	√	√	√
Are the results of the performance measurement interpreted taking the environmental factors into account?	√		√		√	√	√
Total	9	8	11	8	14	9	14

√= Yes

According to the findings of the study, only two of the establishments use a measurement system such as balanced scorecard. Besides, no establishment is dependent on one specific model in performance measurements. Performance measurements are not performed periodically. The main purpose of the establishments is to enable development rather than controlling. All of the establishments send the results of the performance measurement to the related departments. Only two of the establishments discuss the results with employees and managers. All the establishments would rather seek the results in the event hat the measurement scores are worse that expected. The results of measurements are included in a report by only three establishments. Hence, only these establishments are knowledgeable about the results of the previous term's and can make comparisons. All the establishments use the results of performance measurement in obtaining new information, correcting the mistakes, resource planning and directing the strategy of the establishment. The classification of the information gathered in the interviews with the managers is as follows:

Managers of the establishments state that they perform financial performance measurements according to the results such as balance sheet and income tables and cost control. Some non-financial measurements such as customer satisfaction are performed through questionnaire forms. The establishments that implement non-financial performance periodically are only E and G. The managers of these establishments state that since they

are affiliated with foreign chains, they have to do this sort of measurement and inform the center at regular intervals about the results of the measurement.

Establishments B, C, D and F state that they make use of the results of the performance measurements for the purpose of control. These establishments, at the same time, state they pursue the aim of development. At this phase, the managers of E and G insistently emphasized that their main objective is development and said over-control hampers the employees and make themselves pressurized.

Managers of the establishment keep the related units informed about the results of the performance measurement. Only E and G establishments state that they discuss the results with the employees. Besides, the managers of E and G establishments state that they participate in the meeting to discuss the results of the performance measurement.

CONCLUSION AND DISCUSSION

In this study, the relation between performance measurement and strategy setting of the seven establishments was investigated. To serve this purpose the managers of the establishments were interviewed and data obtained from them were classified in a systematic manner. Then, according to the information obtained from them the extent they use the results of the performance measurement in setting the strategy.

As a result of the study, it was found out that the establishments in the study were found to have made use of the financial indicators in performance measurement at adequate level. According to the managers of the establishments, it is very easy to conduct performance measurement using financial indicators and thus clear judgment can be reached. Managers make use of non-financial indicators partially in performance measurement. In this context, establishments make use of the indicators of customer dimension and employee dimension to a large extent as well. This situation is partly due to the fact that the establishments operate in service industry and the dimensions of customer and employee is of critical success factors for these establishments. Lynch and Cross (1995) and Fitzgerald (1991) put emphasizes on the similar issue and hold that quality and customer satisfaction is of great significance for establishments operating in service industry. Besides, Kaplan and Norton (1992) suggest that financial and non-financial indicators should be dealt with together and they should be integrated with the strategy of the establishment. Another remarkable result of the study is the one related to measurement of innovation performance measurement. Innovation is a critical factor that makes the firms stand in this highly changing nature of the business life (Fitzgerald, 1991). However, managers of the establishments are not adequate enough to make use of the results of the performance measurements in this context. The managers state as the fundamental reason for this that they are in close collaboration with foreign tour operators and apply innovations based on their suggestions. Managers state that holding the advantage focusing on the innovative activities depends on the full competitive characteristics of the markets. One more interesting finding of the study is that the managers are informed of productivity and measurement of productivity and apply such measurements in rather simple methods. For instance, many of the managers stated during the interviews that the calculations of productivity are performed by comparing the previous year's results. Especially, the calculation level of total productivity and capital productivity is very low. While doing this, no concern for social aspects is exhibited. In other words, social responsibility is disregarded. But, in order to enhance institutional image and promote establishment and environment dialogue, the expectations of the environment is an imperative (Dinçer, 1998; Jauch and Glueck, 1988). The managers state that they do not pay attention to social dimension as a result of the nature of the sector in which they operate. According to the managers, the interaction of the establishment is limited with other settings businesses and it is impossible for them to be integrated with the society.

Only two of the establishments possess their own specific performance measurement system. In fact, all the establishments have their own forms to measure customer satisfaction. But these are not enough to measure other performance measurement dimensions. Two of the establishments use forms covering the other dimensions of the performance measurement and perform this periodically. These are foreign chain establishments and they emphasize that they have to report the results to the center they belong to. Hence, performance measurement in these establishments is conducted periodically. One of the fundamental problems other establishments may confront is that they do not conduct performance measurement activities regularly.

Performance measurement is a control system that focuses on financial indicators. Nowadays, performance measurement is regarded as a means of development, not a means of control. All the establishments in the study regard performance measurement as a means of development. However, 5 of the establishments regard it as a means of control as well as development. All of the managers state that they look for the answer to the question of "how can we perform the task better?" as the main objective of the performance measurement. This point of view is an important one that can facilitate development, for according to many studies the

approach for the sake of control only hinders the cause and effect relationship. It is impossible to improve something in setting were there is no cause and effect relationship (Martinson et. al. 1999).

According to the results of the study the elements that can destabilize the link between performance measurement and strategy implementation are that the results are not discussed between the managers and employees. Communication and being informed is the fundamental to the process of strategy implementation. Otherwise, a kind of resistance may be confronted in the implementation phase of the strategy (Beer and Eisenstat, 2000). The participant establishments in this study cannot be said to have a sound procedure. Establishments discuss the results only if they are negative. The managers state in this regard that as a result of the high number of the employees and high turnover rate the discussions are not easy task to handle, whereas the results are discussed with departmental managers in detail.

There are three establishments comparing the results and preparing a report on the results. The managers of these establishments state they this procedure is a kind of must for them and they have to file the results and send them to the center. Considering that strategy implementation is a long term act, it is certain that data on past activities will be needed for the forthcoming terms. Besides, the need for data is of critical importance for the implementation of Benchmarking. The managers complain that they can rarely spare time for the task of report preparing. Some of them say that they do not feel it necessary to prepare a report and they justify their opinion by saying that each season brings its own hardship and challenges and there is no uniformity among the seasons. They also say that through reporting the importance of being a manager seems to be diminished.

The establishments use the results of performance measurement in taking corrective action and revealing the deficient points in the establishment and they steer the strategy according to the results of the performance measurement, which indicate that the results hold an important place in setting the strategy. It would be wrong to say that they can make use of the results of performance measurement efficiently since they do not repeat the result, do not conduct it periodically and do not involve other employees. Except for the establishments (E and G), performance measurement and strategy implementation seem to be in the province of top managers. However, it should be kept in mind that in settings where there is no communication among the departments (Aaltonen ve Ikavalko, 2002), where there is no two-way communication (Rapert et. al. 2002) and where there is no consensus, the task of setting the strategy will be a hard to conduct.

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STRATEGIC PLAN OBJECTIVES' MEASURABILITY PROBLEM IN TERMS OF ACCOUNTABILITY AND GOVERNANCE

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ABSTRACT

Nowadays, public management is functioning very rigid, bureaucratic and inefficient in many countries. New Public Management aims to capture optimal service levels to remove this inefficient structure in the private sector's efficiency and effectiveness concept. Across the world, the idea of traditional public management has been replaced by "governance" which is defined based on participation and "management by multiple actors". The transition process from management to "governance" never assists a hierarchical, imperious structure. It requires a new relationship system which should be based on participant policies which are derived from directive, supportive, transparent, accountable and open to objective auditing, based on individuals, encouraged by the citizens. Accountability which is a very important tool in balance and control providing instruments contrary authoritarian management is one of the fundamental characteristics in liberal and constitutional democracies as a very important tool. In municipal governments, accountability emphasizes on allocation of sources in terms of urban priorities, production of goods and services efficiently and effectively, participatory budget practices and providing transparency in management. Recently, accountability is used as a wider concept including several different levels of results in public actions.

Accountability concept is considerably limited in Turkey. Rapid progress in information technology, new legal arrangements, citizens' efficiency and quality expectations in public services make the accountability more important today. Strategic plan is defined in "Regulations about Procedure and Principals Related to Strategic Planning in Public Administration" published by Turkish State Planning Agency as "A plan which covers public administrations' medium and long term goals, basic principle and policies, objective and priorities, performance indicator and methods and resource allocations to reach all of these. Strategic plan is an important document in consideration of giving information and account by municipalities for stakeholders living in the city. Setting measurable target both avoid resource misuse and allows public control. In this way stakeholders can cover a deficit of public resource usage suitable for laws and public priorities. More accountable municipality however, makes contribution to local development. Strategic planning simplifies two important results coming out: Firstly, it includes traditional planning benefits related to setting targets and an action plan can be developed that moves the organization from one point to the other. Second benefit is however, to improve decision making and accountability relations between decision makers and internal/external stakeholders affected by these decisions. Accountability concept based on performance, requires current outputs associated with organization targets and producing information related to results regularly. Metropolitan Mayors who have important roles in city management are under liability of giving account about output and results during the service period, not only at local elections, which is made once in five years. Strategic plan is conceded an important tool using in implementing transparency and accountability. From this aspect strategic plan targets' measurability plays a vital role in consideration of organizational and individual accountability. Stakeholders who are pursuing the level of attainment of the strategic plan targets, cause local pressure factors and audit on municipality managers.

As stated in the Public Management and Control Law 5018, according to Turkish Act in the 9th paragraph, "Public administrations generate a strategic plan to create future missions and visions, to define strategic goals and measurable objectives, to measure performances in terms of defined measurement indicators and to generate a strategic plan with participatory procedures to monitor and evaluate this process" in terms of development plans, programs, related regulations and in terms of their basic principals. Creating an accountable organization can be possible by making the objectives measurable and goals transparent and by sharing them with citizens. According to Strategic Planning regulation, performance indicators should be clearly defined in the strategic plan. Performance indicators are used to measure outcomes which are obtained by the actions of

strategic goals and objectives of companies and they form a basis for performance auditing". A strategic plan which is unclear and consist of immeasurable statements will not allow the city stakeholders to audit performance in municipality. This study deals with metropolitan municipalities' objectives measurability problem as initiator for the other municipalities. With non-probabilistic/convenience sampling technique, 5 municipalities from 16 municipalities in Turkey were examined. In this descriptive, sectional and record basis study data collected from secondary data sources (internet). This period of time and this study can be thought as a preparation; Izmir can be an example for the other municipalities in second term.

Keywords: Strategic Management, Strategic Planning, Performance Management, Accountability, Governance

INTRODUCTION

Balian (2005: 26) gives Chandler's (1962) early definition of strategy as "The determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals (Chandler, 1962:16)" and mentioned that strategy has historical roots in the military concept of formulating strategy. The idea of strategy was defined by Meier et al. (2006: 2) as "The idea that strategy content influences organizational performance is a central element of generic management theory. Strategy content can be defined broadly as the way an organization seeks to align itself with the environment (Donaldson 1995; Miles and Snow 1978)."

When we look at the history of strategic planning, it can be seen that the literature on formal strategic planning for organizations emerged in the 1960s. (Balian, 2005: 26) Near this Poister and Streib (2005:45) indicate that early literature focusing on local government applications about strategic planning was introduced into the public sector in the 1965 (Dodge and Eadie 1982; Eadie 1983; Sorkin, Ferris, and Hudak 1984; Denhardt 1985). They add that over the past two decades, academics and practicing professionals have shown a sustained interest in strategic planning, and it has become a centerpiece of orthodox public management. Tapinos et al. (2005: 371) gives a very inclusive definition for strategic planning as "strategic planning attempts to systemize the processes that enable an organization to attain its goals and objectives. There are five general steps in the strategic planning process: goal/objective setting, situation analysis, alternative consideration, implementation and evaluation (Crittenden and Crittenden, 2000)".

Poister and Streib (2005:45) highlight the important point that "beyond strategic planning itself, over the past several years' interest has also focused on the broader process of strategic management in the public sector (Vinzant and Vinzant 1996a; Poister and Streib 1999; Zanetti and Cunningham 2000)". In strategic management concept the crucial point is linking performance management to strategic plans. Only with this connection strategic management process can operate in a better way and give useful inputs for accountability and governance.

The beginning of strategic management in public sector is different among countries. The history of strategic management is 5 years old in Turkey. The government obliged to prepare first strategic plan in 2007 period if the population is over 50.000 for any municipalities in turkey as a starting point of strategic plan. From this aspect this descriptive study deals with 5 metropolitan municipalities strategic plans to investigate whether they are based on strategic management concept or not. With this aim strategic plan objectives' measurability was examined with a decision model. We hope that, this study will be useful for second term strategic plan preparing process for the other municipalities in Turkey and researchers who want to compare countries strategic management development process.

STRATEGIC MANAGEMENT IN PUBLIC MANAGEMENT

While Strategic Planning/Management is a management model developed for private sector companies, public sector implementation discussions have started. Today the problem is not whether strategic planning is practical in public management or not. The problem is, how it can be implemented. (Büyük, 2006; Cevik, 2004: 242).

Diamond (2005:20) indicate that the term of the strategic plan should be long (at least five years), consistent with a medium term budget framework, and similarly periodically updated. Based on the strategic plan Diamond cites, annual implementation plans, or operating plans, should be prepared subsequently, providing a direct link between the long-term goals of the strategic plan and those identified in budgets, to serve

as a point of reference for annual progress evaluations. Diamond (2005: 21) also adds that output goals are to be expressed in an objective, quantifiable, and measurable manner in an operating plan.

Bailey (1989: 168-170) shows strategic planning process with six stage.

- *The first step is to set the goals of the organization*
- *The second stage is to scan the environment*
- *The third stage is an internal assessment of the assets of the organization*
- *The fourth stage is to adapt the organization's structure to the plan itself*
- *The fifth stage is implementation*
- *The sixth stage is feedback, the reflection and assessment of the plan's impact on the environment and potential modification of the plan*

Koteen defines strategic management as a broad concept that "embraces the entire set of managerial decisions and actions that determine the long-run performance of an organization" (1989: 18), while Toft portrays it as "an advanced and coherent form of strategic thinking, attempting to extend strategic vision throughout all units of the organization, encompassing every administrative system" (1989: 6) (Poister and Streib, 2005:46). Balian (2005:27) touches this point with a quotation from Ansoff et al., 1976: "Whereas earlier considerations focused on planning alone in the context of setting organizational goals, beginning with the 1970s, focus shifted to management, inclusive of planning."

Poister and Streib (2005:46) give place other researchers ideas: "Vinzant and Vinzant characterize strategic planning as the "cornerstone" of strategic management, but they also say that "successful implementation of strategic management requires an assessment of organization capacities in such areas as managerial capability, power structure, culture, leadership, and organizational structure (1996b, 203)". Others agree: "Strategic planning is the primary element but not the essence of strategic management. The other components ... include implementation and evaluation" (Halachmi, Hardy, and Rhoades 1993, 165).

Kaplan and Norton (1996, 2004) include strategy mapping and the balanced scorecard in their strategic management toolbox and emphasize the importance of linking measures with performance within the strategic management process. (Balian, 2005:29) Along similar lines, Ingraham and Moynihan (2001:2) define the managing for results approach to public sector governance as a combination of strategic planning (systems that set organizational goals), performance measurement (systems that track and provide information on cost and accomplishments of government) and some form of strategic/performance management (systems that shape working relationships and structure discretion in a way consistent with organizational goals). (Balian, 2005:31)

Johnsen (2004:3) looks performance measurement history from another perspective. He reported that performance measurement has a long trajectory in public management. In modern management theory it can be traced back at least to the 1930s. At that time Herbert Simon elaborated on the concept of efficiency, studying performance measures in US municipalities (Simon 1947/1997). Johnsen introduces as, "Simon later received the Nobel memorial price in economics due to his work on bounded rationality, which partly was based on this work". Johnsen says "public sector performance measurement has been, knowingly or unknowingly, part and parcel of modern management and public administration theory and practice for over a half decade." Johnsen concludes "Even though many seem to assume that public management mainly imports ideas and models from the private sector, regarding performance measurement there is a long tradition and extensive experiences within the public sector."

Walle et al. (2005:234) draw attention to considerable pressure in the past few decades, after the rapid expansion of the welfare state in the 1950s and 1960s. Declining public confidence in government institutions and growing demands on public finances have prompted governments to initiate measures to trim the public sector and make it more efficient and effective. Also they indicate that (2005:250) the growing importance of efficiency and effectiveness has prompted governments to focus more and more on results as the basis for their budgets.

Reasons for Measuring Performance

Internal management of a local authority will employ indicators that serve the purpose of accountable management. External auditors, commentators and pressure groups such as those interested in consumer issues will pay attention to other measures. (Jackson, 1988:14) Balian (2005: 61) concatenates several reasons for

measuring performance in the federal government. “to evaluate performance and generate feedback; to take corrective action where necessary; and to increase accountability. (Hatry, 1992)” are some related to our study.

Walle et al. (2005:257) emphasizes on hardness of measuring the performance of public administration at all, but even more difficult to make cross-national comparisons of administrative performance. They think only global judgements about the functioning of government and the public administration can be used to measure the performance of public administrations. In the comparison they cite that the Dutch government states that citizens may expect an integer, transparent, credible, responsive, effective and efficient government in exchange for taxes and trust they make available (TK 2003). In general, public administrative systems are founded on the following principles (Vidlakova 1999): trust and credibility, openness and transparency, accountability, efficiency and effectiveness. These principles were an important condition for the new member states entering the European community.

In their study more than 4,000 respondents in about 60 countries answered questions about economic performance and government quality. Four indicators of government quality are selected, based on the principles of well functioning administrative systems: (Walle et al., 2005:258)

- Level of bureaucracy
- Level of transparency
- Level of effectiveness
- Level of corruption

Walle et al. (2005:260) indicate in this study an important indicator for the quality of the government is effective implementation of decisions and regulations. Walle et al. compare countries in this study. “Government decisions seem to be implemented very well in Scandinavian countries. Greece, Germany and Italy seem to experience some problems in implementing government decisions.” As a result they say differences between the new member states are smaller, as compared with bureaucracy and transparency, but their ranking is about the same. The perception of effective implementation of governmental decisions did not change much between 1998 and 2003. Some countries improved the implementation of their decisions according to the business community (Australia, Sweden) but some did not (Netherlands, Canada, Ireland and the United Kingdom).

Performance Management Strategic Planning Relation

Tapinos et al. (2005:371) indicate that performance measurement is used to assess and communicate progress towards strategic objectives. The need for organizations to align their strategies with their performance measurement systems is well established in the literature (Dyson, 2000; Mcadam and Bailie, 2002). That is why a great number of integrated frameworks have been developed such as the Balanced Scorecard, the Performance Prism, the Performance Pyramid, the Integrated Performance Measurement Methodology and Cambridge Performance Measurement Methodology (see Hudson et al., 2001, for an extensive review of the most basic frameworks.) (Tapinos et al., 2005:372)

Montarani and Bracker (1986:262) point out that the final phase of the strategic management process in the public sector at the Strategic Public Planning Unit (SPPU) level is the strategy evaluation phase. According to Schendel and Hofer (1979) this phase focuses on two areas: (1) are strategies being implemented as planned, and (2) are the results produced by the strategy are the ones intended.

In the application, process is hard. Poister and Streib (2005:50) denote that linking performance measures to strategic plans is far less common than is linking budgets and management processes to strategic plans among cities that have been involved with strategic planning. Approximately half of the respondents in their survey reported their jurisdictions used performance measures to track outcome conditions targeted by their strategic plans, that they track performance data over time to determine whether performance in strategic results areas is improving, and that they report measures associated with the strategic plan to their city councils on a regular basis. Finally, only 35 percent of these respondents indicated their jurisdictions reported performance data associated with their strategic plan to the public on a regular basis, or that they benchmark performance measures against other jurisdictions to gauge the effectiveness of strategic initiatives.

Also Tapinos et al. (2005:370) made a large scale survey to investigate the impact of performance measurement in strategic planning. The results indicate that performance measurement stands as one of the four main factors characterizing the current practice of strategic planning. The regression analysis shows that the third most influential factor is “performance measurement” (Tapinos et al. 2005:379).

Poister and Streib(2005:54) found somewhat surprisingly, linking performance measures to strategic plans appears to be far less common than linking budgets or performance management systems to strategic plans. Thus, only about one in five of the cities that reported strategic planning activity also claim to employ a mix of approaches that would suggest the beginning of a comprehensive strategic management process. Finally, the success factors identified by this research as driving positive results—elements that separate jurisdictions with even more beneficial perceived impacts at the margin—involve linking individual performance with strategic goals and objectives, reporting strategic performance measures to the public, evaluating the feasibility of proposed strategies, tracking performance data over time, targeting new money in the budget to achieve strategic goals, and involving external stakeholders in the planning process in the first place.

Objective Properties in Terms of Accountability

Trying to measure performance demands that organizations clearly articulate their objectives, and hence the basis on which performance will be measured. Performance cannot be measured until these objectives are translated into measurable desired results. (Diamond, 2005:4)

Jackson (1988:12) simulates performance measures/indicators. He says they should not be thought of as a microscope which searches for the hidden elements within organizational life. Like invasive surgery, such an approach is threatening. Instead, it is more useful to think of performance indicators as mirrors which reflect particular aspects of an organization's activities. Each mirror (indicator) is set to reflect a particular facet of activity. The outside world views the organization (or a department) against these mirrors. And he concatenates ideal performance indicators as:

- *Consistency*
- *Comparability*
- *Clarity*
- *Controllability*
- *Contingency*
- *Comprehensive*
- *Bounded*
- *Relevance*
- *Feasibility*

Diamond (2005:10-11) points out output and outcome measures' desirable properties. Outputs should be able to be clearly identified and described. Also they should be able to generate information on attributes of performance—price, quantity, and quality.

Poister and Streib (1989: 245) indicate that the use of various types of performance indicators is presumably a critical underlying element of municipal management capacity because ongoing performance measurement is essential for the successful implementation of numerous other management tools. From the results of survey, they emphasize that workload or output measures have the highest percentage in many functional areas (police, street maintenance, etc.). However in some functional areas like social services and libraries citizen satisfaction measures have the highest percentage. In general unit cost or efficiency measures have the lowest percentage except functional areas like solid waste collection, street maintenance and water supply. (Poister and Streib, 1989: 246)

According to Hurst (1980:43-46), desirable properties are:

- *Controllable*
- *Congruent*
- *Measurable*
- *Unequivocal*
- *Reproducible*
- *Accurate*
- *Objective*
- *Understandable*
- *Choosable*

Hurst explains “measurable” characteristic is intended to be the blanket under which all aspects of putting a metric on the measure and then obtaining values for it can be included. Yet many measures of performance, some of them quite valid, are at best only partially measurable. Hurst adds the following four characteristics-unequivocal, reproducible, accurate, and objective-elaborate further on the overall goal of measurability.

Diamond (2005:10) gives example from UK acronym(In their selection these targets should be SMART: Specific, Measurable, Achievable, Relevant, and Timed) and look from user’s aspect as it is necessary to be sure about who will use the performance information, how they will use it, and why they will use it. There are many potential users of performance information, ranging from the program manager, the central evaluator in the ministry of finance, the member of a legislative watchdog committee, and the final consumer of the government service.(Diamond 2005:16)

STRATEGIC MANAGEMENT AND ACCOUNTABILITY

Flynn (2004, 2) indicate that all governments in democracies want to satisfy voters that the tax they pay is used in their interests or to their satisfaction and adds for public services the requirement is that taxpayers should believe that their taxes are spent in a way that produces a result that is better than the result of keeping the money rather than give it to the government.

Jackson (1988:11) informs that defining objectives, goals and targets assists in motivating individuals and gives a definition for accountable management which was made by the 1968 Fulton Committee (Cmnd 3638) as ‘holding individuals and units responsible for performance measured as objectively as possible’. Walle et al., (2005:256) indicate that a well-functioning and reliable public administration is an essential factor for economic growth.

Balian (2005: xi) assesses whether, and what extent, the provisions in the statue of Performance-Based Organizations (PBO) led to the adoption of strategic management systems for increased accountability and improved performance in dissertation. Balian (2005: 55) gives place Hatry (1992)’s decisions as strategic management serves two principal purposes: Accountability and Productivity Improvement. In “Accountability” caption it is said that “Strategic management allows managers, government officials and ultimately the public to hold agency personnel responsible for results. Particularly, if efficiency and effectiveness outcome data is included in strategic planning process, agency staff can be held accountable for the results achieved with public funds. When performance is monitored over time, stakeholders (including citizens) can assess whether the service or program has been improving or declining in those measures, as well as examine levels of performance (Hatry, 1992:153)”.

Public Sector Integrity: A Framework for Assessment (2005:43) cite that, accountability and control mechanisms encourage ethical behaviour by making unethical actions hard to accomplish and easy to detect. Accountability mechanisms set guidelines for government activities, for checking that results have been achieved, and for checking that due process has been observed.

Balian (2005: 167) also adds that” ... if efficiency and effectiveness goals are included in the strategic plan, agency staff can be held accountable for the results achieved.” But as Flynn (2004:4) point out a perennial problem with public services is the difficulty in measuring efficiency and improving productivity. Flynn (2004:18) gives example from UK governments. They are seeking control over public sector performance have been searching for the perfect performance measurement and management system, integrating management information systems with public accountability and in turn integrating performance information within the budget planning process. UK system achieved its main managerial ends: it defined both priorities and performance targets and generated information with which performance against targets could be measured. In turn it created ways of rewarding and punishing that probably contributed to the results reported. Jackson (1988:11) also indicates that performance assessment is an essential element of accountable management. To assist in this process performance measures and indicators are used. From the Table 1, accountability and performance management relation can be easily seen.

Table 1: Obstacles (costs) and benefits associated with the implementation, use and outcomes of performance measurement.

	Obstacles('costs')	Benefits
Implementation	Low theoretical or methodological planning competence ('data-driven' implementation)	Monitoring efficiency, effectiveness and equity
	Small resources/capacity for development	Enhancing control ('hands-off' control)
	Inadequate implementation structures	Developing rituals
	Impatience	Creating ceremonies
	Resistance	Creating symbols
		Establishing myths
		Adopting fashion
Use	Lack of relevant statistics and data	Improved decision relevance
	Measurement errors	Reducing information asymmetry
	Misinterpretation	Signalling ('dials')
	Low decision relevance	Incentivising ('embarrassment effect')
	Running down of PIs	Detecting problems, failures and successes
	Proliferation of PIs	Revealing conflicts ('decibel meter')
	Information overload	Enhancing memory and retrieval of information
	Indirect lines of responsibility (common agency)	Enhancing learning ('tin-openers')
	No ownership of performance	Support socialisation ('infuse with value')
	Loyalty to professional norms rather than to management	
	Misrepresentation (manipulation of data)	
	'Creaming'	
Outcomes	Suboptimisation	Increased accountability
	Tunnel vision	Reallocated resources ('negative political feedback')
	Myopia	Increased transparency
	Measure fixation	Increased credibility (prestige)
	Gaming/Ratchet effect	Increased legitimacy
	Ossification	
	Discrediting of PIs	

Source: Johnsen 2004:7

STRATEGIC MANAGEMENT AND GOVERNANCE

Bovaird and Löffler (2003: 314) explain transition process from excellence to governance in their study. They see excellence in public service delivery as one of the key themes of international public sector reforms in the 1980s and 1990s. And they give some approaches to reach excellence. Some of these are legislative (Bovaird

and Halachmi, 2001), e.g. the Government Performance Results Act (GPRA) in the USA, Best Value in the UK or the Bassanini reforms in Italy. However, others are essentially voluntaristic — e.g. use of the EFQM (European Foundation for Quality Management) Excellence model and other quality management systems. On page 315, they are linking the process with New Public Management, and they are describing i.e. the mid- 1980s to the mid-1990s, in which many initiatives were launched around the world in accordance with its principles, it became evident that there was increasing dissatisfaction with its limited focus.

Near there are many definitions about “governance”, Bovaird and Löffler (2003: 316) use a specific definition of public governance which makes it particularly easy to explore how different stakeholders can be involved appropriately in the evaluation of the quality of public governance (Governance International, 2003). They understand public governance to be the ways in which stakeholders interact with each other in order to influence the outcomes of public policies and by ‘good governance’, they mean the negotiation by all the stakeholders in an issue (or area) of improved public policy outcomes and agreed governance principles, which are both implemented and regularly evaluated by all stakeholders. In the Public Sector Integrity: A Framework for Assessment (2005:10), good governance requires thorough assessment, and measures promoting integrity and countering corruption are no exception. In addition, assessment aims to verify whether objectives were reached and to enhance the legitimacy of decisions as perceived within the government and among society at large (2005:15).

Bovaird and Löffler (2003: 322) list ten of the characteristics of ‘good governance’ which have recurred frequently, both in the literature and in political and practitioner debates on the subject:

- Citizen engagement
- Transparency
- Accountability
- The equalities agenda and social inclusion (gender, ethnicity, age, religion, etc.)
- Ethical and honest behavior
- Equity (fair procedures and due process)
- Ability to compete in a global environment
- Ability to work effectively in partnership
- Sustainability and
- Respect for the rule of law

Balians (2005: 31) indicate that strategic management views governance as a methodical plan of actions that occur in an ordered and connected fashion (Ingraham and Moynihan, 2004). The lifeblood of this plan is information on performance results, whether desired, targeted, or realized. Strategic goals are established, performance measures are created to track these goals, and performance targets are set in advance to offer quantitative and qualitative ways of determining the extent to which they are being achieved.

Hsu et al. (2006:208) examines the effects of corporate governance on management efficiency in their research. Specifically, this research finds the effects of corporate governance variables on management efficiency for groups with different levels of information transparency and the significant differences in component factors for groups with different levels of information transparency. Tests and comparisons in this research find that in path analyses, the effects of shareholding structure on management efficiency, board supervisory structure on management efficiency, board supervisory structure on proportion of remuneration of directors and supervisors, and management efficiency on allocative efficiency are significantly higher for the high information transparency group than for the low information transparency group.

AN ANALYSIS ON 5 METROPOLITAN MUNICIPALITIES’ STRATEGIC PLANS IN TURKEY

Public Sector Strategic Planning History in Turkey

Yılmaz (2003) indicate that strategic planning implementation in public sector came to order in Turkey with 1st Program Purpose Financial and Public Sector Accordance Loan Agreement (PEPSAL–1) which was signed with World Bank in 12 July 2001. PEPSAL includes 3 main commitments. In “public sector reform” commitment, it is foreseen to make “Public Expenditure Management: Budget Reform”. In this process

strengthening policy making capacity in public organizations and implementing strategic planning in this context are some stages.

In “Kamu Kuruluşları için Stratejik Planlama Rehberi (Strategic Planning Guide for Public Administrations)” (2006:1) which was prepared by Devlet Planlama Teşkilatı (Turkish State Agency), “Regulatory Framework about Public Strategic Planning” is given. In this section, some information from this guide will be given.

Strategic planning related judgments in Public Finance Administration and Control Law’s (Law date: 10.12.2003 and Law no: 5018) application date was 01.01.2005. In law no 5018; strategic plan is defined as “A plan which covers public administrations’ medium and long term goals, basic principle and policies, objective and priorities, performance indicator and methods and resource allocations to reach all of these.” In this law following tasks are given for public administrations:

- Composing mission and vision about future as part of development plans, programs, applicable legislation and basic principles,
- Setting strategic goals and measurable objectives,
- Measuring performance according to indicators previously determined and
- Preparing strategic plans in a participatory method so as to monitoring and evaluating the implementation.

In this guide (2006:2), all municipalities with population over 50.000 are obliged to prepare strategic plans with no 5393 Municipality and no 5216 Metropolitan Municipality Laws together with no 5018 Law. According to the law, Mayor has to prepare strategic plan in a 6 month period after elections in accordance with development plan, program, and regional plan if there is and performance program before related year’s beginning. After preparation, Mayor has to present these documents for municipal council.

Undersecretariat of State Planning Agency was authorized with determining procedure and principals about strategic planning. “Regulations about Procedure and Principals Related to Strategic Planning in Public Administration” was published in Official Journal on 26th may 2006. (First version of this guide was prepared in June 2003; it is being revised according to necessities.) (Strategic Planning Guide, 2006:3)

This study deals with objectives’ measurability problem. In this guide (2006:34) it is denoted that objectives have to be specific and measurable. Objectives should couch in quantity, cost, time and quality type. There are some characteristics of objectives;

- Clear
- Apprehensible detailed
- Measurable
- Assertive but not impossible
- Result-oriented
- Scheduled

Also it is specified that (2006:36-37) there should be performance indicators in a strategic plan, if objectives were not defined as measurable. Performance indicators can be classified as input, output, productivity, outcome and quality indicators. Outcome indicators are most important. Because they show attainment of goals and objectives.

Balian (2005:20) indicate that the underlying statutory framework of strategic management for achieving results in the U.S. government is the Government Performance and Results Act of 1993 (GPRA), through which the U.S. Congress regulated increased focus on results. Also Johnsen (2004:6) cited that performance measurement in many countries are mandated, such as in the US and the UK, or has been made mandated such as in local government in Norway. However it seems that strategic management concept in public management started in Turkey late, closing the gap can be guideened with studies in this area.

Aim of the Study

Municipalities over 50.000 populations are obliged by government to prepare their first strategic plan and have prepared 2007 starting point strategic plans. From this aspect this descriptive study deals with 5

metropolitan municipalities strategic plans to investigate whether they are based on strategic management concept or not. With this aim strategic plan objectives' measurability was examined. We hope that, this study will be useful for second term strategic plan preparing process for the other municipalities in Turkey to reach high accountability and governance level and also researchers who want to compare countries strategic management development process.

Methodology

Method: Sampling

Tecniqe: Non-probabilistic / Conveniency Sampling

Data Collecting Method: Secondary Data Sources (internet)

Study Type:

Carried Knowledge Type: Decriptive

Time Criteria: Sectional

Data Collecting Type: Records Basis

There are 16 metropolitan municipalities in Turkey. (Metropolitan municipalities were chosen as they are initiator for the other municipalities.) These municipalities are classified in "Belediye ve Bağlı Kuruluşları ile Mahalli İdare Birlikleri Norm Kadro İlke ve Standartlarına Dair Yönetmelik (Regulations about Municipality, Municipality Dependent Establishments and Local Administration Association Norm Staff Principle and Standarts" (2007: Appendix) in 5 groups (A1-5). We chose the first metropolitan municipalities from each population group. With this convenience sampling method 4 regions (Marmara, Aegean, Central Anatolia and Eastern Anatolia) and 3 socio-economic groups (1, 2, and 4) can be represented. Socio economic rank and group information was taken from Dincer et al. (2003) research and generated tables are given below. Chosen metropolitan municipalities are highlighted.

A - 1 (0 – 499.999) GROUP METROPOLITAN MUNICIPALITIES					
	City	Population	Region	Socio economic Rank	Socio economic Group
1	ERZURUM	401.869	Eastern Anatolia	60	4
2	SAKARYA	428.156	Marmara	23	2
3	SAMSUN	438.788	Black Sea	32	3

A - 2 (500.000 – 999.999) GROUP METROPOLITAN MUNICIPALITIES					
	City	Population	Region	Socio economic Rank	Socio economic Group
1	ESKİŞEHİR	503.752	Central Anatolia	6	2
2	ANTALYA	680.242	Mediterranean	10	2
3	DİYARBAKIR	685.714	Southeast Anatolia	63	4
4	KAYSERİ	693.677	Central Anatolia	19	2
5	MERSİN	714.784	Mediterranean	17	2
6	KONYA	762.485	Central Anatolia	26	3
7	GAZİANTEP	919.628	Southeast Anatolia	20	3

A - 3 (1.000.000 – 2.499.999) GROUP METROPOLITAN MUNICIPALITIES					
	City	Population	Region	Socio economic Rank	Socio economic Group
1	KOCAELİ	1.122.914	Marmara	4	1
2	ADANA	1.285.363	Mediterranean	8	2
3	BURSA	1.448.541	Marmara	5	1

A - 4 (2.500.000 – 7.499.999) GROUP METROPOLITAN MUNICIPALITIES					
	City	Population	Region	Socio economic Rank	Socio economic Group
1	İZMİR	2.769.606	Aegean	3	1
2	ANKARA	3.567.874	Central Anatolia	2	1

A - 5 (7.500.000 - +) GROUP METROPOLITAN MUNICIPALITIES					
	City	Population	Region	Socio economic Rank	Socio economic Group
1	İSTANBUL	10.018.735	Marmara	1	1

To reach high accountability, governance and healthy strategic management level and preparing a base for performance management, strategic plan objectives' measurability is very important. Starting point for deciding whether objectives are measurable or not is SMART (Specific, Measurable, Achievable, Relevant, and Timed) analysis (Diamond, 2005:10). Generally, objectives are put under specific and relevant strategic goals and strategic areas. As a citizen, we can not know whether objective is achievable or not exactly, our interest is with the result. If we take all these in consideration in our decision model, we used timed and measurable here. "Measurable" is our endpoint. To decide measurability we used "clear" and "scheduled" here. Because, nearly all of the objectives are timed.

<i>If Criterias</i>			<i>Decision</i>
clear	timed	scheduled	measurable
+	+	+	+
+	-	-	-
-	+	+	-
-	+	-	-
-	-	-	-

* If there are activities under strategic objectives, higher percentage of them are taken into consideration

For example, it is said that in Erzurum's plan "Strategic Objective 4.2: Active open space area percentage per capita will be %12 at the end of the 2011". As a citizen I want to know the objective for at the end of the 2007 and also I want to know how they will make this. Here "Performance Programs" and "Annual Reports" step in. But when we look at www.sp.gov.tr (an official website where all public organizations websites are in) and municipalities' official web site, we saw that only İzmir and Kocaeli Metropolitan Municipalities have all of them easily accessible.

	www.sp.gov.tr		Municipality Official Web Site		
	Strategic Plan	Performance Program	Strategic Plan	Performance Program	Annual Report
İstanbul	+	-	+	+	-
İzmir	+	-	+	+	+
Eskişehir	-	-	+	-	+
Erzurum	-	-	+	-	-
Kocaeli	+	-	+	+	+

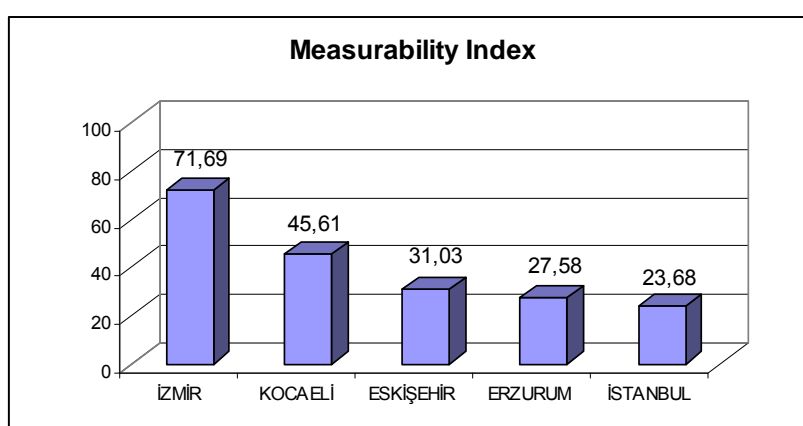
Results

According to the decision model, results in the table below obtained.

City	Period	Strategic Area	Strategic Goals	Strategic Objectives	Measurable Objectives	Measurability Index*
İZMİR	2006-2017	13	19	55**	38	71,69
KOCAELİ	2007-2011	4	15	57	26	45,61
ESKİŞEHİR	2006-2010	4	10	58	18	31,03
ERZURUM	2007-2011	27	58	145	40	27,58
İSTANBUL	2007-2011	10	64	190	45	23,68

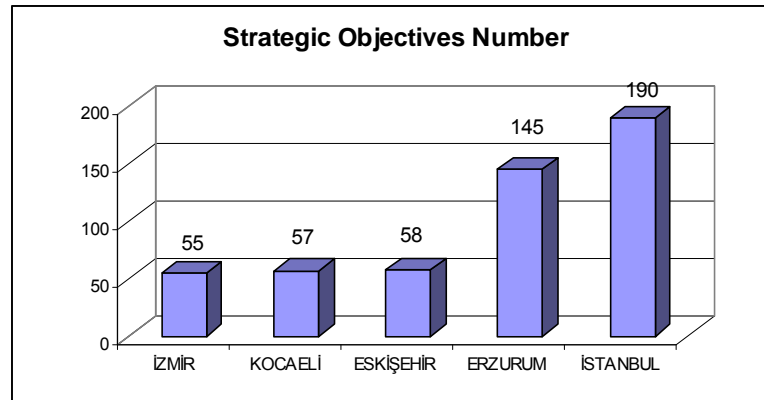
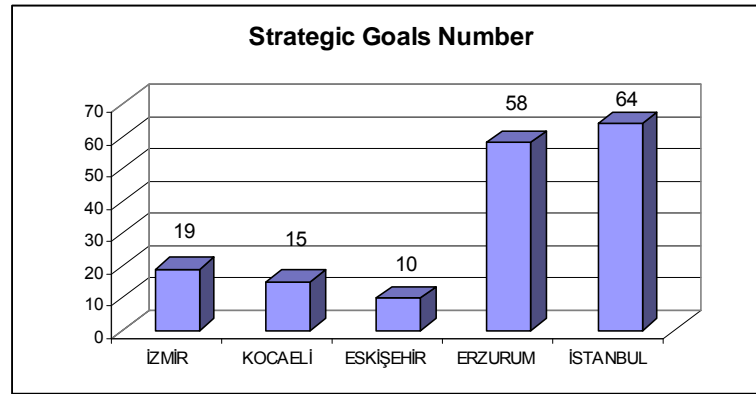
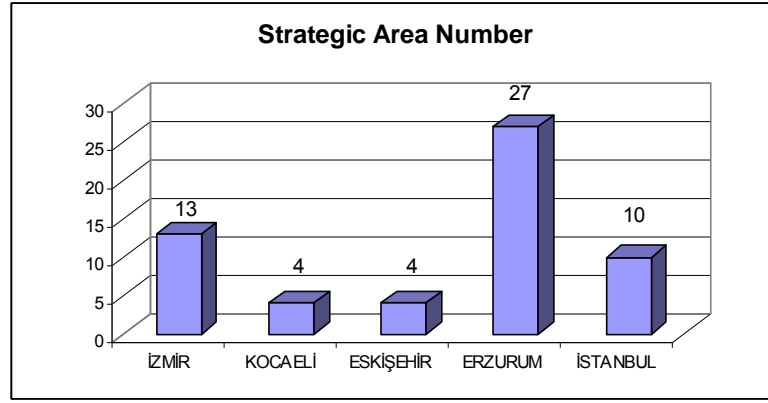
* Measurability Index = (Measurable Objectives/Strategic Objectives)*100

** 2 of them will be made by affiliates



From these results it can easily be seen that Izmir has the highest percentage, near this they show all documents in their web sites in a user-friendly way. When we look at Kocaeli Metropolitan Municipality's strategic plan, we can see another transparency example that all objectives have budgets for 5 years. We thought that if all objectives can be counted as scheduled. But this time there will be another problem that, we don't know what will be done with this budget. Because of these reasons, we used our decision model. Also Kocaeli Metropolitan Municipality serves all documents in their web sites especially in the main page, and this shows that they give importance for accountability.

However Eskisehir is seen as the third municipality, there are some reasons that show lack of transparency and accountability. First of all we can access strategic plan only from municipality's official web-sites. In the strategic plan, strategic areas are defined, but there aren't any strategic objectives. There are only activities. But we don't know under which goals they are. When we look at strategic goals and objectives from the annual report, we can see that all objectives are immeasurable. If we look from this aspect, measurability index will be %0. Bu we saw activities in strategic plan. Because of this we made a trying work to relate activities with objectives and found the result. But we couldn't relate all the activities with objectives. Because they give activities under only goals in annual report. This confusing situation causes measurability hardship and accordingly unaccountability. Although İstanbul's measurability index evaluated from strategic plan is the last, they show performance programs on web site. But Eskisehir and Erzurum do not. There is another interesting point that Erzurum Strategic Plan was prepared by only one expert. This shows the lack of participatormess.



When we look at the strategic area, goals and objectives number, we can see a big difference among municipalities. We can conclude that, high numbers do not bring high measurability. There should be obtained an optimal number like that of İzmir.

From generated table data below, we can make a comparison among cities. But it won't be healthy because of the sample minority. Roughly it can be said that, because western people of Turkey are more conscious, western municipalities measurability is higher when we take into consideration all factors (measurability index, performance program and annual report declaration)

City	Population	Region	Socio-economic no	Socio-economic group	Measurability Index
ERZURUM	401.869	Eastern Anatolia	60	4	27,58
ESKİŞEHİR	503.752	Central Anatolia	6	2	31,03
KOCAELİ	1.122.914	Marmara	4	1	45,61
İZMİR	2.769.606	Aegean	3	1	71,69
İSTANBUL	10.018.735	Marmara	1	1	23,68

Examination on strategic plans shows that all of them used only output performance indicators. This result causes unaccountability. As an example, think a municipality that made a park as stated in strategic plan. Is this measurable enough? Maybe two parks can be made with the same budget or citizens are not satisfied. These questions answers only can be given with putting all kind of performance indicators.

Also there isn't an association about time. In general municipalities prepared strategic plans for 2007-2011 time periods, but however budget is nearly the same, there is an aggregation in last years. (Election year is 2009 and new Mayor will have to prepare new strategic plan for 5 years.) This shows that first strategic plans are not ready enough from accountability aspect.

CONCLUSION

Municipalities as a public administration have to be accountable from service quality, rational resource allocation and results of activities aspect with the "New Public Administration" concept. "A municipality administration has to explain objectives in a measurable and clear way, if they are defining themselves open for accountable management and governance. If objectives are not based on performance measurement, they are only some wishes and desires" as Büyük (2006) mentioned.

In their US originated article, Poister and Streib (2005: 45) focus on the use of strategic planning and management processes in municipal governments with populations over 25,000. In particular, they explored whether municipal governments tie other components of the overall strategic management process to their strategic plans. Overall, they found a raising of the bar as far as strategic planning is concerned, but the use of comprehensive strategic management is only beginning to develop in a small number of leading-edge municipalities. Near these results from nearly 20 years experienced country, Turkey is still in the beginning of the process as having a 5 years history.

Although there are some problems and deficiencies in implementation, strategic planning is an approach that develops "New Public Management" apprehension. Büyük (2006) defines strategic planning as "an instrument that lays the groundwork for being result focused and gives important data about organization performance". Despite every implementation errors, it is very important to be in this process. These are all signs that more accountable and transparent management apprehension started. In this development time, to determine errors and to discuss solution ways will contribute for a robust strategic planning preparation. This period of time and this study can be considered only a preparation. According to this study's results, the first term strategic plans are not measurable enough to be base for an accountable performance management and governance. Izmir can be an example for the other municipalities in second term, but also they should give enough care to put all kinds of performance indicators (quality, productivity and especially outcome). Also citizens should be made conscious of strategic management, accountability and governance subjects. At the end, Mayors should play strategic leadership role seriously and stability. If this study will be expanded for all municipalities in Turkey, population, region and socio economic group's effect can be obtained.

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STRATEGIC FINANCIAL POLICIES IN EMERGING COUNTRY STOCK MARKETS: THE TURKISH CASE

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ABSTRACT

For companies and organizations in emerging countries, such as those in Turkey, Hungary, and the Czech Republic, stock markets are fast becoming the primary financial market for investment purposes, and for making risk and strategic management decisions. Companies and organizations can use some well established rules in making strategic decisions. These rules are also known as anomalies, and one of the well known anomalies is 'January effect'. Stock returns of companies are significantly higher in the month of January compared to other months.

In this study, all of the 326 companies traded at the Istanbul Stock Exchange (ISE) are used in order to present a definitive answer to the January effect issue. Several questions are dealt with. Does the January effect exist in the Turkish stock market? Can it be explained by the strategic management decisions of organizations related to tax? Or is it related to strategic risk management issues, i.e., higher risk in the month of January compared to other months? There are some studies which claim that the anomaly is not seen in recent years. On the other hand, some research has provided evidence that the anomaly has shifted to December of the previous year. The paper also tries to address this issue. Are returns in the month of December also statistically high compared to other months' returns? Is there a difference between the December and January returns? Has the puzzle disappeared in recent years?

Using the longest sample to date, from 1986 through 2007, and the largest number of companies traded at the ISE, specifically 326 stocks, the answers to all these questions are examined. Results indicate that January effect does exist in the Turkish stock market. December returns are also significantly higher compared to other months and there is not a statistical difference between December and January returns. The results imply that strategic tax management decisions are not the primary reason behind the January effect. The fact that the anomaly has started to shift to December of the previous year also indicates a learning effect in the stock market providing evidence towards efficiency. The conclusions provide important directions for international strategic management decisions, financial policies of organizations, and in identifying potential markets in developing countries. Turkish stock market is a very good representative of a financial market in an emerging country. Evidence suggests that if organizations commit the excess funds to the stock market in the month of December and liquidate their positions at the end of January, highest returns will be generated within these two months in the Turkish stock market. Thus, the characteristics of the market, specifically the January effect, provide useful guideline in making good risk assessment and strategic investment decisions.

INTRODUCTION AND LITERATURE REVIEW

Financial policies of firms include how to use excess capital and cash in a profitable manner. One avenue of strategic investment outlet is financial markets; which can be divided into money markets, stock markets, bond markets, and derivatives markets. Money markets are the safest investment alternative for the strategic investment decision of the firm, but the potential return is very low. This means that the access cash that the company owns may not necessarily be used in the most profitable way. Bond markets are similar to money markets but the investments should generally be committed for longer periods of time. Derivatives markets are generally not very well known in developed countries and they are generally non-existent in emerging countries. The last alternative, stock markets, are becoming more and more popular, especially in emerging countries, such as Turkey, Hungary, and the Czech Republic.

For companies and organizations, stock markets are fast becoming the primary financial market for investment purposes and in making strategic management decisions and risk management decisions. As stock markets become more and more efficient, investors can more comfortably use them as part of their financial policies. However, even if there are inefficiencies, companies and organizations can still use some well established rules, for investment purposes in stock markets. These rules are also known as anomalies, because using them leads to excess profits (earning additional returns than normal returns for a given level of risk) on a consistent basis.

One of the well known anomalies is ‘January effect’. Stock returns of companies are significantly higher in the month of January compared to other months. Studies to provide a reason for the anomaly have suggested taxes as a potential explanation. Organizations that have generated losses during the year, sell their stock investments at the end of the year and realize profits. These profits are canceled by the losses and no taxes are paid. In January these stocks are purchased and investment portfolios are reformed. Thus, in January, demand for stocks is high, which leads to an appreciation of the prices, leading to statistically higher returns compared to those in other months. Another explanation is that in January companies are faced with more risks, and this is reflected to higher overall returns.

January effect has been investigated in developed countries in detail. Rozeff and Kinney (1976) and Keim (1983) are among the first to document the January effect in the US. Rozeff and Kinney (1976) present evidence on the existence of seasonality in monthly rates of return on the New York Stock Exchange from 1904–1974. With the exception of the 1929–1940 period, there are statistically significant differences in mean returns among months due primarily to large January returns. Dispersion measures reveal no consistent seasonal patterns and the characteristic exponent seems invariant among months. Keim (1983) examines the empirical relation between abnormal returns and market value of NYSE and AMEX common stocks month-by-month. He finds that the daily abnormal return distributions in January have large means relative to the remaining eleven months, and that the relation between abnormal returns and size is always negative and more pronounced in January than in any other month — even in years when, on average, large firms earn larger risk-adjusted returns than small firms. In particular, nearly fifty percent of the average magnitude of the ‘size effect’ over the period 1963–1979 is due to January abnormal returns.

Lakonishok and Smidt (1988) use 90 years of daily data on the Dow Jones Industrial Average to test for the existence of persistent seasonal patterns in the rates of return. Methodological issues regarding seasonality tests are considered and persistently anomalous returns around the turn of the year in January are found.

In order to explain the January effect, many researchers proposed the impact of taxes as the reason behind the anomaly. However, these researchers have also admitted that tax cannot fully explain the anomaly, at best provide partial explanation. Reinganum (1983) documents that small firms experience large returns in January, and exceptionally large returns during the first few trading days of January. The tests indicate that the abnormally high returns are partly because of tax-loss selling. But tax-loss selling cannot explain the entire January seasonal effect.

Poterba and Weisbenner (2001) find that changes in the capital gains tax rules facing individual investors do not affect the incentives for “window dressing” by institutional investors, but they can affect the incentives for year-end tax-induced trading by individual investors. Empirical evidence for the 1963 to 1996 period suggests that when the tax law encouraged taxable investors who accrued losses early in the year to realize their losses before year-end, the correlation between early year losses and turn-of-the-year returns was weaker than when the law did not provide such an early realization incentive. These findings suggest that tax-loss trading contributes to turn-of-the-year return patterns.

Constantinides (1984) also focuses whether taxes can explain the January effect completely. He proves that with the tax rate on long term gains and losses being about half the short term rate, the law provides a second timing option - to realize losses short term and gains long term, if at all. His theory and simulation over the 1962–1977 period establish that taxable investors should realize long term gains in high variance stocks and repurchase stock in order to realize potential future losses short term. Tax trading does not explain the small-firm anomaly but predicts a seasonal pattern in trading volume which maps into a seasonal pattern in stock prices, the January anomaly, only if investors are irrational or ignorant of the price seasonality.

There have been some other explanations proposed by researchers over the years. While these alternative explanations all have valid points, none of them has been very useful in explaining the January effect completely either. Sias and Starks (1997) compare securities dominated by individual investors versus those dominated by institutional investors and find that the effect is more pervasive in the former. Controlling for capitalization, they find that in early January (late December), stocks with greater individual investor interest outperform (underperform) stocks with greater institutional investor interest. Bhardwaj and Brooks (1992) document that the January effect is primarily a low-share price effect and less so a market value effect. In the recent 1977–1986 period, after transaction cost raw and excess January returns are lower on low-price stocks than on high-price stocks. Failure of informed traders to eliminate significantly large before-transaction-cost excess January returns on low-price stocks is potentially explained by higher transaction costs and a bid-ask bias. Sullivan, et al. (2001)

use 100 years of daily data with a new bootstrap procedure that allows to explicitly measure the distortions in statistical inference induced by data mining. They find that although nominal p-values for individual calendar rules are extremely significant; once evaluated in the context of the full universe from which such rules are drawn, calendar effects are not necessarily significant any more. Ritter (1988) finds that the ratio of stock purchases to sales by individual investors displays a seasonal pattern, with individuals having a below-normal buy/sell ratio in late December and an above-normal ratio in early January. Year-to-year variation in the early January buy/sell ratio explains forty-six percent of the year-to-year variation in the turn-of-the-year effect during 1971-1985.

There are also numerous studies focused on the January effect in other developed countries. Agrawal and Tandon (1994) examine eighteen countries and find that January returns are large in most countries. Hawawini and Keim (1995) synthesize the evidence on predictable returns, focusing on the subset of the findings whose existence has proved most robust with respect to both time and the number of stock markets in which they have been observed and provide evidence for the January effect internationally. Gultekin and Gultekin (1983) examine empirically stock market seasonality in major industrialized countries. Evidence is provided that there are strong seasonalities in the stock market return distributions in most of the capital markets around the world. The seasonality, when it exists, appears to be caused by the disproportionately large January returns in most countries and April returns in the U.K.

For the Turkish stock market, the Istanbul Stock Exchange (ISE), studies are more recent because the stock exchange has been active only since 1986. Overall evidence about the January effect is mixed. Studies such as Akyol (2006), Bildik (2004), and Balaban (1995) present evidence in favor of the existence of the January effect in ISE. On the other hand, Aga and Kocaman (2008), Cinko (2008), Abadir and Spierdijk (2006), Akdeniz et al. (2000) do not find any evidence of January effect. Most of these studies use limited data in the sense that the sample period is quite short. Furthermore, the studies generally use only the ISE-30 or the ISE-100 indexes, which are composed of 30 and 100 stocks, respectively.

In this study, several questions related to the January effect are dealt with. Does the January effect exist in the Turkish stock market? Can it be explained by the strategic management decisions of organizations related to tax? Or is it related to strategic risk management issues, i.e., higher risk in the month of January compared to risk in other months? Some research has provided evidence that the anomaly has shifted to the previous month: December of the previous year. The paper also tries to address this issue. Are returns in the month of December also statistically high compared to other months' returns? Is there a difference between the December and January returns? Using the longest sample to date, from 1986 through 2007, and the largest number of companies traded at the ISE, specifically 326 stocks, the results of the study indicate that January effect does exist in the Turkish stock market. December returns are also significantly higher compared to other months and there is not a statistical difference between December and January returns.

Therefore, strategic tax management decisions are not the primary reason behind the January effect. The fact that the anomaly has started to shift to December of the previous year also indicates of a learning effect in the stock market and provides evidence towards efficiency. These results provide important directions for international strategic management decisions, financial policies of organizations, and in identifying potential markets in developing countries. Turkish stock market is a very good representative of a financial market in an emerging country and the dynamics and characteristics of the market, including the January effect will provide a useful guideline in making good international risk assessment and strategic investment decisions. Evidence suggests that if organizations commit the excess funds to the stock market in the month of December and liquidate their positions at the end of January, highest returns will be generated within these two months in the Turkish stock market. Data and the estimation methodology of the study are described next. Presentation and discussion of the results are followed by conclusion.

DATA

The data used in the study are monthly returns for the 326 individual stocks from the Istanbul Stock Exchange. The monthly time series range from January 1986 through June 2007. The calculations of the variables are as follows:

Monthly and compounded returns of stocks were calculated by using the closing prices on the last trading day of each month. Compounded returns are calculated with two assumptions: (1) the dividend received during the month is reinvested to buy back the concerning stock at the closing price at the end of the month, and (2) pre-emptive rights are exercised in case the price of the stock exceeds its subscription price.

The prices of new shares (shares that are not entitled to dividends from previous year's net profits) were not taken into account in the calculation of returns. The price used to calculate returns is the closing prices of a stock with a nominal value of 1,000 TL / 1 YTL on the last trading day of the month unless stated otherwise. If the stock is not traded during the month, it is the last closing price of the stock. The monthly return of a stock is calculated according to the following formula:

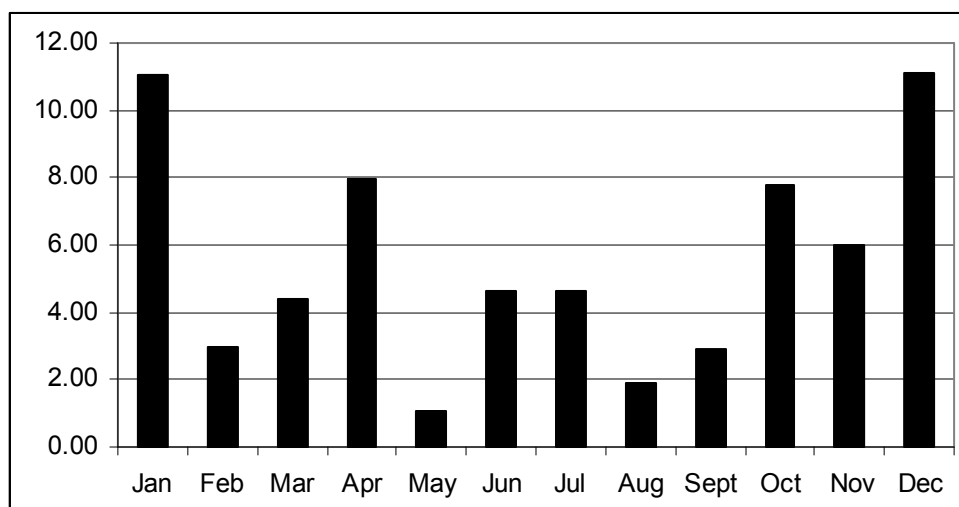
$$R_i = \frac{F_i \times (NR + NB + 1) - E \times NR + D - F_{i-1}}{F_{i-1}}, \quad (1)$$

where R_i : Return for the month 'i'; F_i : The closing price the stock on the last trading day of the month 'i'; NR: The number of rights issues received during the month; NB: The number of bonus issues received during the month; E: The price for exercising rights (i.e. subscription price); D: The amount of net dividends received during the month for a stock with a nominal value of 1,000 TL / 1 YTL; F_{i-1} : The closing price of a stock on the last trading day of the month 'i-1'.

RESULTS AND DISCUSSION

There are 44919 firm-month returns used in the analyses. This corresponds to roughly 3750 observations for each month, both for YTL. The monthly raw returns of the 326 companies ranging from January 1986 through June 2007 traded at the Istanbul Stock Exchange are placed into 12 groups based on the month of the year. The mean values of the returns for each month are plotted in Exhibit 1 below. The first graph in the exhibit represents the returns in YTL adjusted returns for each month. The returns are not annualized. Both graphs in the exhibit clearly demonstrate that the January returns are much higher in YTL terms. Moreover, the December returns are also very high compared to other months' returns. In fact, the January and December returns are very close to each other, both in YTL terms.

EXHIBIT 1



The graph presents the YTL monthly raw stock returns. The percentage returns are not annualized.

The next exhibit, Exhibit 2, presents statistical properties of the YTL returns for each month. We see that January and December returns are both larger than 11% and much higher than other months' returns. Standard deviations are quite high in both months. December has the most uncertainty, followed by January. As a risk adjusted measure, the coefficient of variation, CV values are also presented in the table. The ratio of the mean return to the standard deviation for each month is provided and January return-risk ratio is highest among the twelve month coefficient of variations.

EXHIBIT 2

	Mean	Median	St.Dev	MAD	Skewness	Kurtosis	CV	H0
January	0.1106	0.0417	0.2725	0.1815	3.2023	26.0925	0.4059	1
February	0.0296	0.0068	0.2714	0.1795	3.6557	51.5609	0.1077	1
March	0.0438	0.0000	0.2238	0.1519	2.5227	19.0319	0.1955	1
April	0.0794	0.0160	0.2590	0.1907	1.6637	8.2951	0.3066	1
May	0.0108	-0.0190	0.2227	0.1431	4.7182	70.6261	0.0485	1
June	0.0463	0.0000	0.2399	0.1498	4.9455	74.6454	0.1932	1
July	0.0466	0.0128	0.2523	0.1433	5.3164	65.7985	0.1845	1
August	0.0189	0.0000	0.2483	0.1520	2.9492	27.8459	0.0761	1
September	0.0290	0.0000	0.2493	0.1655	3.0195	32.0636	0.1163	1
October	0.0780	0.0500	0.2024	0.1434	1.5609	11.0602	0.3853	1
November	0.0602	0.0286	0.2664	0.1940	1.0188	6.8862	0.2260	1
December	0.1109	0.0526	0.2940	0.1937	2.3434	12.4852	0.3771	1

For each month, the mean and median returns are followed by risk measures of standard deviation and mean absolute deviation (mad). Higher moments of skewness and kurtosis are reported. The CV is coefficient of variation defined as mean / standard deviation. Finally the null hypothesis H0 is the monthly return is not significantly different from 0. The hypothesis is rejected at 1% significance for every month.

The statistical difference of January returns with those of other months is examined formally in Exhibit 3. Two tests are conducted. The first tests whether the January return is significantly different from other months' returns. The two sided test results are reported in the first two columns. The null of no difference is rejected at 1% level for all months except for December. There is no statistical difference between January and December returns. The last two columns are for the null that January return is not higher than other months' returns. The one-sided test result clearly shows that January returns are higher than the returns of other months except for December. Again, there is no statistical difference between January and December.

EXHIBIT 3

January vs.	H0: January return is not different		H0: January return is not higher	
	H0 Result	Significance (p-value)	H0 Result	Significance (p-value)
February	1	0.00	1	0.00
March	1	0.00	1	0.00
April	1	0.00	1	0.00
May	1	0.00	1	0.00
June	1	0.00	1	0.00
July	1	0.00	1	0.00
August	1	0.00	1	0.00
September	1	0.00	1	0.00
October	1	0.00	1	0.00
November	1	0.00	1	0.00
December	0	0.97	0	0.52

The test result '1' means that the hypothesis, H0, is rejected. The p-value is reported in the next column. The first two columns are about whether January return is different. The last two are about whether the January return is higher.

CONCLUSION

In this study, the turn of the year January calendar anomaly is investigated in the Turkish stock exchange using the return data of all 326 traded stocks from 1986 through 2007. Previous studies have proposed that investors want to realize losses to pay lower taxes, and thus the selloff in December and the repurchase in January. This would correspond to higher returns in January. Other studies have posited that January is associated with higher risks for various reasons and therefore, it is natural to have higher returns. The analysis for the Turkish stock exchange in this study shows that there are abnormally high January returns both in YTL terms.

Some recent research has provided evidence that the anomaly has shifted to the previous month: December of the previous year. Keim (1989) claims that January returns may also extend to December of the previous year. He posits that returns computed with closing bid or ask prices that may not represent 'true' prices introduce

measurement error into portfolio returns if investor buying and selling display systematic patterns. This paper finds systematic tendencies for closing prices to be recorded at the bid in December and at the ask in early January. After changing bid and ask prices are controlled for, this pattern results in large portfolio returns on the two trading days surrounding the end of the year, especially for low-price stocks. Other temporal return patterns (e.g. weekend and holiday effects) are also related to systematic trading patterns. The paper also tries to address this issue and finds that December returns are also significantly high, and not statistically different from January returns.

Tax concerns alone cannot explain the January anomaly in Turkey but does contribute somewhat to the overall results. Furthermore, coefficient of variation results indicate that even though January and December exhibit more risk, that is not a complete explanation of the anomaly either. Thus in addition to tax effects and higher risk, other factors also contribute to the overall January effect in the Turkish stock market. The strategic financial policy in the context of January anomaly would be to invest in Turkish stocks for a two month period from December through the end of January of the following year.

The Turkish stock market is a very good representative of a developing country stock market. It was established in 1986 and since then the rules and regulations from developed countries have been taken and implemented accordingly. However, enforcement of the rules and regulations is not complete yet. Thus, there are some inefficiencies in the Turkish stock market which is representative of other developing country stock markets. In these strategic and financial environments, companies should understand the potential strategic advantages and pitfalls available for them.

One such phenomenon is the January effect/anomaly. Companies and investors should think strategically and manage their financial policies taking into account the impact of the January effect. In the Turkish stock market specifically, there is ample evidence that the January anomaly exists. Thus when companies make strategic investment and management decisions, they should have long positions in the beginning of December. These positions should last through the end of January of the next year. At the end of January, the long positions should be closed out or must become short positions until the beginning of the month of December. Thus the investment horizon of two months lasting from the beginning of December to the end of the month of January will correspond to the January anomaly period and will generate higher than expected returns.

The study has empirically verified the January effect using monthly data for the last two decades. The statistical analyses produce strong conclusions about the existence of the anomaly and suggest how to use the anomaly for strategic financial benefits of companies and investors.

A natural extension is to examine other developing country stock markets. Each developing country has unique characteristics and these characteristics lead to differences in how the anomaly manifests itself in the stock market of that developing country. Therefore, unique and individual analyses are necessary in each developing country stock market before concluding whether the January effect exists and how long it lasts. These studies will shed light on the accurate strategic management decisions.

Furthermore, analyses are needed in developed countries as well in order to understand the sustainability and the extent of the January effect. Does the anomaly still exist? Is the anomaly seen only in the month of January or does it extend to the previous month of the previous year, December? These are important questions to answer before making unique strategic financial decisions in developed and developing countries.

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DIRECT MARKETING IN THE FINANCIAL SERVICES INDUSTRY

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ABSTRACT

This article presents empirical research findings on the use of direct marketing by a representative sample of Albanian financial services institutions. A number of similarities and differences between banks, building societies and insurance companies are identified in relation to direct marketing programs and the use of particular direct marketing techniques. While acknowledging some exceptions the research concludes that there is scope for a greater appreciation of the strategic value and workings of direct marketing. Institutions could usefully focus attention on achieving fuller integration of direct marketing with other marketing and communication activities and securing improvements in testing, database quality and timing.

Keywords: *direct marketing, services institutions, integration, communication activities, marketing techniques.*

INTRODUCTION

Most businesses operate in complex and competitive environments where demands are constantly changing and increasing levels of resources and management attention are focused on attracting and retaining customers. This situation promoted the marketing concept which Kotler (1988) describes as the determination, and subsequent satisfaction, of customer needs and wants more efficiently and effectively than one's competitors. Marketing represents the instrument through which this satisfaction has been delivered and has shown rapid growth over the past decade.

While marketing approaches based on mass communication, with general advertising and promotion directed to a mass market, have been in evidence, Bird (1989) considers that media fragmentation has reduced the effectiveness of this approach.

As markets break down into heterogeneous segments a more precisely targeted marketing technique is required which creates a dialogue with smaller groups of customers, and addresses individual needs.

This situation, coupled with changing demographics and lifestyles, increasing data processing costs and escalating media and sales force costs, has contributed to the growth of direct marketing (Holder and Owen-Jones 1992). Employed alongside other advertising and promotion activities, direct marketing can create and reinforce brand awareness, maintain customer loyalty and sell goods and services directly. Consequently, it not only fulfils a promotion role within the mix but serves as a distributive function. It is this functional plurality which makes direct marketing an extremely potent marketing tool.

Despite the rapid growth of direct marketing the academic literature remains undeveloped and little empirical work has been undertaken. This paper seeks in part to redress this omission by responding to calls for research into the use and applications of direct marketing. The focus of the study is the financial services sector where direct marketing has grown significantly, particularly since 2000. Financial institutions now represent some of the major users of direct marketing techniques in the Albania.

DIRECT MARKETING

Direct marketing is 'an interactive system of marketing which uses one or more advertising media to affect a measurable response and/or transaction at any location'. Based on this definition Roberts and Berger (1989) highlight the key elements which contribute to the effectiveness of direct marketing and distinguish it from general marketing.

Firstly, direct marketing is interactive in that the company and prospective customer engage in two-way personalized communication. It represents a dialogue rather than a monologue. Responses, or even non-responses, provide valuable information and can be used to build a profile of the individual. For example, the company can determine the specific communication which generated a response (e.g. direct mail, TV direct response) and the channel through which the response was directed (e.g. mail coupon, free phone number). Conversely a non-response, while raising questions about the product offer, may also raise doubts about media, timing etc. This information is added to the company database, which aids planning and ensures more focused campaigns in the future. An effective database will trigger the right communication to the right target customer at the right time, through the right medium, thereby enhancing the customer's perceived value (Woodcock, 1992). Much of this activity is invisible to competitors, a trait less apparent in mass marketing.

A second feature of direct marketing is that the communication and response (transaction) can take place at any location, providing the prospect has access to the communication medium.

It follows that direct marketing communications can transcend geographic boundaries and appeal to organizations seeking to expand into new locations.

A third positive aspect of direct marketing is that it is measurable and accountable. Measures-of effectiveness, such as business generated and response rates, allow organizations to assess the return on their investment thereby influencing budgeting and future media selection. This contrasts with general marketing approaches which use less informative surrogates such as awareness or recall.

Direct Marketing also exhibits several other specific competencies the most striking of which is the capacity for precise targeting (Roberts and Berger 1989). In addition, it is highly controllable in terms of timing, message and creativity, thereby allowing complex customized messages to be transmitted. Furthermore, it can be the subject of exhaustive testing to establish which media, offer, price, incentive, creative, timing, etc. are most appropriate to a given target segment and campaign (Bird 1989).

Table 1 summarizes the key distinctions between general marketing and direct marketing. While there are positive benefits to be derived from direct marketing the approach is not without its critics, for example, telemarketing has developed a poor image and can be seen as intrusive. However, the major complaints revolve around badly timed and imprecisely targeted direct mail, known colloquially as 'junk mail'. In an attempt to reduce costs many organizations take advantage of regular customer mailings to include other offers aimed at up-selling or cross-selling. While this strategy reduces costs its effectiveness is open to question as the communication arrives at a time determined by the organization and is probably unrelated to the target customer's purchase cycle.

The use of out of date or inaccurate lists has exacerbated criticism of direct mail in particular and caused irritation to potential customers. Cobb (1992) highlights the difficulty and expense of maintaining accurate lists and suggests that changes in a customer list may run, at approximately 9% per annum while business lists can reach 30% per annum. While there are potential problems with some direct marketing techniques managers must reduce these to a minimum as the alienation of potential or existing customers is clearly not in their interests. Managers require comprehensive lists that include several decision variables to develop an effective campaign.

EXHIBIT 1. KEY DISTINCTIONS BETWEEN GENERAL AND DIRECT MARKETING

General Marketing	Direct Marketing
1) Reaches a mass audience through mass media	1) Communicates directly with the customer or prospect
2) Communications are impersonal	2) Can personalize communications By name/title Variable messages
3) Promotional programs are highly visible	3) Promotional programs (especially tests) relatively 'invisible'
4) Amount of promotion controlled by size of budget	4) Size of budget can be determined by success of promotion
5) Desired action either Unclear Delayed	5) Specific action always required Inquiry Purchase
6) Incomplete/sample data for decision-making programs Sales call reports Marketing research	6) Comprehensive database drives marketing purposes
7) Analysis conducted at the segment level	7) Analysis conducted at individual/firm level
8) Use surrogate variable to measure effectiveness Advertising awareness Intention to buy	8) Measurable, and therefore highly controllable

Source: (Roberts and Berger 1989)

The aim is to provide the right product (OFFER) to the right person (LIST) at the right time (TIMING) in a manner which transforms attention into interest, desire, conviction and action (CREATIVE). Several authors have commented on the relative importance of these elements and there is general agreement that the list lies at the heart of direct marketing by virtue of its role in defining the target customer. As Bird (1989) suggests the most 'wonderful' mailing is unlikely to succeed if it goes to the wrong target, whereas the 'worst' mailing may succeed if it hits the right list. Timing and offer are similar in importance and rank second to the list but above creative (Bird 1989; Roberts and Berger 1989; Woodcock 1992).

There are a range of media which are commonly used as the basis for direct marketing programs. While the various media can be used independently, Roman (1988) strongly advocates integrated direct marketing. The logic of using multiple media is that different consumers respond in different ways to a given stimulus. By testing combinations of media the most productive and profitable blend can be established. Effectiveness is not, therefore, a function of the number of media used but of the coordination of those which are necessary.

DIRECT MARKETING IN THE FINANCIAL SERVICES INDUSTRY

The financial services sector has experienced significant demand and supply side changes over the last decade culminating in the removal of traditional lines of demarcation between institutions and greater competition across a wider product range. These developments are well documented in a growing body of literature (Lewis 1984; Thwaites 1989; Edgett and Thwaites 1990; Ennew *et al.* 1990; Thwaites 1991; McGoldrick and Greenland 1992). Specific attention has focused on the increasing role of marketing, both at a conceptual and process level (Easingwood and Arnott 1991; Thwaites and Lynch 1992), innovation (Moutinho and Meidan 1989; Thwaites 1992) and strategies for coping with a more hostile environment (Ennew *et al.* 1990; Thwaites and Glaister 1992).

In an attempt to remain competitive, new sources of distribution have been introduced (Howcroft 1992) and greater attention has been given to the quality of customer service (Lewis 1991). The growing use and value of information technology has also been recorded (Ennew *et al.* 1989; Scarborough and Lannon 1989; Stone and Clarkson 1989). Against this background direct marketing offers several applications which are particularly valuable to financial services suppliers (Martin 1991):

- lead generation for sales force;
- generation of retail traffic;
- keeping customers sold on product/service;
- cross-selling to existing customers;
- up-selling current and new products to existing customers;
- direct selling of new products.

Rapid technological developments in the financial services sector have provided time and place utility and reduced the need for customers to go into their branch to undertake transactions. Consequently sales opportunities have diminished. It is here that direct marketing can provide the communication medium through which meaningful long-term customer relationships can be developed. Direct marketing also offers scope for the removal of specific activities from the branch network to a central location and provides an effective market entry mechanism for non-traditional financial institutions. As financial services institutions seek to generate more profit per customer, while providing bespoke rather than standardized services, direct marketing may prove to be the most cost-effective way of developing and sustaining the relationship.

Previous research

Little attention has focused on direct marketing activities in the financial services sector during the past decade. The techniques were very much in their infancy and would be enhanced through the development of more coherent strategies, and the acquisition of more information about customers and non-customers to improve targeting. Testing also required significantly greater attention. No doubt one of the contributory factors to poor targeting was the traditional approach to database development which focused on account numbers.

Consequently it was difficult to establish a precise customer relationship. Eighty-eight per cent of the institutions surveyed had experience of direct marketing although 75% of these were making limited use of its full potential. Direct mail was the most popular media, followed by direct response coupons and inserts. The retail banks were the most sophisticated users of direct marketing although even this group had scope for much greater exploitation of the medium.

A more favorable picture emerged in 2004. Our study revealed that 89% of banks and 97% of building societies were using direct marketing compared to only 67% of insurance/life companies. This comparative shortfall appeared to stem from companies that were committed to operating through intermediaries and did not wish to

damage this relationship. Direct marketing activities seemed better planned, but many institutions still faced problems, especially with costs, lead time and lists. More insurance/life companies had adopted directed marketing (78%). Of particular interest was the fact that almost 60% of institutions had now established an in-house direct marketing department compared to less than 30% in 2000. Problems encountered varied across institutions but there was clear evidence of creative constraints. Nevertheless, the survey suggested high levels of growth across all sectors over the coming 4 years.

OBJECTIVES AND METHODOLOGY

Both anecdotal and empirical evidence suggests that direct marketing in the financial services sector escalated following: legislative changes in 2000 when deregulation led to increasing competition. It is reasonable to postulate that the more hostile environment of the 2007s will facilitate its continued growth. However, it is recognized that the levels of usage may differ in terms of an institution's prime business activity, size, or experience of direct marketing. It is also suggested that more firms will come to realize the strategic potential of direct marketing as opposed to viewing it as merely a tactical marketing tool.

More sophistication could be expected in relation to direct marketing campaigns with specific reference to the type of media used, segmentation and targeting techniques, evaluation methods and the organization of programs.

Following a comprehensive review of the literature, a questionnaire was prepared, tested and subsequently mailed to the Chief Marketing Executive at 160 financial services institutions in early 2007. The sample comprised 15 banks in Albania listed in the Directory of 2006. All building societies listed in the Building Societies Association Directory of Members, 2006 and still operating in 2007 were contacted (n = 94). The sample of 51 insurance companies was drawn by quota according to class of business (long-term or general). Our survey indicates that approximately 25% of all insurance companies are in long term business, 64% in general business and the rest, composite. The sample is, therefore, a representative cross section of the major players in the insurance sector, based on the 2006 listing of the Association Albania Insurers.

In certain cases similar questions have been included to facilitate more accurate assessment of trends and developments and provide consistency of measurement. The questionnaire contains a range of dichotomous, multiple choice and open questions and bipolar scales are employed to set simple quantitative measures to qualitative characteristics specifically to achieve aggregation and other quantitative manipulation. A range of statistical tests available in SPSS are used to analyze the data viz., chi-square, Kilmogorov-Smirnov, Mann-Whitney *U*, Kruskal-Wallis and the Spearman Rank Correlation Coefficient.

RESULTS

Inspection of the responses to the postal survey indicates that 75% of financial services institutions are involved in direct marketing activities (Exhibit 2). Sixty-five per cent of these firms have only introduced direct marketing since 2000, which confirms the view that the techniques came of age following deregulation and increased competition in the mid 1998s.

Among those institutions not using direct marketing at the time of the study 29% suggest it will be introduced in the near future. The major reasons given for not using direct marketing are *not considered to be cost effective* (44%), *lack of requirement* (28%) and *no perceived benefit* (24%). This implies some degree of ignorance as to the workings and applications of direct marketing. No differences are revealed between the institutional groups on questions relating to whether direct marketing is used or when it was first introduced.

EXHIBIT 2. DIRECT MARKETING ACTIVITY

	Responses	Percentage response rate	Number using direct marketing	Percentage using direct marketing
Banks	13	86.7	11	84.6
Building societies	53	56.4	38	71.7
Insurance companies	39	76.5	30	76.9
Total	105	65.6	79	75.2

Budget allocation

The research suggests the distribution of direct marketing spend differs between financial institutions ($P < 0.01$). Seventy-three per cent of banks spend more compared to 43% of insurance companies and 16% of building societies. This does not automatically indicate a reduced commitment to direct marketing by either building societies or insurance companies but is to some extent a function of size. Indeed a positive association between asset size and budget spend was identified ($r = 0.71, P < 0.01$). The supposition that institutions will begin to increase direct marketing budgets in line with greater experience and familiarity with the techniques is only weakly supported in that there is a low positive association between experience and spend ($r = 0.37, P < 0.01$)

Integration of direct marketing activities

Despite the strong support in the literature for the effective integration of direct marketing with other marketing and communication activities this study confirms earlier observations (Firth and Lindsay 1989) that financial services institutions still have some way to go in securing adequate levels of integration (Exhibit 3). This may suggest that in some institutions direct marketing is considered as an independent tactical weapon to be utilized in response to particular situations, for example changes in interest rates, tax or pension laws.

A similar picture emerges in relation to the integration of different direct marketing media. Only 65% of institutions seek synergy from integration. The banks are, however, much more effective in this regard with all but one of their number seeking integration. The extent to which institutions integrate aspects of their direct marketing appears to increase in line with the size of their budget ($P < 0.05$) which is itself related to the size of the organization, and the length of experience with the medium ($P < 0.01$).

EXHIBIT 3. INTEGRATION OF DIRECT MARKETING ACTIVITIES

Direct marketing integrated with	Banks ($n = 10$)	Building societies ($n = 36$)	Insurance companies ($n = 27$)
Above the line advertising	5.2	4.4	3.2
Sales promotion at point of sale	5.2	4.5	3.2
Public relations	2.7	4.1	2.5

Figures represent a mean score based on a seven-point scale.

1 = never integrated, 7 = fully integrated.

$P < 0.05$ in all cases.

Direct marketing methods

Exhibit 4 identifies the different direct marketing methods used and highlights changes since the 2000. The data clearly illustrate increased usage across the full range of methods.

Direct mail is extensively used and retains its position as the most popular method of direct marketing. The increasing use of leaflet inserts has continued and indeed escalated. This is largely due to tighter advertising regulations whereby more detailed information must be given in relation to financial products. The most dramatic growth is in telemarketing, which offers a range of benefits in terms of building and maintaining data bases, developing and updating lists, market measurement and testing, generating retail traffic, direct selling and customer care programs. It provides a facility whereby elements of the direct marketing campaign can be integrated and indeed 81 % of those institutions that claim they integrate aspects of their direct marketing cite telemarketing as the major facilitating mechanism. The three institutional groups are relatively similar in their preference for particular methods of direct marketing. Only in the area of off-the-page advertising is real difference apparent. While 91 % of banks and 89% of building societies adopt this approach only 52% of insurance companies find it of value ($P < 0.0001$). The complexity of many insurance and pension products may have encouraged a move to leaflet inserts. Off-the-page is now used mainly to generate leads, quality prospects, encourage requests for more information and to sell products which do not require long and complex explanations.

EXHIBIT 4. USE OF DIRECT MARKETING METHODS

Method	Percentage of institutions using the approach		
	2000 (n = 70)	2007 (n = 77)	% increase
1. Direct mail	97	97	0
2. Leaflet inserts	67	85	27
3. In-house piggybanks	60	78	30
4. Off-the-page press advertising	63	76	21
5. Two-stage press advertising	59	73	24
6. Door-to-door leaflets	41	52	27
7. Third-party piggybacks	33	47	42
8. TV direct response	23	35	52
9. Telephone marketing	21	57	171
10. Radio direct response	20	26	30

Segmentation and targeting

Our study concluded that 59% of respondents admit that their files are still account-based rather than customer-based. This inevitably presents difficulties in the development of meaningful customer relationships.

The geodemographic systems are the most popular with 33% and 23% of institutions adopting them. It is interesting to note the apparent demise of socioeconomic groupings in favor of more sophisticated techniques. We identified socio-economic as the second most popular approach with 43% of institutions using the technique. This study ranks it only fourth at 19%.

Testing of direct marketing materials

As Bird (1989) emphasizes 'testing is the kernel of direct marketing'. Unfortunately many financial services institutions are slow in heeding the message with only 50% of respondents claiming to carry out this activity. No differences are evident between the three groups in the extent to which they test. Interestingly the institutions that claim better response rates are those that employ pretesting of direct marketing materials ($P < 0.001$). Personalization of materials does not produce evidence of improved responses.

Role of direct marketing

Respondents were asked to rank six roles of direct marketing commonly quoted in the literature (Exhibit 5). Direct marketing's most valuable contribution is in relation to cross selling, although trading-up and generating leads for the sales force also score highly. Looking at the different institutions, the banks place greater emphasis on direct marketing for cross-selling and encouraging existing customers to trade-up.

EXHIBIT 5. MOST VALUABLE ROLE OF DIRECT MARKETING

Role	Rank order of importance					
	1st	2nd	3rd	4th	5th	6th
Lead generation for sales force	21*	8	8	11	21	9
	(28)	(11)	(11)	(15)	(28)	(8)
Generation of retail traffic	6	7	4	11	15	35
	(8)	(10)	(6)	(15)	(21)	(41)
Keeping the customer sold on service	11	12	15	26	8	3
	(15)	(16)	(20)	(35)	(11)	(4)
Cross-selling	34	24	8	6	4	2
	(44)	(31)	(10)	(8)	(5)	(3)
Trading-up	19	15	26	9	7	2
	(24)	(19)	(33)	(12)	(10)	(3)
Selling to new prospects	10	10	7	15	19	17
	(13)	(13)	(9)	(19)	(24)	(22)

**To be read 21 institutions reported 'Lead generation for sales force' as the most valuable role of direct marketing. This represents 28% of the sample (round).*

Some institutions ranked certain roles equally and consequently column totals do not equal 100%.

They are less convinced of its ability to keep customers sold on services, selling to new prospects and lead generation. The building societies also emphasize cross-selling and trading-up, but less strongly than the banks. They are by far the most emphatic in the assertion that direct marketing helps keep customers sold on services. The insurance companies are broadly similar to building societies with the exception that they are more supportive of direct marketing as a means of generating leads for the sales force and selling to new prospects.

Specific competencies of direct marketing

The benefits of direct marketing methods compared to other elements of the communication mix are assessed through an open question. Not surprisingly a broad range of views are expressed, although several features are cited by institutions on a regular basis; accountability and measurability (49%) and precise targeting (43%) are the most common responses. Control and flexibility (24%) and one-to-one communication (23%) also receive support, but regrettably testing benefits are only mentioned by 10% of respondents. The distinctions between institutions are in the areas of control and flexibility where the banks are more supportive of this benefit ($P < 0.05$). They also place greater credence on testability ($P < 0.001$).

Problem areas

With our study we identified a number of areas which were a source of concern to direct marketers. Of particular relevance to banks was the ability to obtain accurate and up-to-date (clean) lists, although it was suggested that this problem may reduce in line with database improvements and investments in information technology. Lead time and creative were also highlighted although divergent trends were evident. Lead time was becoming more problematic while creative was becoming less so. Building societies expressed concern about analysis problems, primarily resulting from resource constraints, while insurance companies cited cost, despite assumed savings of commission through direct sales.

The current study reflects some changes with 69% of institutions reporting cost as a problem. Insurance companies are still more emphatic with 81% highlighting this feature. Lists are the second area of concern (46%) and as in 2000, banks express greater dissatisfaction than the other institutions (64%). Building societies and banks still experience problems with analysis (47% and 55%, respectively) although the insurance companies find this of much less concern (22%). Creative problems, identified as a major worry in 2004, are now less apparent. This, in part, suggests financial services institutions have accommodated the creative constraints and implications.

CONCLUSIONS

The rapid growth of direct marketing in the latter half of the 1990s appears to have slowed somewhat during the 1998s. Nevertheless the financial services market remains highly competitive and the positive contribution made by direct marketing in relation to the acquisition and retention of customers is set to continue. However, this research highlights a variety of approaches, some of which are clearly sub-optimal. It is vital that there is fuller integration of direct marketing with other elements of promotion and distribution. Perhaps the growth of in-house direct marketing departments will contribute to an appreciation of the strategic value of the medium in developing and sustaining customer dialogue.

While there is some evidence of a systematic approach to the use of direct marketing the research suggests that in certain cases, not only is there a lack of comprehension of the strategic benefits, but also a lack of clarity about the workings of direct marketing. For example, greater consideration should be given to compiling effective databases and integrating information sources with a view to more sophisticated targeting. In addition, significantly more attention should be placed on testing, as this identifies which proposition and delivery mechanisms are appropriate, and on aspects of timing. The combined effect of these measures will be to improve cost effectiveness and reduce charges of 'junk mail'.

The evidence of greater use of several media within direct marketing programs is a positive development as different campaigns demand different approaches based on particular objectives, products, target markets, etc. Experience with a range of techniques will lead to more effective integration and bring benefits through synergy, reinforcement and improved response rates.

Direct marketing has much to offer financial services institutions through leveraging their investments in more traditional elements of the communication mix and providing a distributive function. The evidence of this research is that for a number of institutions a greater appreciation of the role and applications of direct marketing will be necessary if the real benefits of this adaptive and valuable medium are to be gained.

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EXHIBITS

EXHIBIT 1. KEY DISTINCTIONS BETWEEN GENERAL AND DIRECT MARKETING

General Marketing	Direct Marketing
1) Reaches a mass audience through mass media	1) Communicates directly with the customer or prospect
2) Communications are impersonal	2) Can personalize communications By name/title Variable messages
3) Promotional programs are highly visible	3) Promotional programs (especially tests) relatively 'invisible'
4) Amount of promotion controlled by size of budget	4) Size of budget can be determined by success of promotion
5) Desired action either Unclear Delayed	5) Specific action always required Inquiry Purchase
6) Incomplete/sample data for decision-making programs Sales call reports Marketing research	6) Comprehensive database drives marketing purposes
7) Analysis conducted at the segment level	7) Analysis conducted at individual/firm level
8) Use surrogate variable to measure effectiveness Advertising awareness Intention to buy	8) Measurable, and therefore highly controllable

Source: (Roberts and Berger 1989)

EXHIBIT 2. DIRECT MARKETING ACTIVITY

	Responses	Percentage response rate	Number using direct marketing	Percentage using direct marketing
Banks	13	86.7	11	84.6
Building societies	53	56.4	38	71.7
Insurance companies	39	76.5	30	76.9
Total	105	65.6	79	75.2

EXHIBIT 3. INTEGRATION OF DIRECT MARKETING ACTIVITIES

Direct marketing integrated with	Banks (n = 10)	Building societies (n = 36)	Insurance companies (n = 27)
Above the line advertising	5.2	4.4	3.2
Sales promotion at point of sale	5.2	4.5	3.2
Public relations	2.7	4.1	2.5

Figures represent a mean score based on a seven-point scale.

1 = never integrated, 7 = fully integrated.

$P < 0.05$ in all cases.

EXHIBIT 4. USE OF DIRECT MARKETING METHODS

Method	Percentage of institutions using the approach		
	2000 (n = 70)	2007 (n = 77)	% increase
1. Direct mail	97	97	0
2. Leaflet inserts	67	85	27
3. In-house piggybanks	60	78	30
4. Off-the-page press advertising	63	76	21
5. Two-stage press advertising	59	73	24
6. Door-to-door leaflets	41	52	27
7. Third-party piggybacks	33	47	42
8. TV direct response	23	35	52
9. Telephone marketing	21	57	171
10. Radio direct response	20	26	30

EXHIBIT 5. MOST VALUABLE ROLE OF DIRECT MARKETING

Role	Rank order of importance					
	1st	2nd	3rd	4th	5th	6th
Lead generation for sales force	21*	8	8	11	21	9
	(28)	(11)	(11)	(15)	(28)	(8)
Generation of retail traffic	6	7	4	11	15	35
	(8)	(10)	(6)	(15)	(21)	(41)
Keeping the customer sold on service	11	12	15	26	8	3
	(15)	(16)	(20)	(35)	(11)	(4)
Cross-selling	34	24	8	6	4	2
	(44)	(31)	(10)	(8)	(5)	(3)
Trading-up	19	15	26	9	7	2
	(24)	(19)	(33)	(12)	(10)	(3)
Selling to new prospects	10	10	7	15	19	17
	(13)	(13)	(9)	(19)	(24)	(22)

*To be read 21 institutions reported 'Lead generation for sales force' as the most valuable role of direct marketing. This represents 28% of the sample (round).

Some institutions ranked certain roles equally and consequently column totals do not equal 100%.

MERGERS AND MARKET FORECLOSURE: USING DATA ON MERGERS AND STOCK MARKET PRICES TO DETECT FORECLOSURE

Neslihan Aydogan, Irge Sener
Cankaya University, Turkey

ABSTRACT

It is a real dilemma to figure out why firms merge or engage in acquisitions if all they end up is low stock values and losses. In this particular piece we make the claim that this indeed is the case for high-mergers and less so for low-tech ones and those that happen in special sectors such as the energy sector. This happens in high-tech industries, we argue, because of what we call the winner's curse. Hence, losses are made due to the inability in calculating the value of company assets and companies end up by overpaying for those assets. In this preliminary study we display the above assertions and we further make the claim that for those high-tech mergers and acquisitions if there exist contracts previous to the merger or an acquisition not only the winner's curse would be prevented but at the same time the merged company would have the ability to foreclose others to its inputs with the pure ability to own sensitive information. To this end we analyze the monthly stock prices for twenty eight merged companies in the above mentioned industry categories five years prior to the merger and five years following it. We also repeat this analysis for twenty two acquisitions. We end up observing that indeed winner's curse is very prevalent for the high-tech sector as opposed to the other two industry groups. If this is the case, we argue, engaging in pre-merger contracts are likely to not help prevent winner's curse but also it gives the opportunity to the transacting firms to increase input prices to the others in the market.

1.0. INTRODUCTION

Companies merge or acquire others for a variety of reasons such as accessing different assets, entering into different markets, reducing uncertainty or learning new technologies. These reasons certainly make sense and make a company's worth its while to deal with the merging process. Obviously two merging companies or an acquisition require two very different management styles and organization cultures to mesh together which has its obvious challenges (see for example "Corporate Culture can make (or break) a Merger", 2001). Another issue which has been often discussed is the losses incurred when a merger or an acquisition activity takes place. It is somewhat closely understood that this is likely to be due to the winner's curse (see for example Varaiya, 1988). As it is stated in Varaiya, winner's curse is a situation where in any bidding situation a party which unknowingly overestimates the value of a given object tends to bid higher than its competitors and is therefore more likely to win it. Such occurrence can be investigated by observing the stock market prices of the merged companies.

What is likely to be observed in the presence of winner's curse is a drop in the stock market prices with the announcement or inception day of the merger activity. In this essay that is exactly what we look at but we also claim that for high-tech mergers or acquisitions this issue is more prevalent as it is easier to estimate the asset values of companies which are not in the high-tech business. Hence, what we expect to observe is a prolonged value loss in the merged company for the high-tech sector and an easy take off for other sectors. We finally claim that given these successful companies which both incur profits and compete successfully in the market would be those who would have access to the information on the asset values of high-tech companies. As this is discussed in the literature this is best possible by engaging in pre-merger alliances with the future merger partner. This further can easily lead to foreclosure as the input value is exactly what is acquired in this process which would then lead to higher prices.

In the next section we first mention the relationship between high-tech mergers and foreclosure and we display and discuss the stock price changes of a variety of different companies from high and low technology sectors and the energy sector after the announcement of the merger if it is known and the inception date otherwise. The data covers five years before and five years after the merger or an acquisition.

2.0 High-Tech Mergers and Foreclosure

High-tech firms very frequently choose to merge with or acquire another firm. One basic reason behind such strategy is the short product cycles, the need to access complementary inputs and hence expected synergistic gains in ex-post operations.

Other reasons that might induce these firms to engage in merger activities can be listed as tax savings, transfers from employees and other stake holders or increased monopoly rents. As it is indicated in Higgins and Rodriguez (2003), it is rather difficult to disentangle the underlying strategic reasons behind each merger as companies often engage in mergers for a variety of reasons and on occasion each merger is part of a larger acquisition scheme. In this study, we solely focus on both types of mergers based on their popularity in high-tech industries and our desire to shed light on foreclosure related issues. Such choice is attractive not only in terms of its empirical relevance to high-tech industries but also it helps to narrow down the possible strategic reasons behind each merger. Foreclosure is a rather controversial issue in the anti-trust literature. In the 1950's and 60s foreclosure i.e. a company's strategy to curb competition by denying competing firms' access to a supplier or a buyer was accepted in the U.S. court cases until it was challenged by the Chicago school which is lead by Bork (1978) and Posner (1976). Specifically, these authors argue that vertical mergers are benign and can not possibly have the suggested effect. However recently, insights from new industrial organization theory shed new light on foreclosure issues. As it is explained by Timothy Daniel (2002), it is acknowledged that in fact vertical mergers can affect incentives in ways that might harm competition. Specifically Daniel explains there might be two means which a vertically merged entity could try to foreclose its rivals. First, he suggests it could deny access or raise the price of its upstream input to its downstream rivals. This requires for the downstream firms not to be able to access comparable inputs. In addition, Daniel suggests the merged firm could try to foreclose its upstream rivals by denying them access to or raising the price they must pay for the services offered by the merged firm's downstream operations. This requires for the upstream rivals not be able to obtain comparable downstream substitutes.

Another challenge to analyzing the competitive effects of vertical mergers is that in some industries as it is in high-tech ones any static welfare analysis could prove redundant as entry is frequent and competition is done via product differentiation not price. Hence, in the presence of dynamic competition some authors suggest arguments on foreclosure can not possibly hold. This is because it is suggested these industries are characterized with short product cycles and hence new and better input providers are likely to enter into the market and end such tyranny much quicker even if foreclosure might have been the intended strategy. We argue that if such strategy gets executed successfully despite the below described difficulties, it is also likely to be sustained to the disadvantage of the rival firms. The empirical literature on mergers and acquisitions is flooded with post-performance issues particularly of the acquirer firm as these firms are observed to lose rather than earn money which is evidenced by the stock market reactions, total factor and asset productivity analysis. This is a rather troubling observation given that one would expect corporate strategy to be tailored around future gains rather than losses. It is not clear though whether such outcome is a result of the managers inability in predicting the future due to hubris or the inability of corporate owners to strategize for avoiding such occurrence.

In this study, we focus on one frequently discussed reason for the observed losses i.e. winner's curse which is observed especially in high-tech industries and causes major losses for the acquirer. Winner's Curse is especially an issue for high-tech firms as most firms in these industries invest their value in intangible assets and hence measurement issues get exacerbated. In this study following Higgins and Rodriguez we argue that curbing on the winner's curse is part of the strategic decision space for high-tech firms and need to be accounted for when evaluating the subsequent performance issues.

The literature that tie uncertainty on asset values to vertical integration and foreclosure possibilities (see for example Bolton and Whinston, 1993) although providing very valuable insights seem to make a simplification on the post-merger losses that are likely to be encountered by the acquirers. In particular the informational problems that motivate agents to vertically integrate are not restricted to the actual transaction but at the same time the very process of such ownership change involves informational problems. Hence, the possibility of pre-merger contracts being part of a larger strategy scheme to deal with such informational problems is assumed away. This is particularly troubling as information providing effects of such contractual arrangements, providing insights on the value of the assets, are also likely to affect the post-merger behavior of the integrated firm in terms of its strategy to foreclose.

Specifically, in this study we aim to find out how the strategy to foreclose one's rivals coincide with a firm's ability to avoid the winner's curse. In other words, we argue that an upstream firm which has access to information on an input supplier would also have the ability to become dominant in the upstream market by merging.

3.0 Data

If we observe the below charts that display the prior and subsequent 5 months to a merger or an acquisition we see clear patterns. When one considers the energy sector it appears that merged companies eventually pick up as for the high-tech mergers there is a clear pattern of an eventual decline in the stock prices which proves that they get hit worse as the asset valuation is the hardest in this case.

Again same observations hold for the acquisition results. This preliminary work deserves further probing into the relationship between acquisitions or mergers and foreclosure.

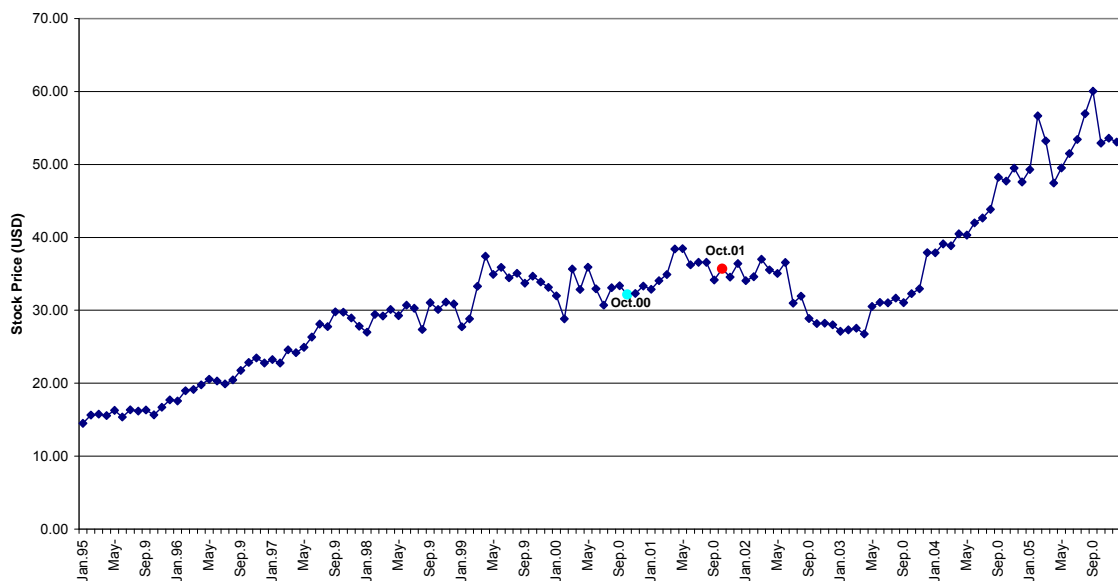
4.0 Conclusion

This study has to be further extended in order to grasp the relationship between merge and acquisition activities and foreclosure in high-tech markets. However, data shows a remarkable consistency in terms of the relationship between high-tech merger activities and an eventual and persistent decline in stock market prices. Such persistency obviously is not observed for the low-tech and energy sectors. As for the latter we would expect winner's curse to be a prominent factor as it might be difficult to assess energy values as well. However such evaluation has become much easier during the last years and hence we do not observe a persistent decline in stock prices.

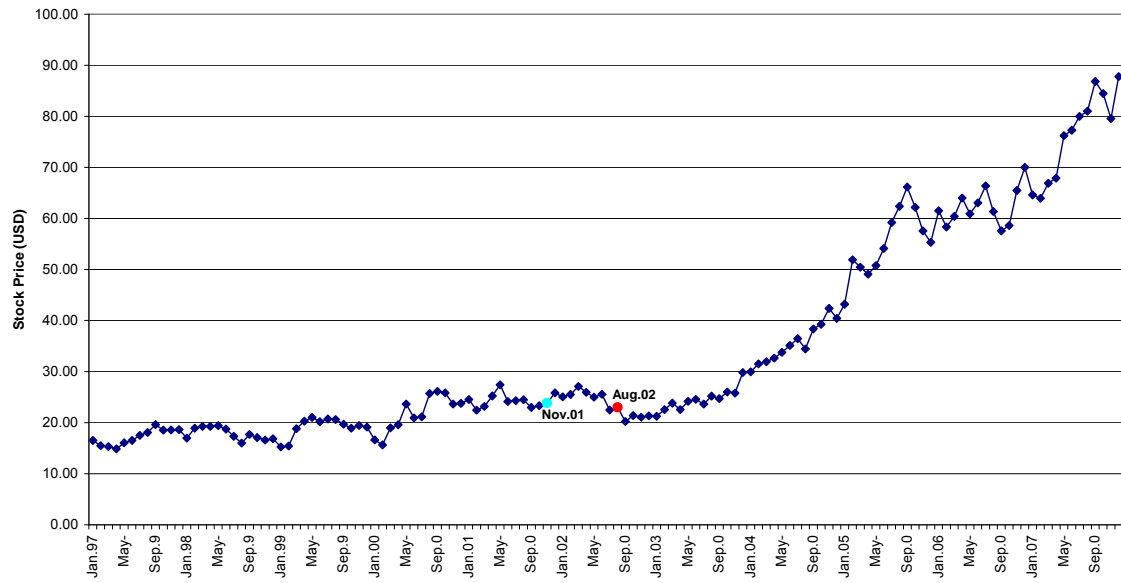
The obvious path to take at this juncture is to evidence the relationship between stock market prices and market foreclosure and hence input prices in high-tech sectors. The task surely is not formidable and would prove immense help in furthering the theory on foreclosure and helping companies in sound strategy making.

APPENDIX Mergers in the Energy Sector

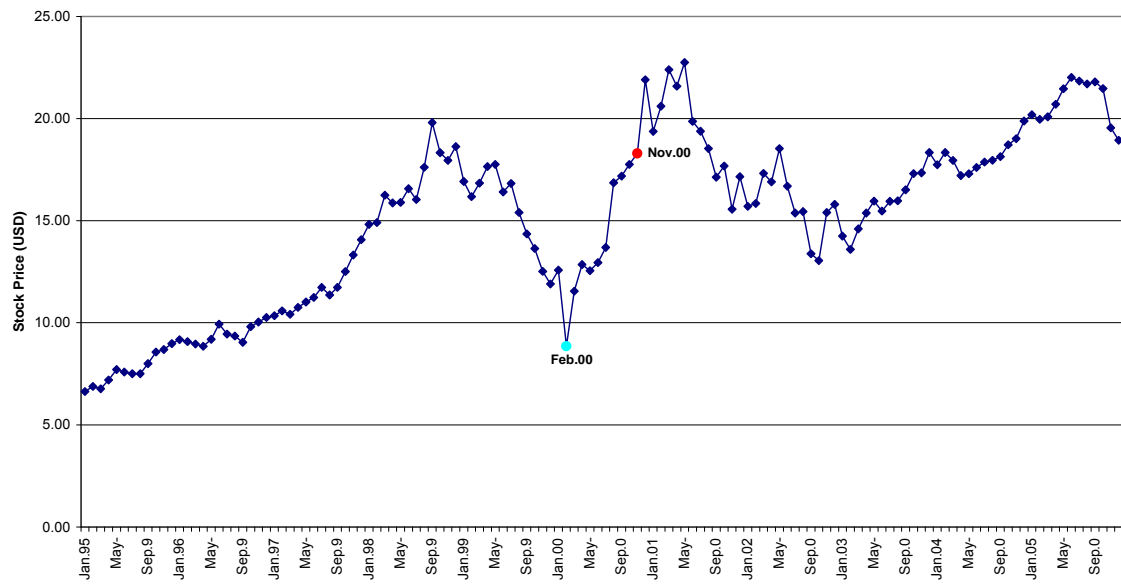
CHEVRON-TEXACO
(Energy)



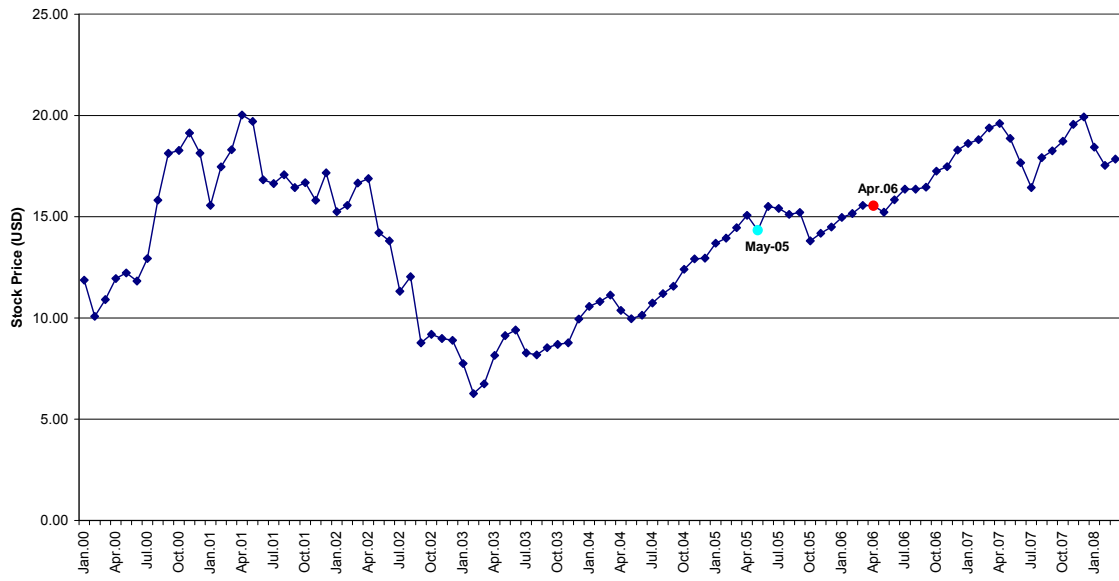
**CONOCOPHILLIPS
(Energy)**



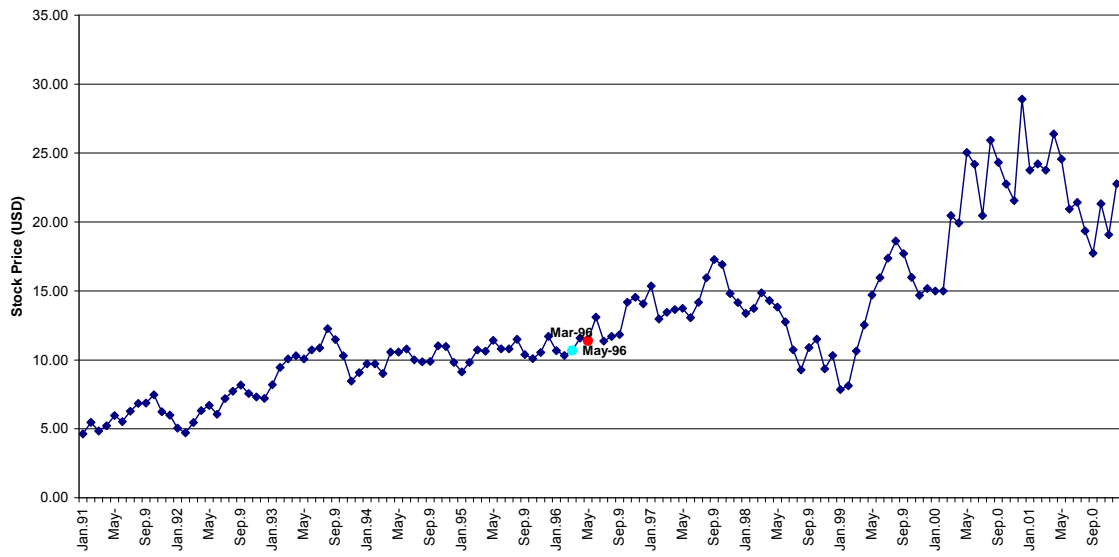
**NiSOURCE
(Energy)**



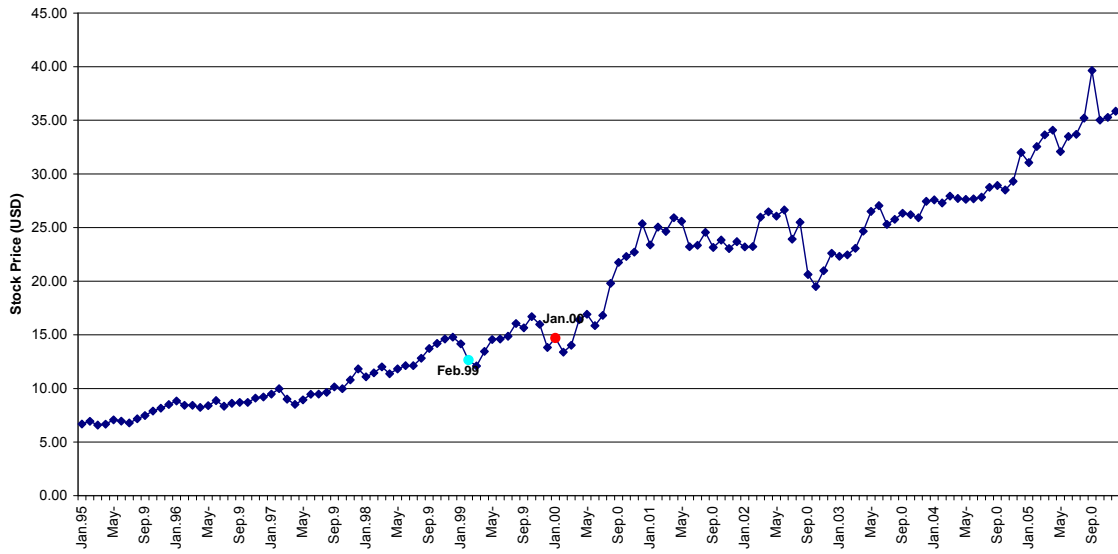
**DUKE ENERGY
(Energy)**



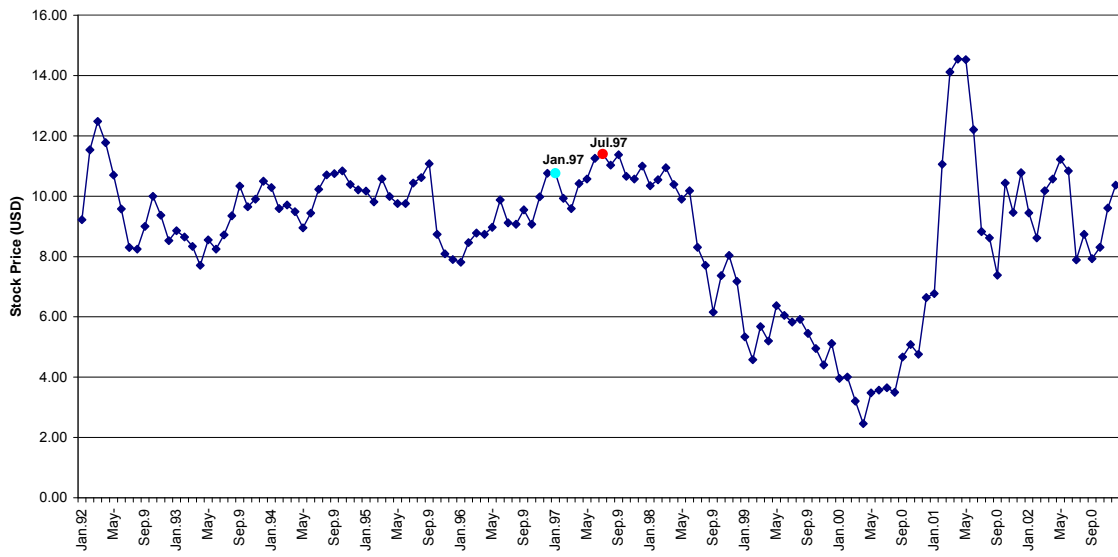
**APACHE GROUP
(Energy)**



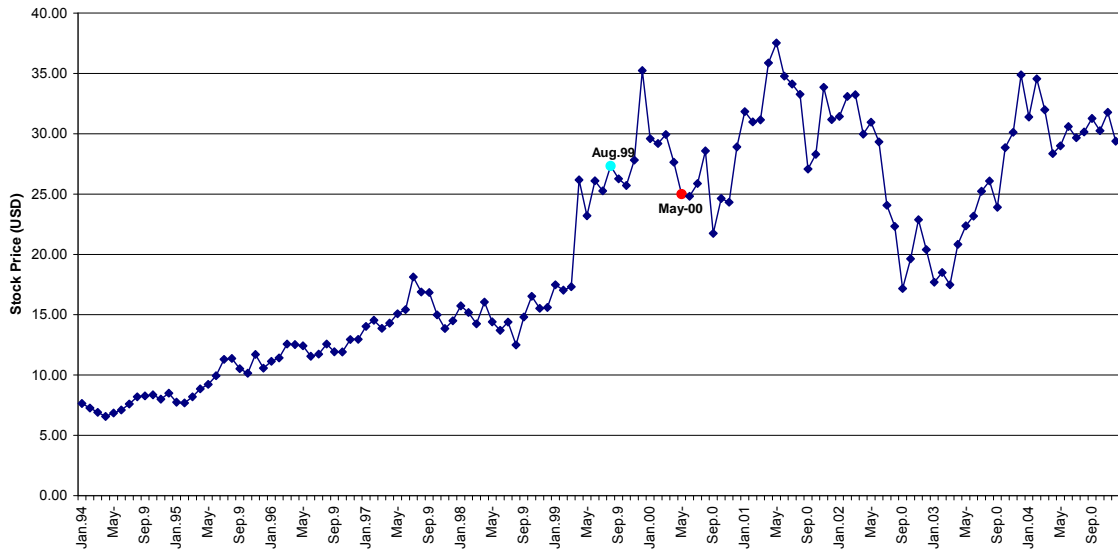
**DOMINION RESOURCES
(Energy)**



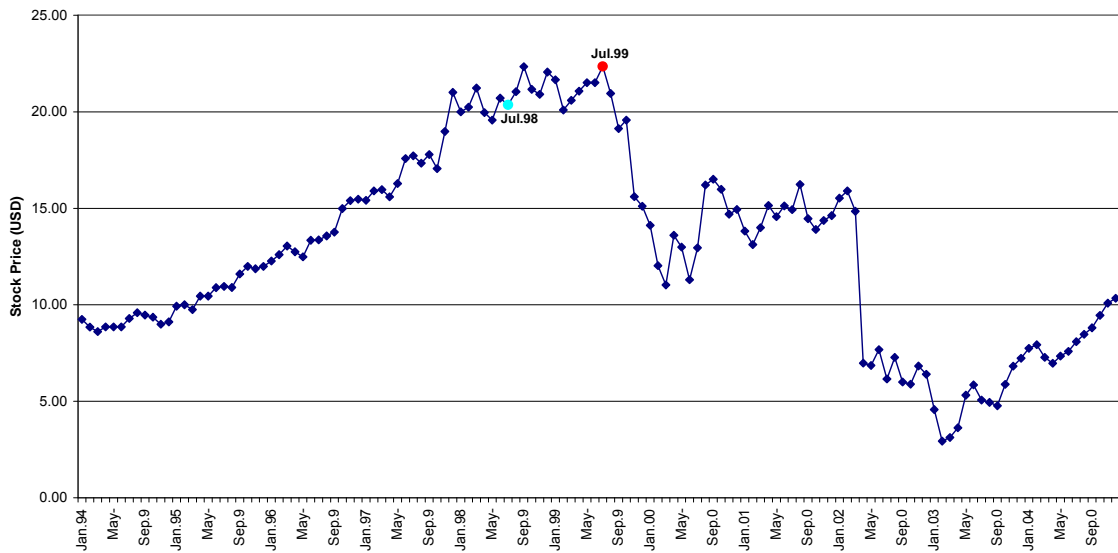
**ARCH COAL
(Coal Production)**



**ALCOA
(Aluminum Production)**

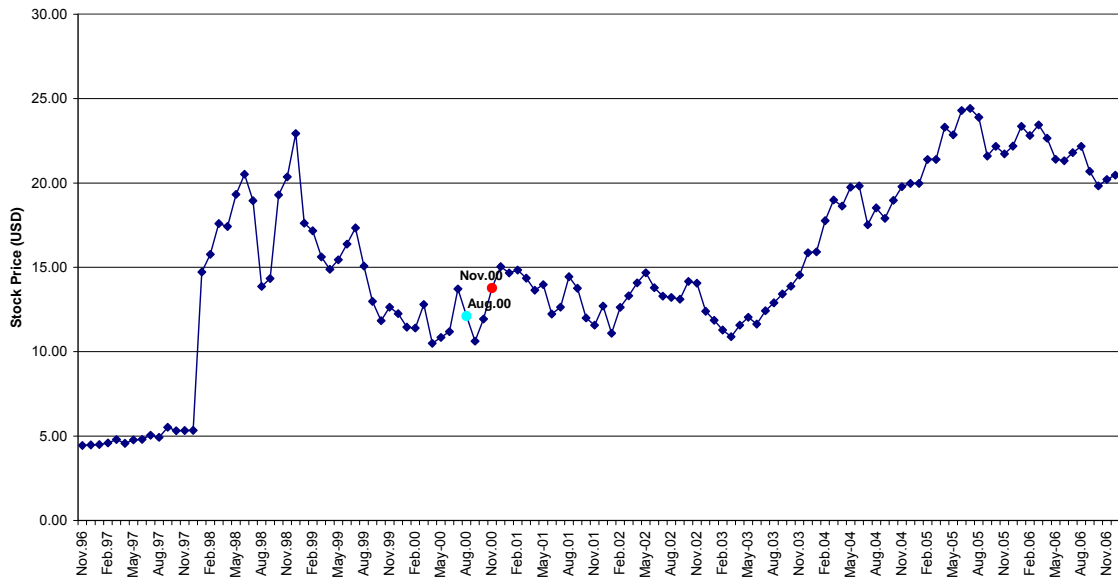


**SIERRA PACIFIC RESOURCES
(Utilities - Electric & Natural Gas)**

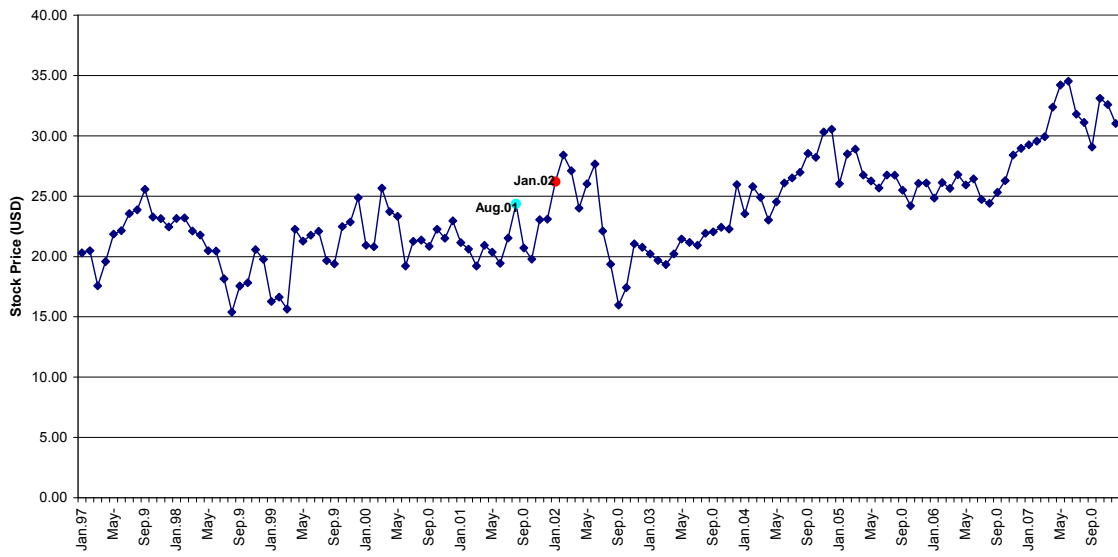


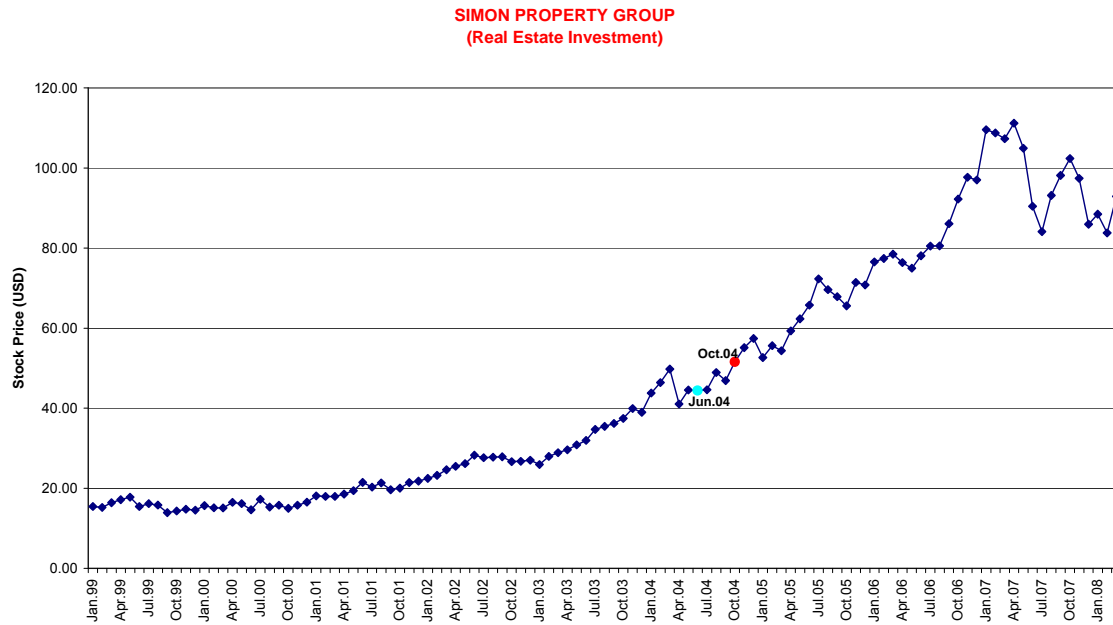
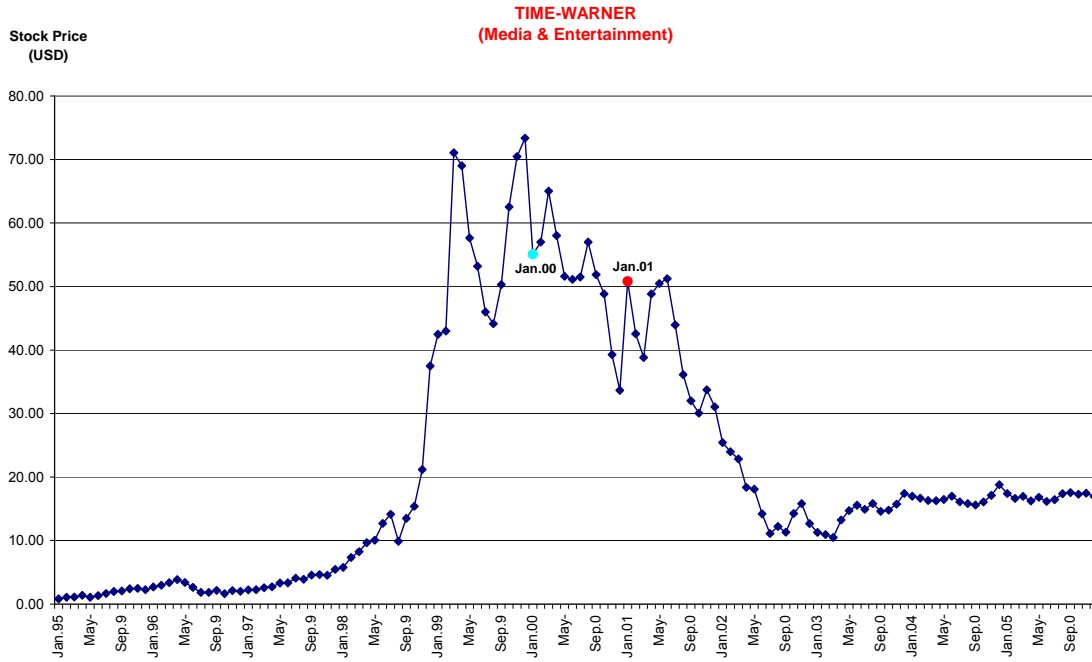
Mergers in the Low-technology sector

**PEPSI-AMERICAS
(Beverages)**

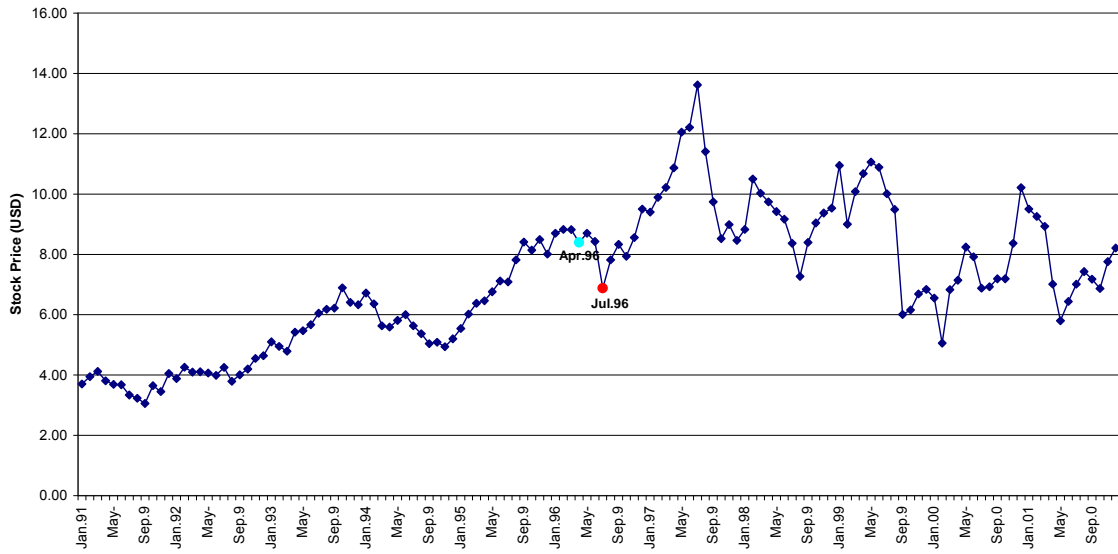


**MEADWESTVACO
(Packaging)**

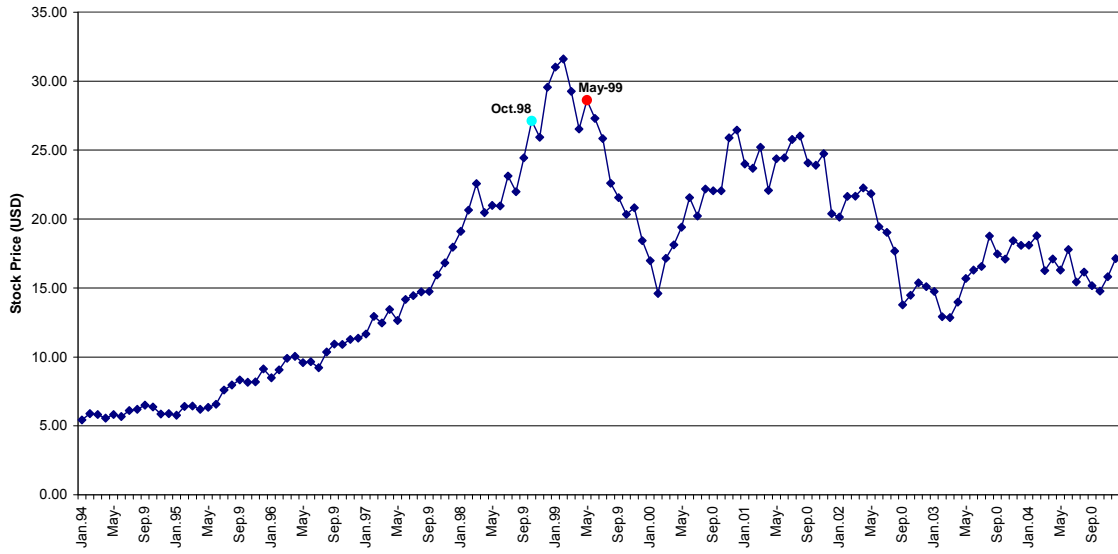




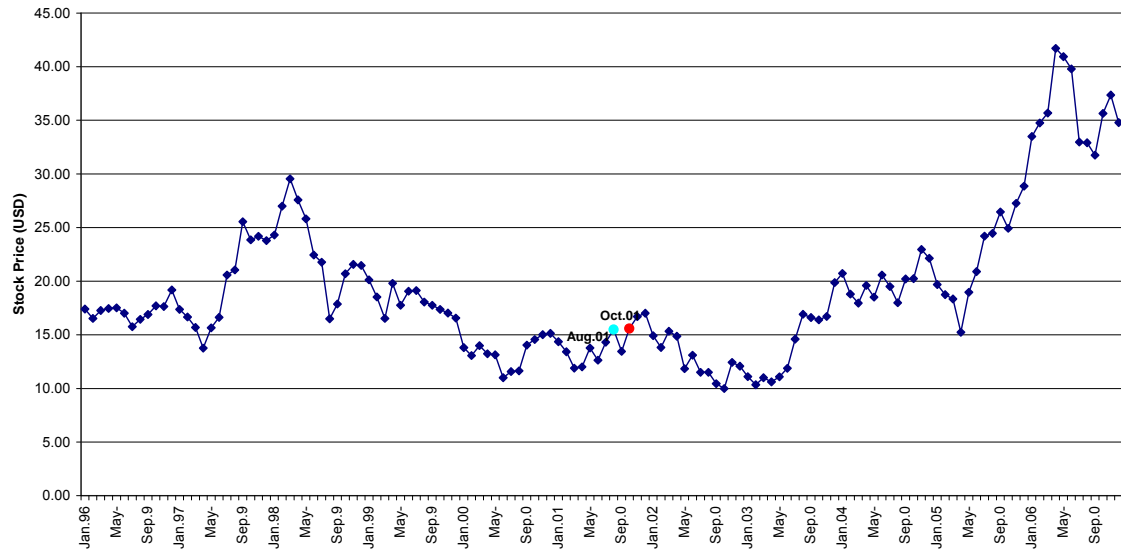
AETNA
(Health Care Benefits)



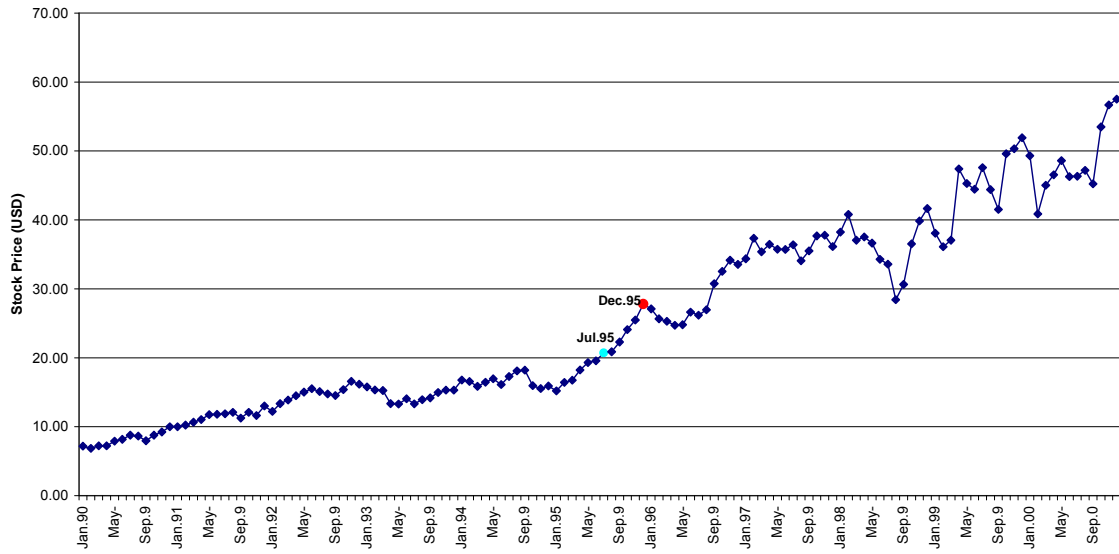
KROGER
(Food)



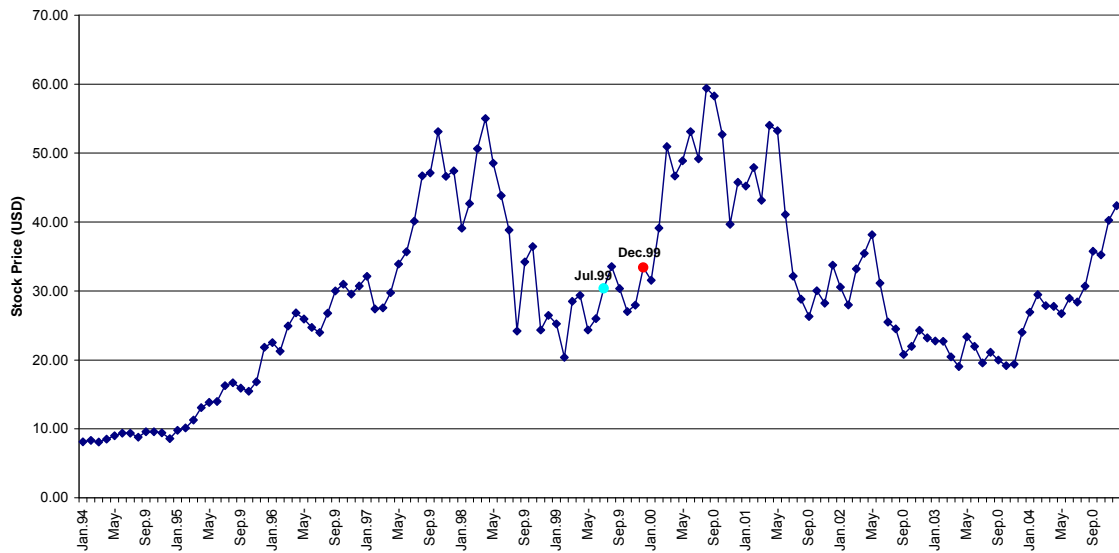
**TRINITY INDUSTRIES
(Railcar Manufacturing)**



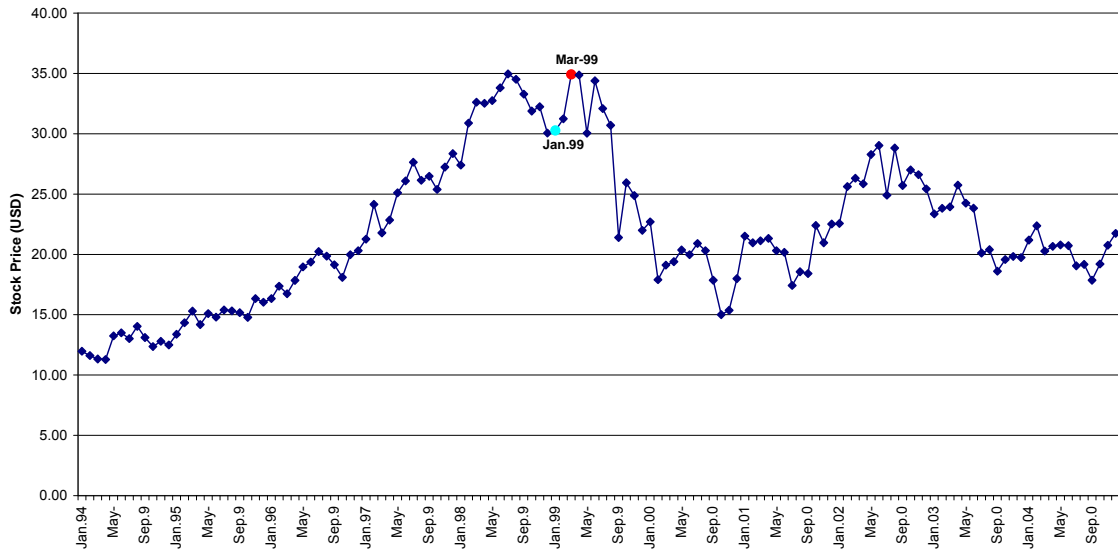
KIMBERLY-CLARK
(Manufacturing of Health & Hygiene Products)



TRANSOCEAN
(Drilling)

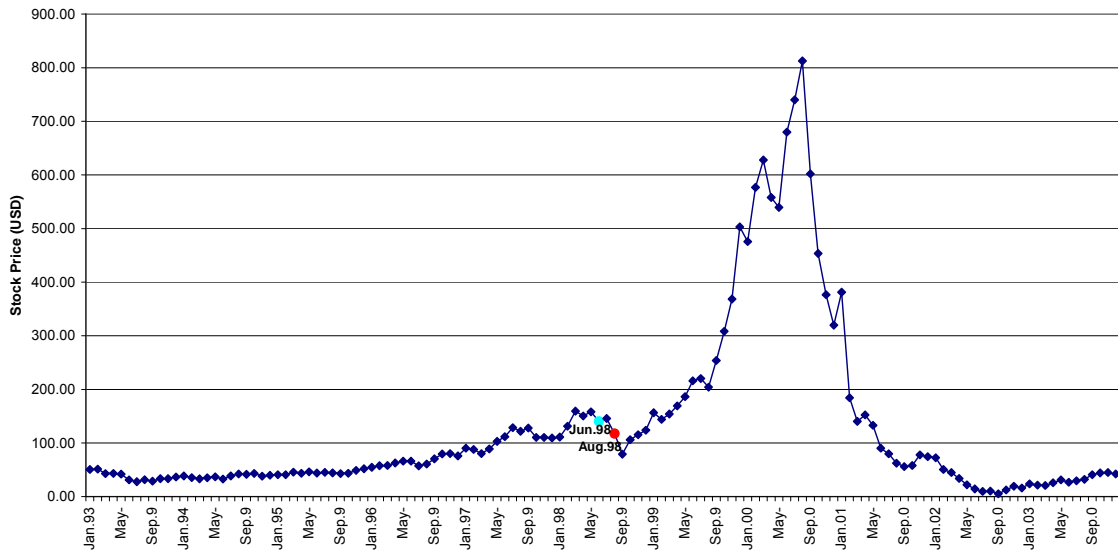


NEWELL RUBBERMAID
(Manufacturing of Durable Household Products)

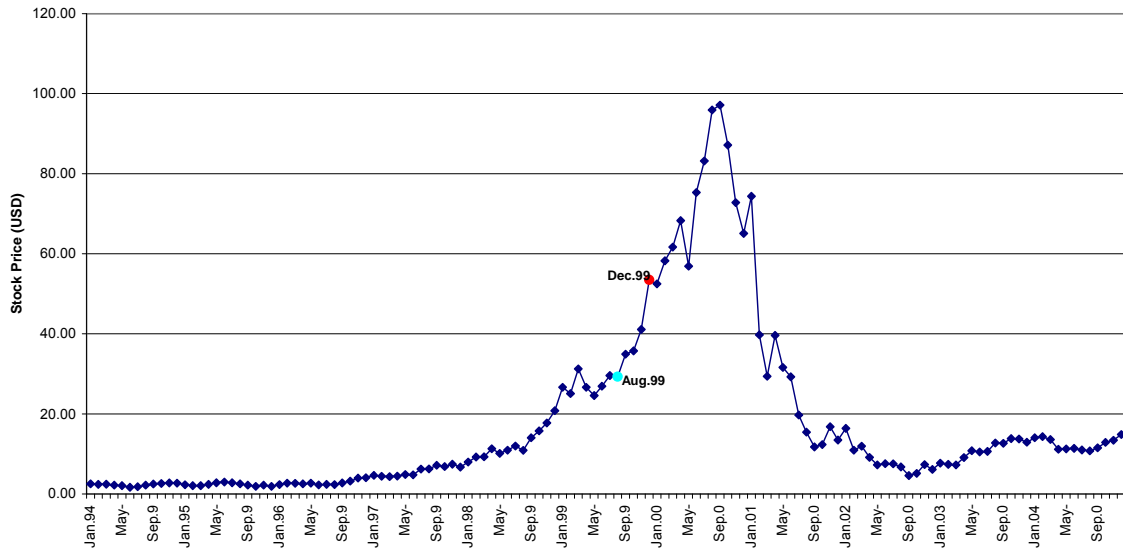


Mergers in the High-tech sectors

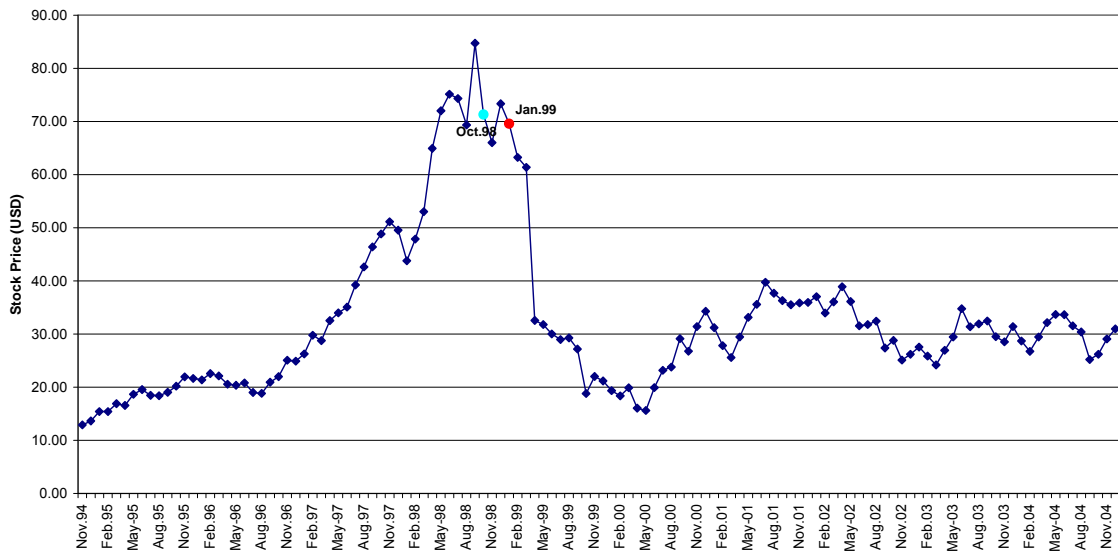
NORTEL NETWORKS
(IT & Communications)



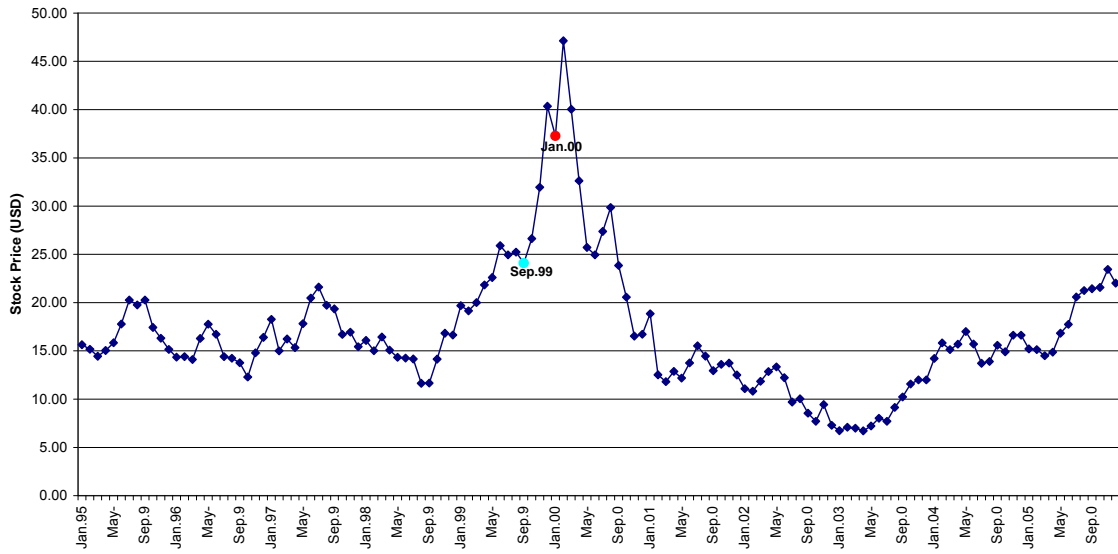
EMC Corporation
(Information Infrastructure Technologies & Solutions)



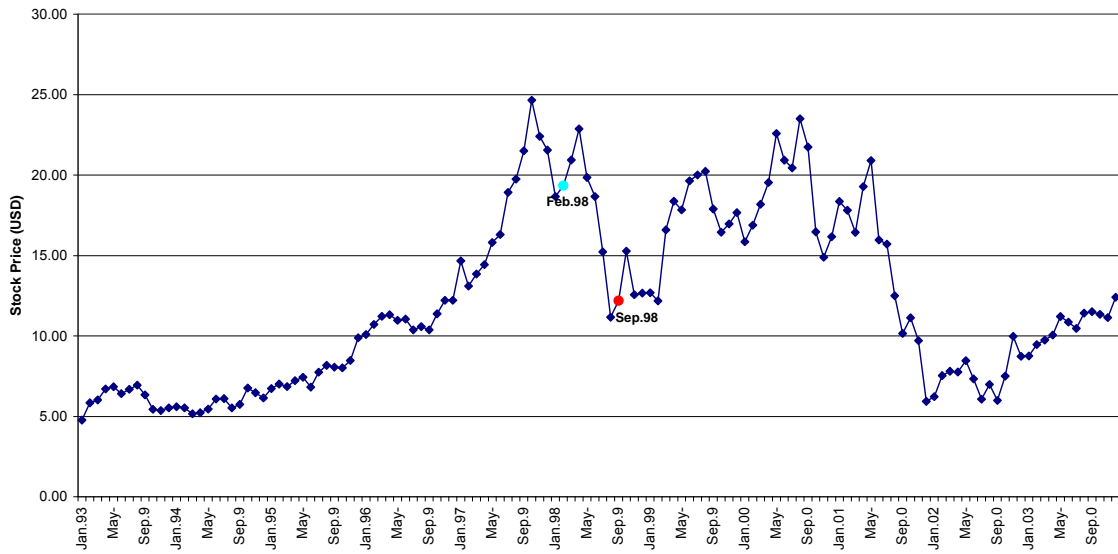
MCKESSON
(Health Care Services & Information Technology)



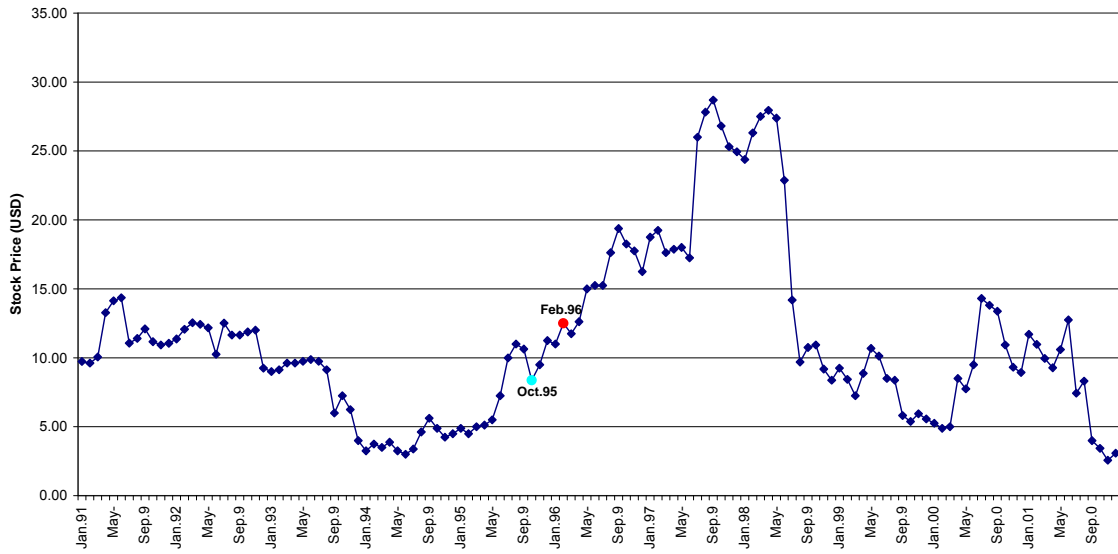
**MOTOROLA
(Communications)**



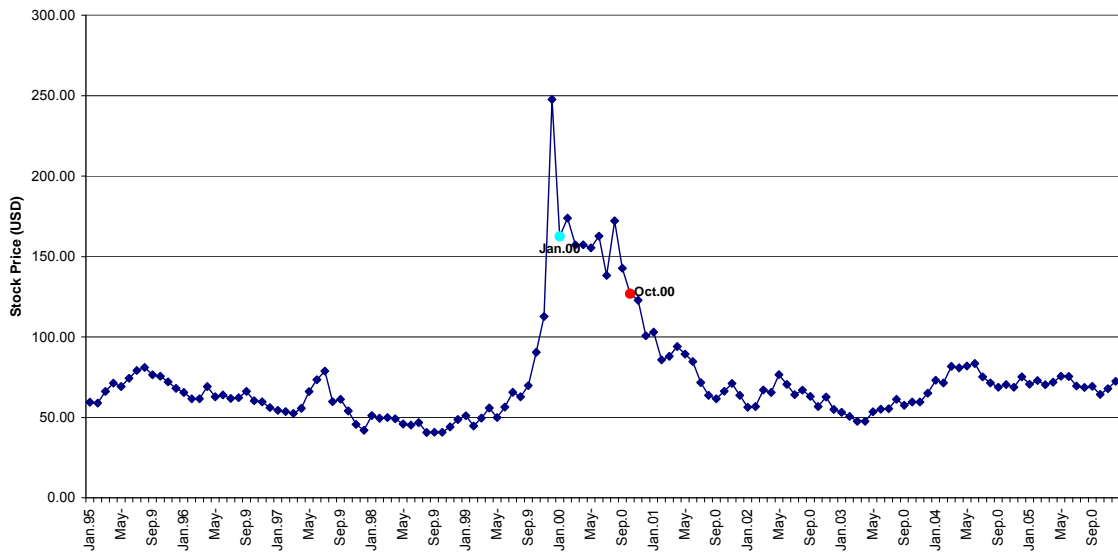
**HALLIBURTON
(Oilfield Technologies & Services)**



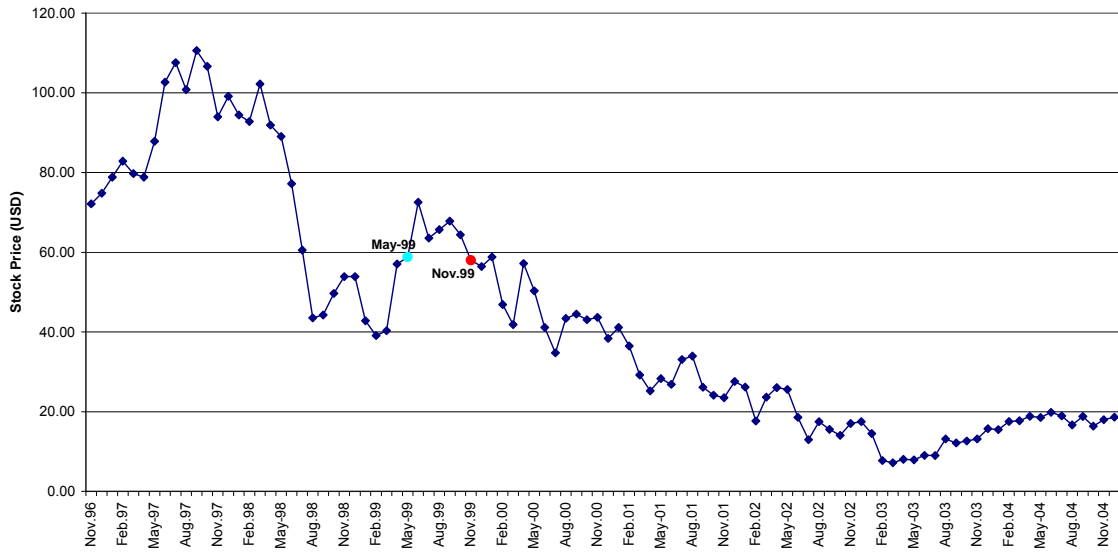
HEXCEL
(Manufacturing Aircraft Components)



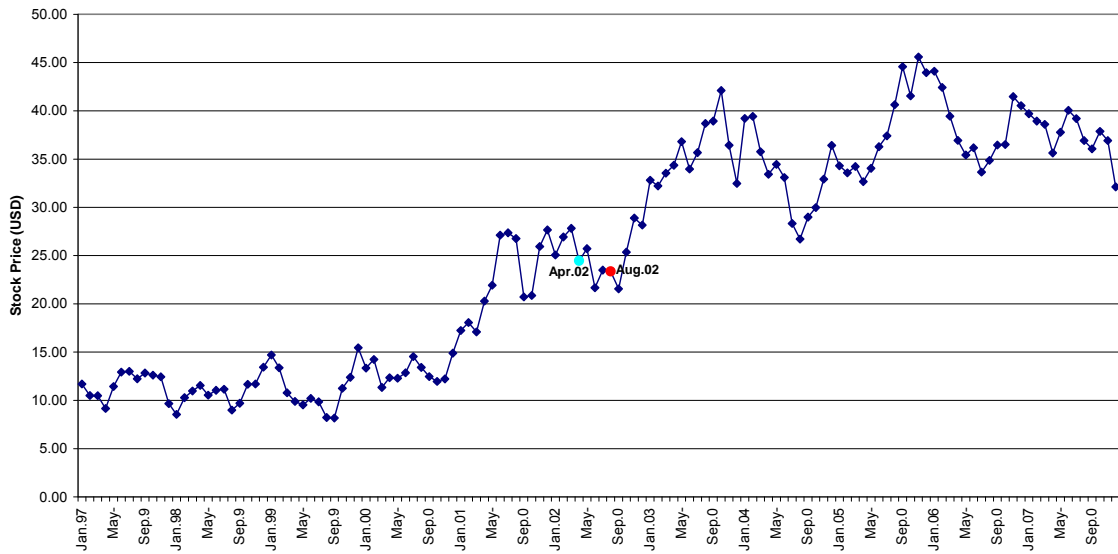
KYOCERA
(Electronic Equipment Manufacturing)



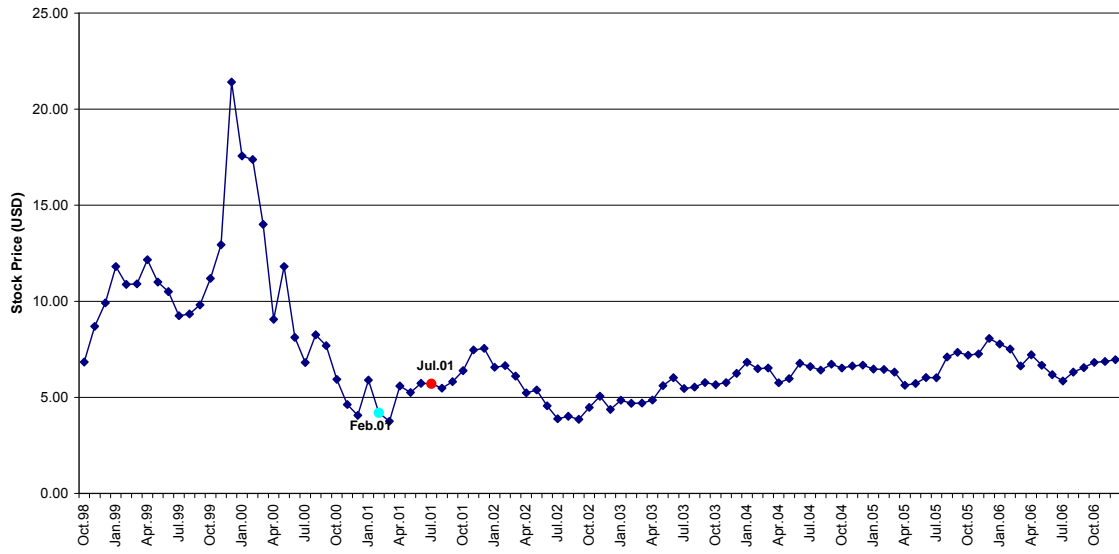
**CNH Global
(Manufacturing of Commercial Vehicles)**



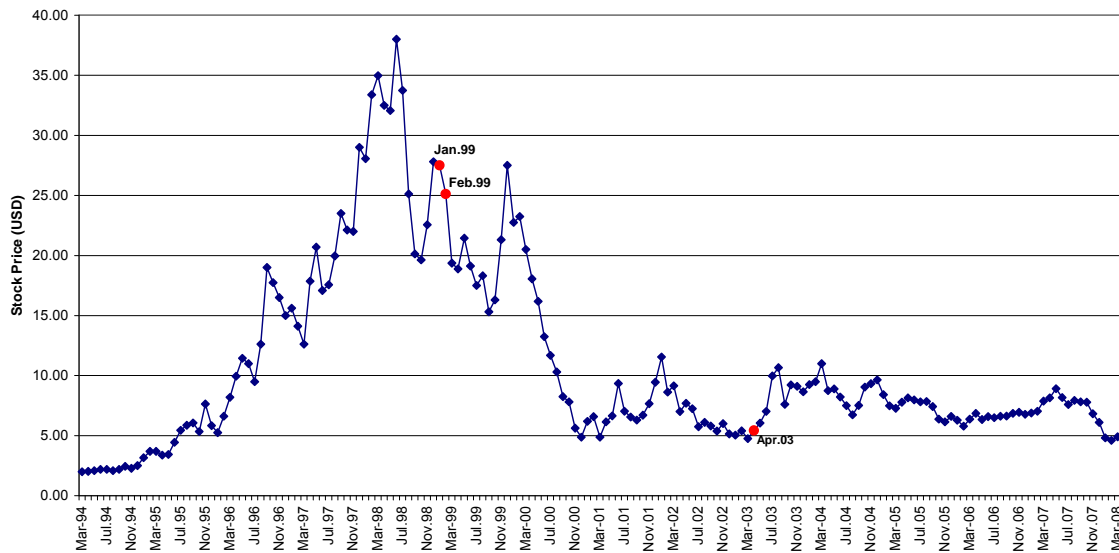
**FAIR ISAAC
(Software)**



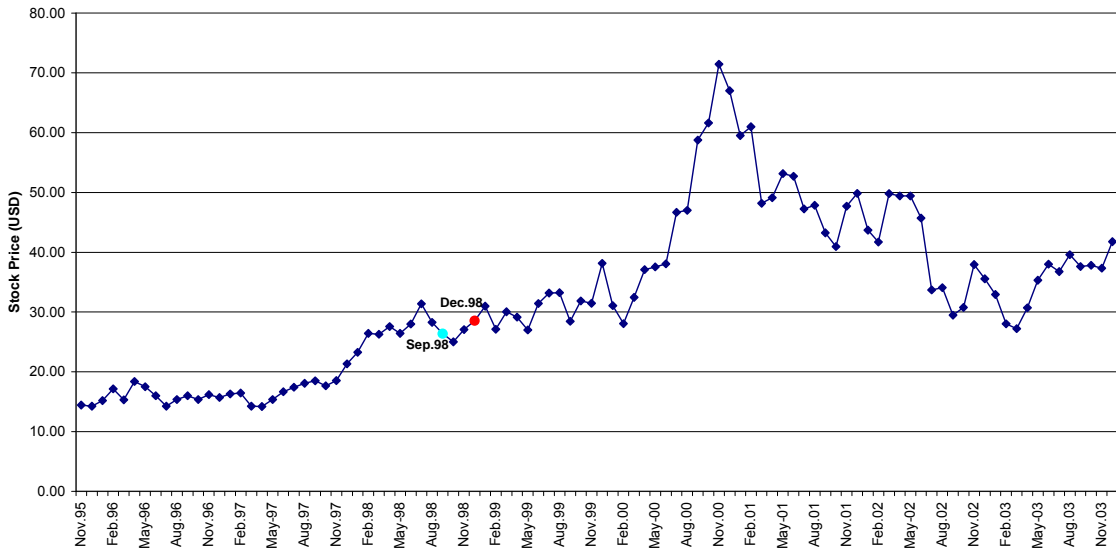
**CGI Group
(IT Services)**



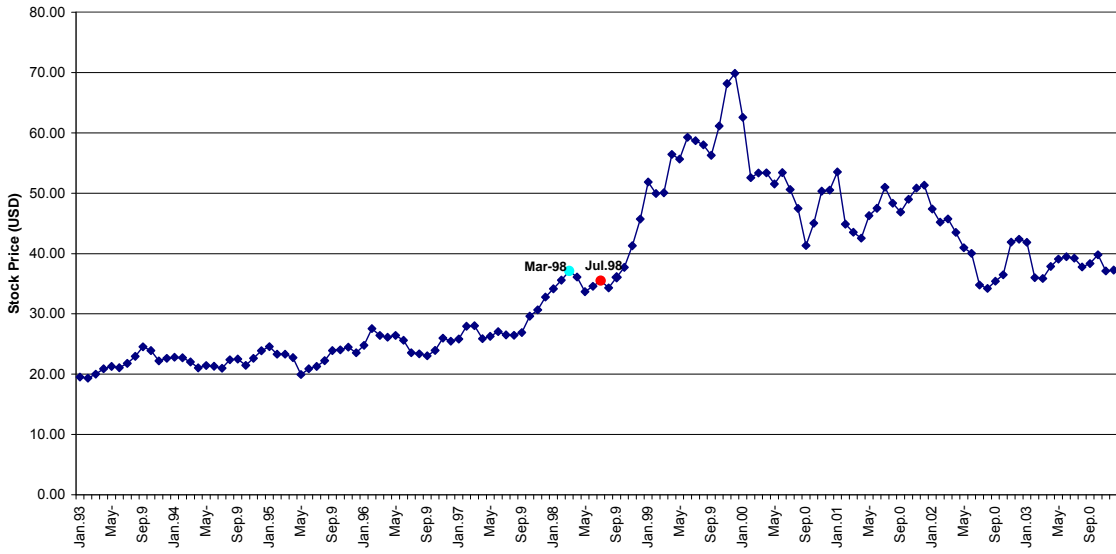
**CIBER Inc.
(IT Services)**



**DST Systems
(Computer Software Services)**

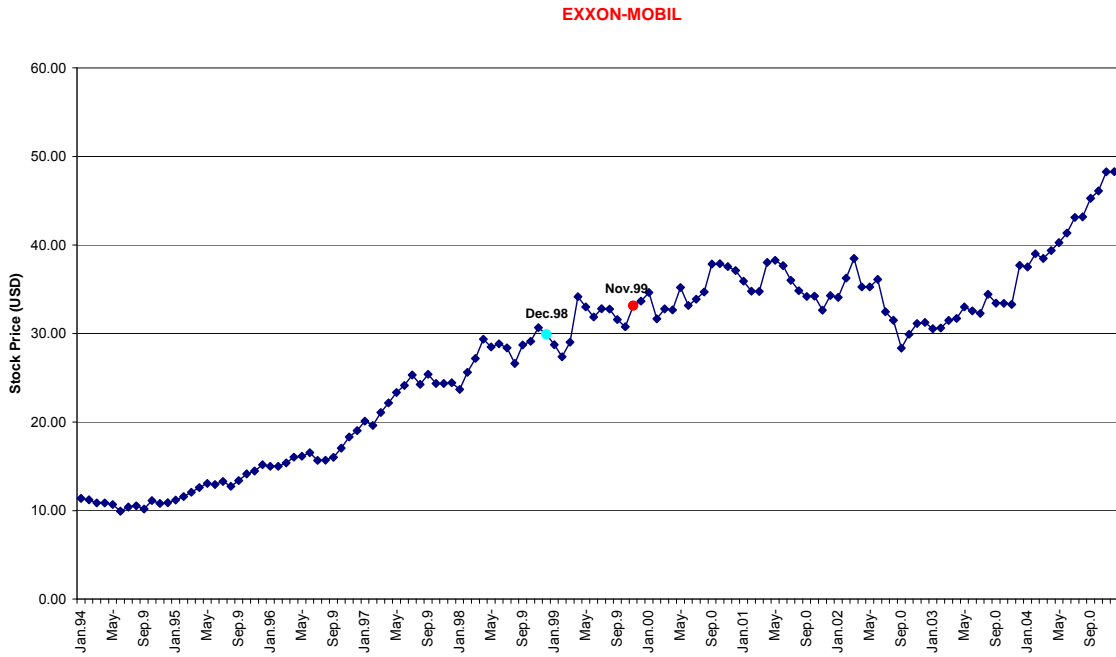


**ALLTEL
(Communications)**

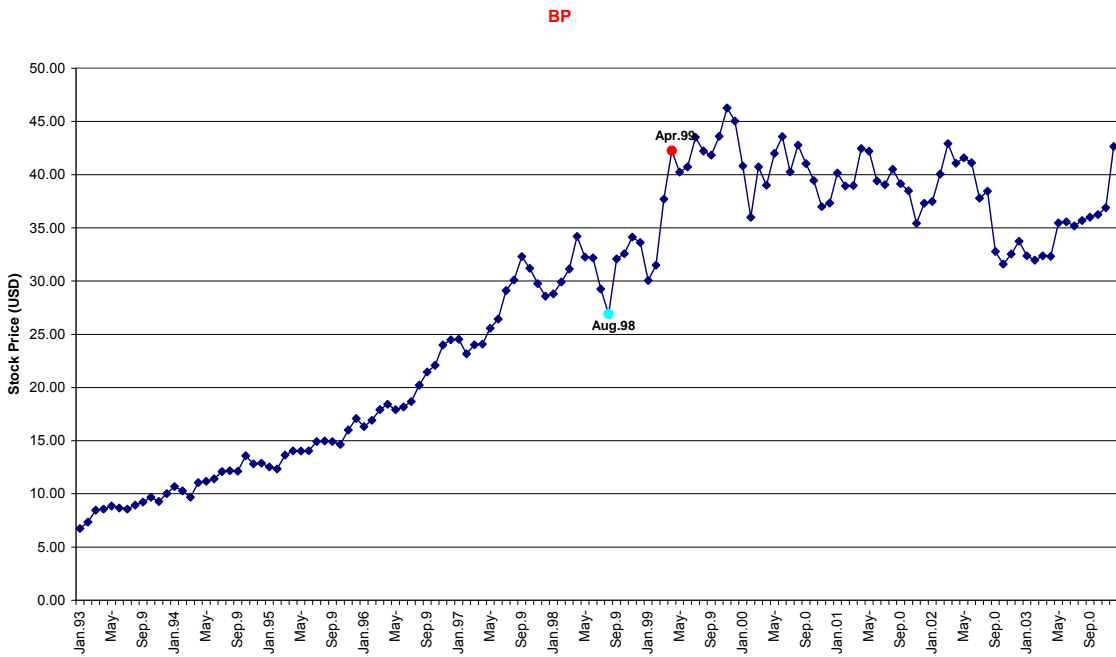


Acquisitions
The Energy Sector

Exxon acquires Mobil

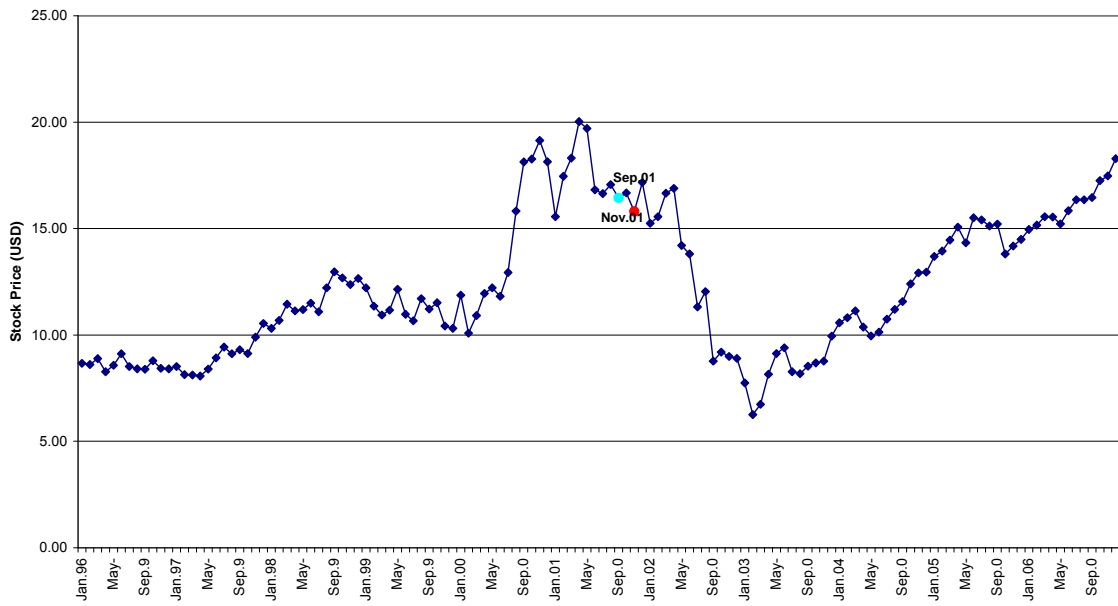


BP acquires Amoco



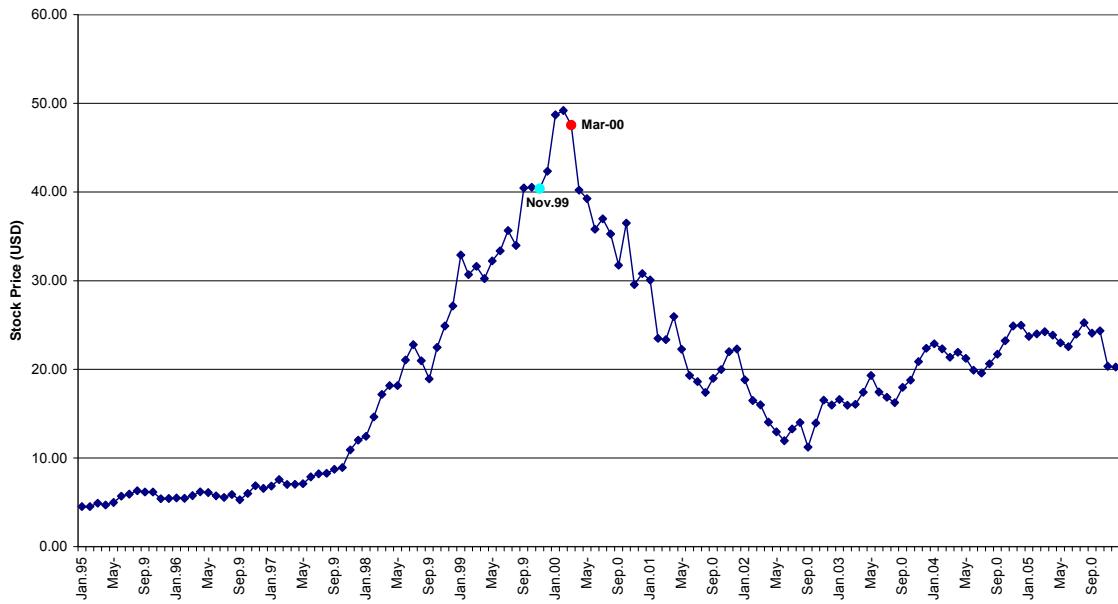
Duke Energy acquires WestCoast Energy

DUKE ENERGY



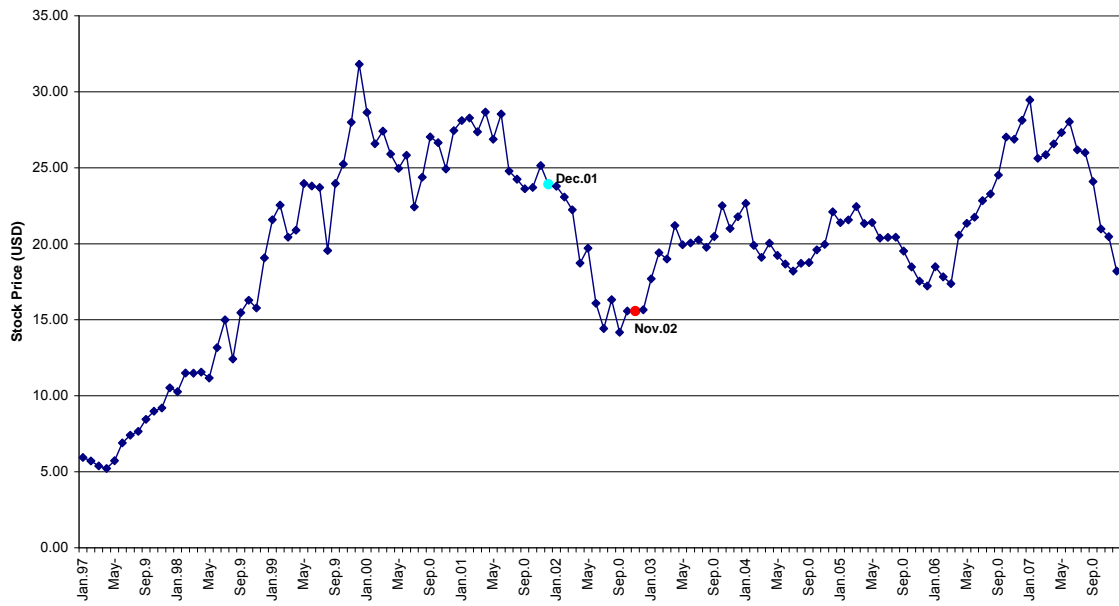
Vodafone acquires Mannesmann

VODAFONE



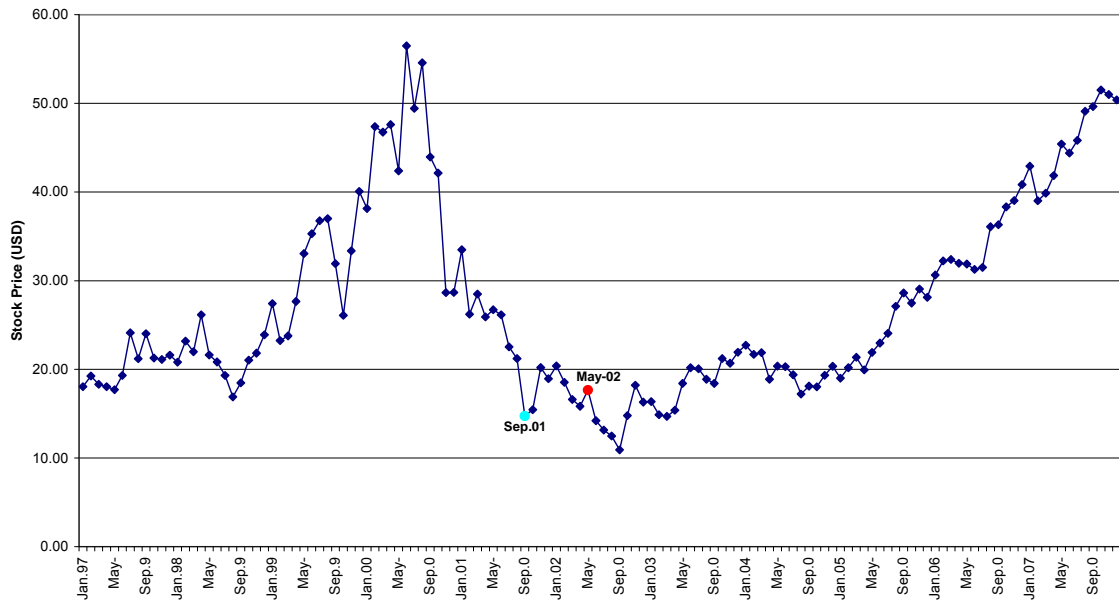
The High-tech Sector
Comcast acquires AT&T Broadband&Internet Services

COMCAST



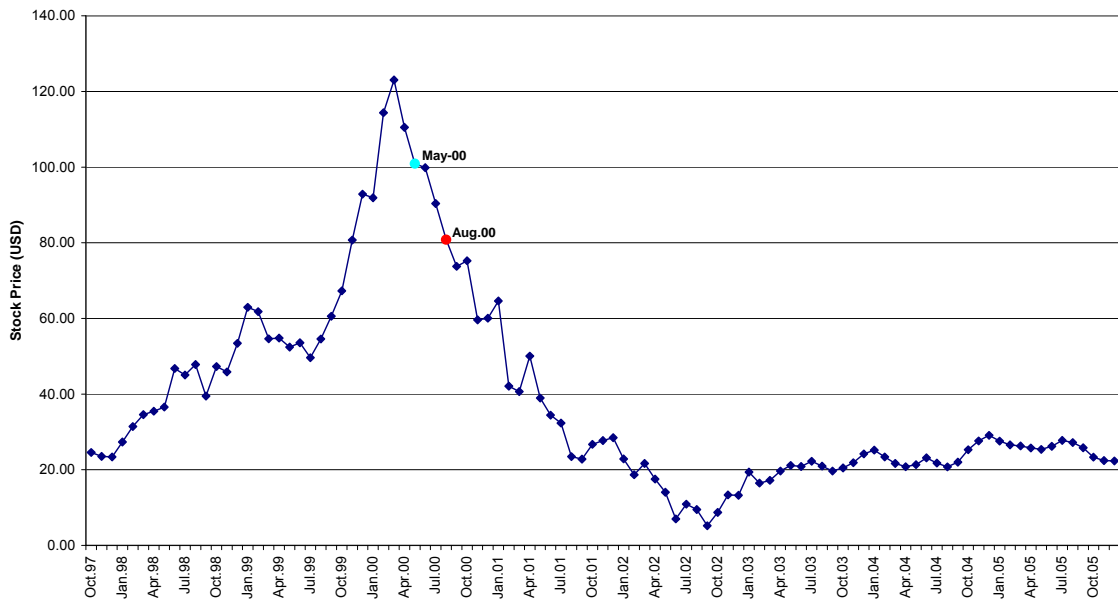
HP acquires Compaq

HEWLETT-PACKARD



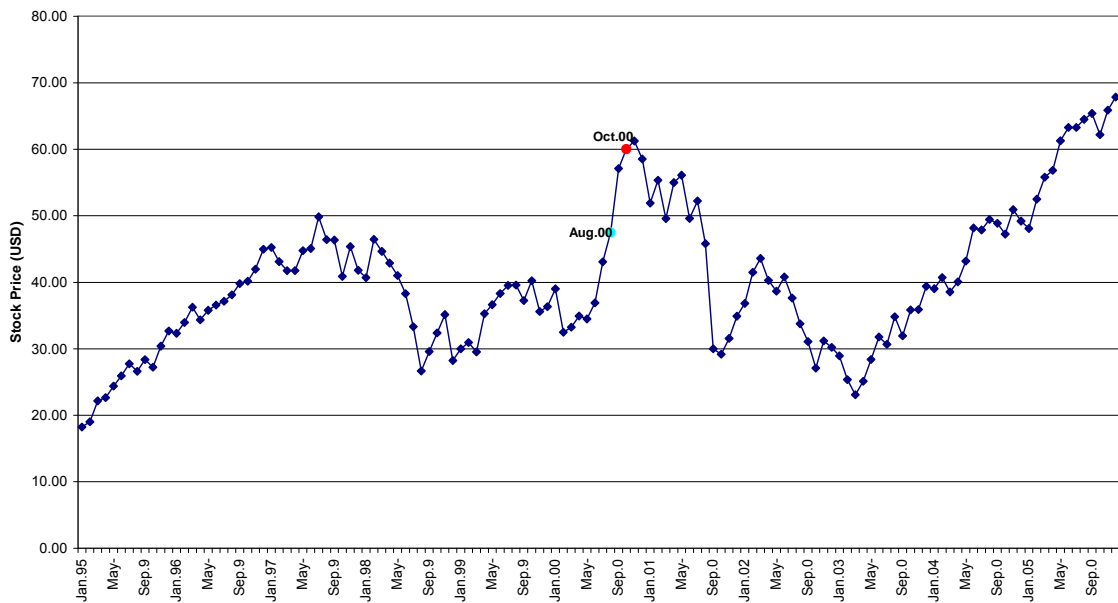
France Telecom acquires Orange

FRANCE TELECOM



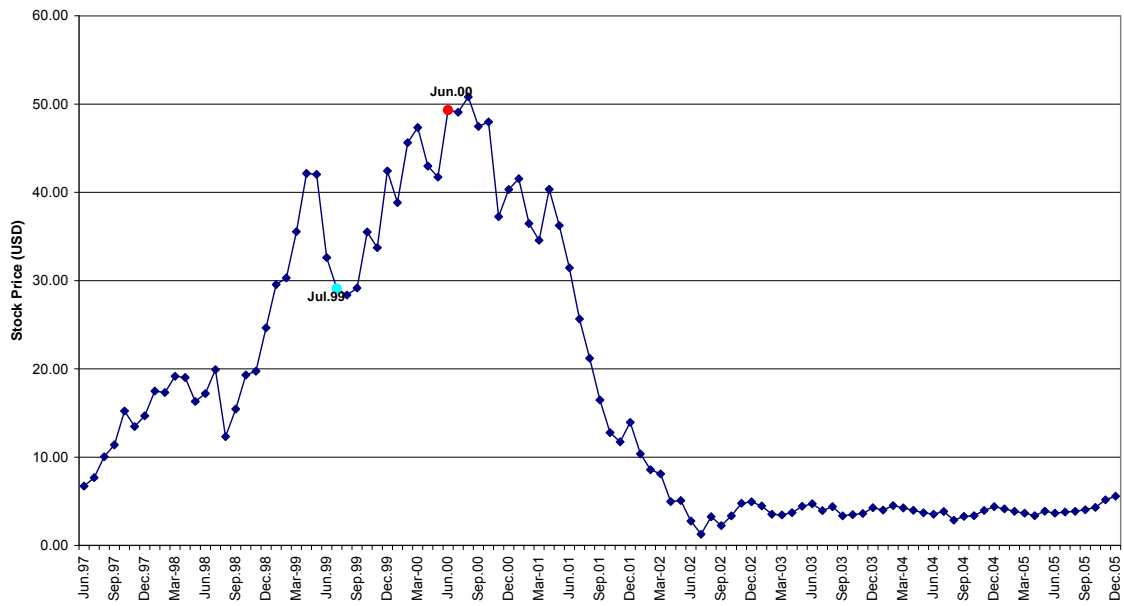
Boeing acquires Jepperson Sanderson (producer of flight-info services)

BOEING COMPANY



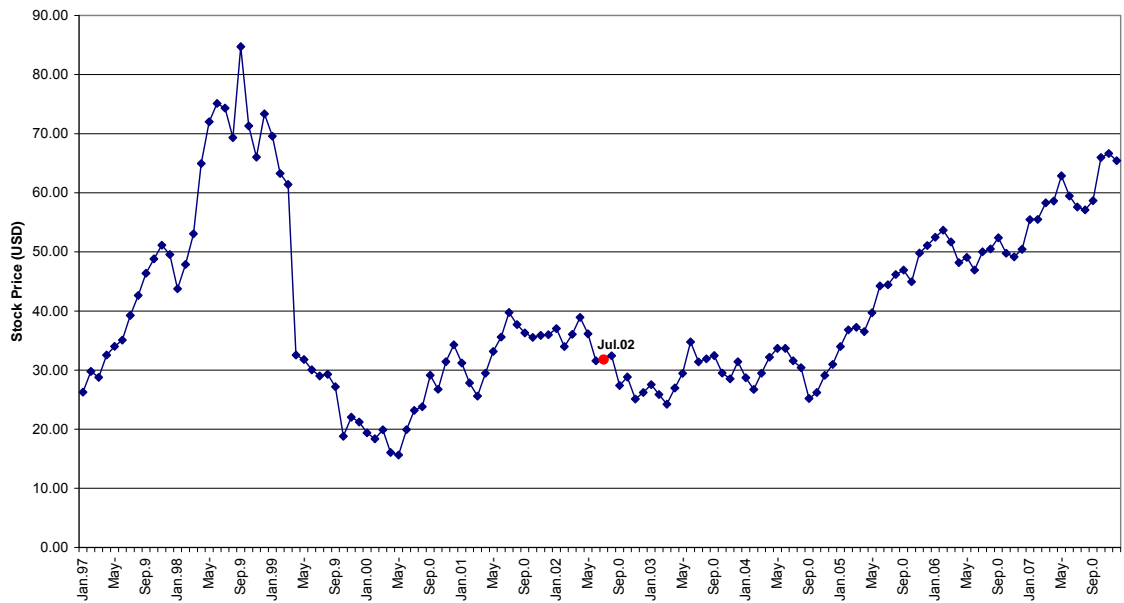
Qwest Communications acquires US West

QWEST COMMUNICATIONS



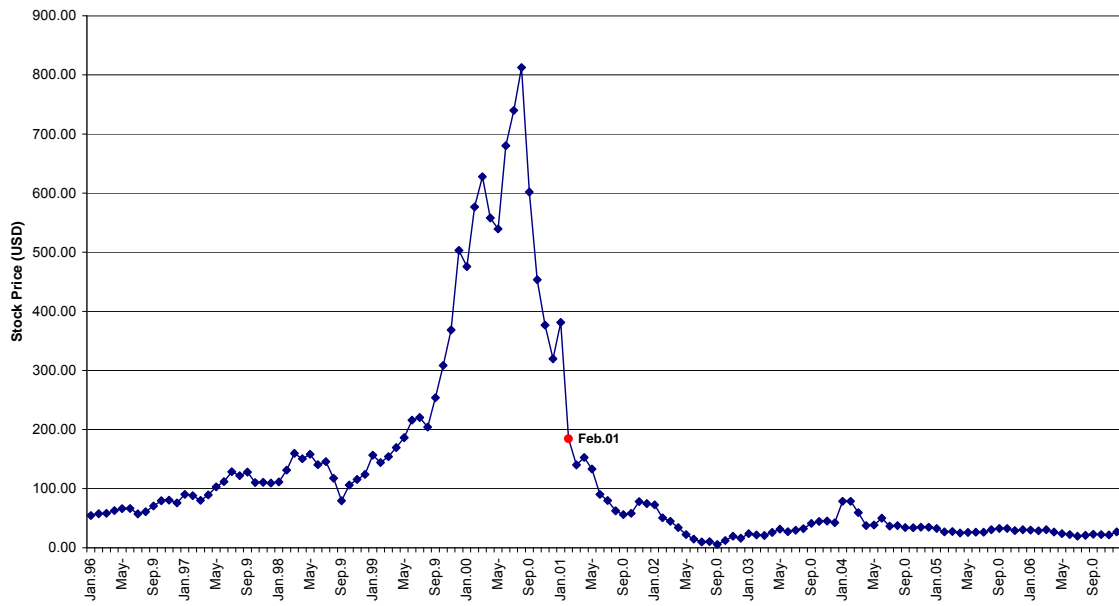
McKesson Corporation acquired A.L.I. Technologies Inc.

MCKESSON



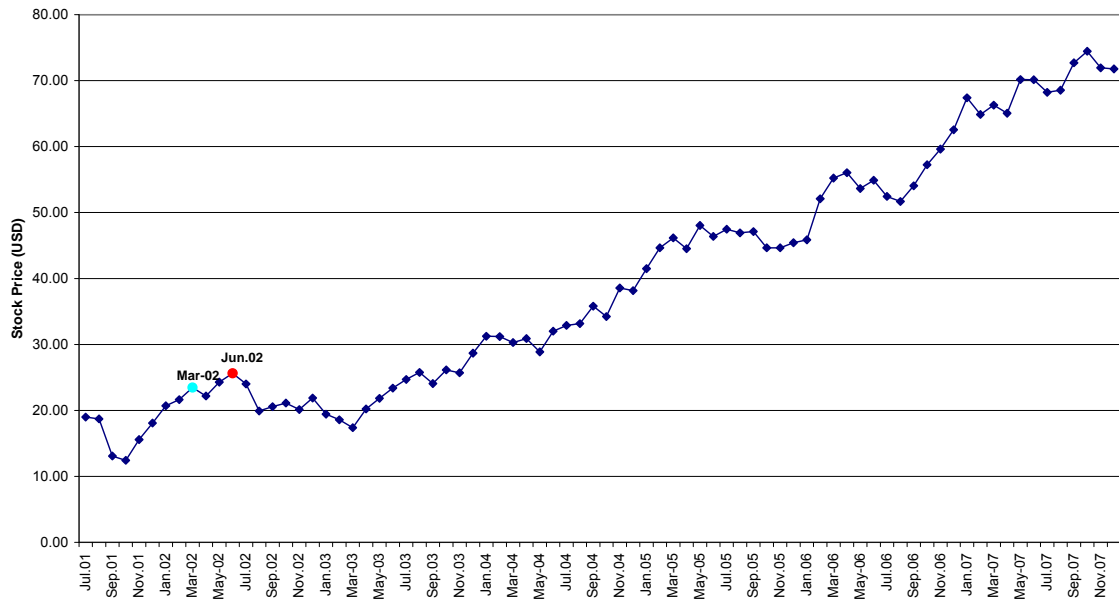
Nortel Networks acquired JDS Uniphase Zurich Subsidiary

NORTEL NETWORKS



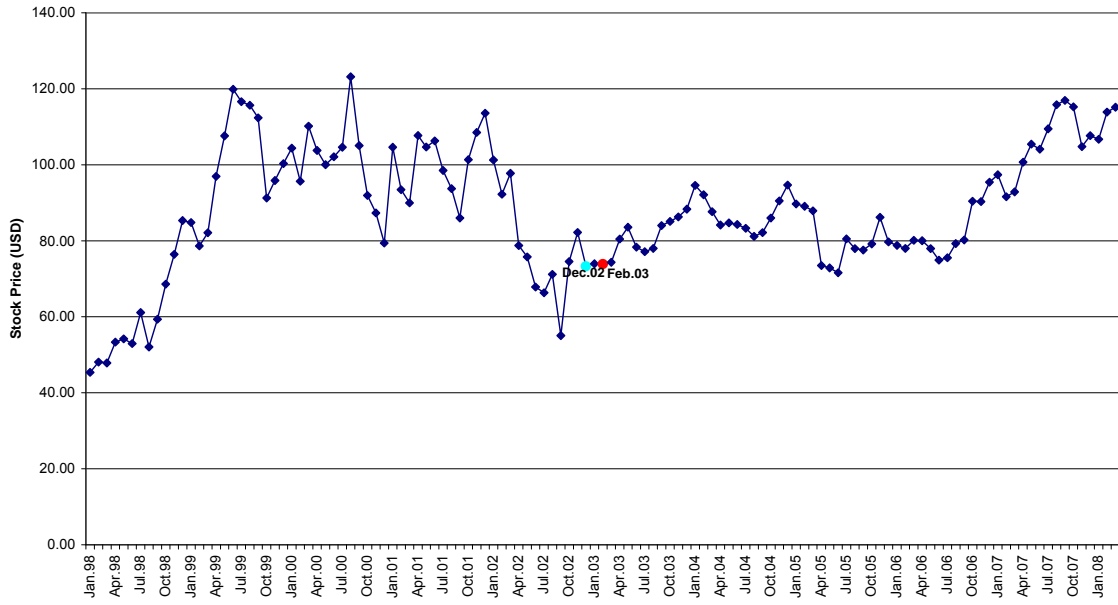
Rockwell Collins acquired Communications Solutions Inc.

ROCKWELL COLLINS



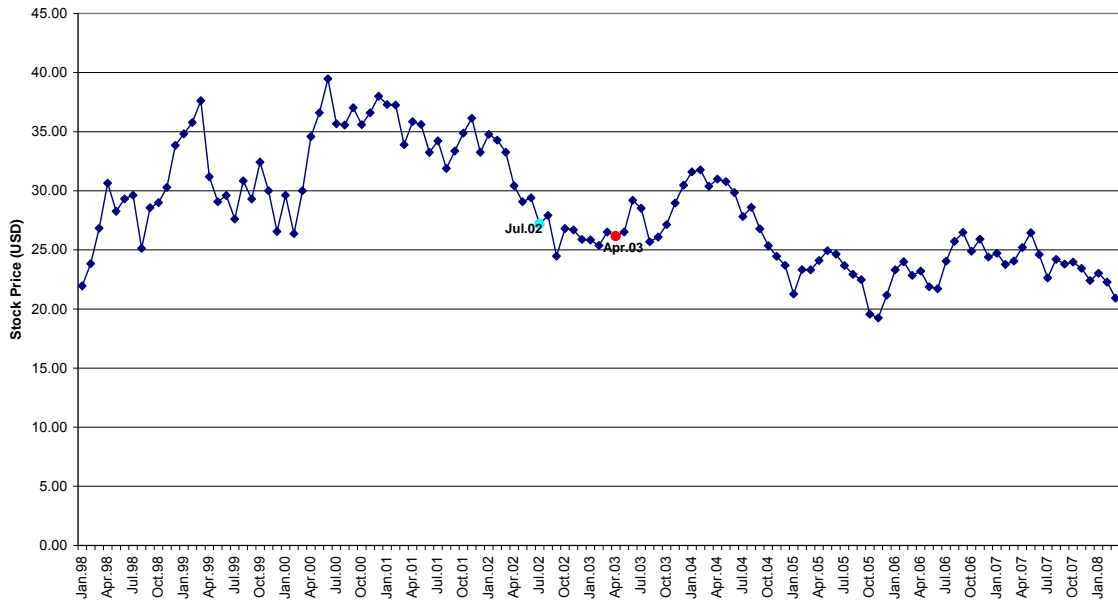
IBM acquired Rational Software Corp.

IBM



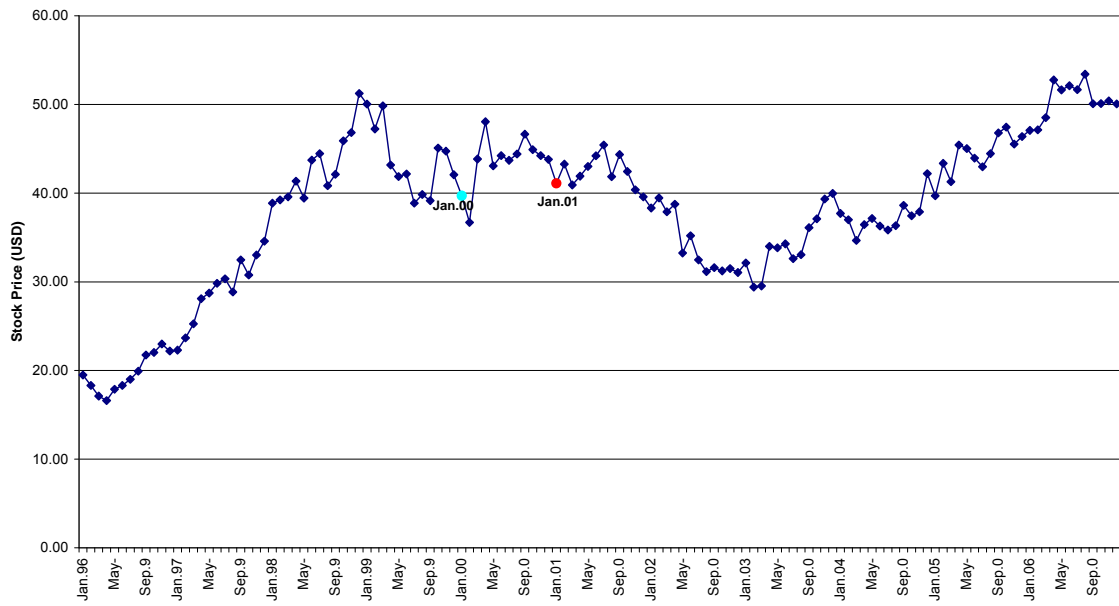
Pfizer acquires Pharmacia

PFIZER



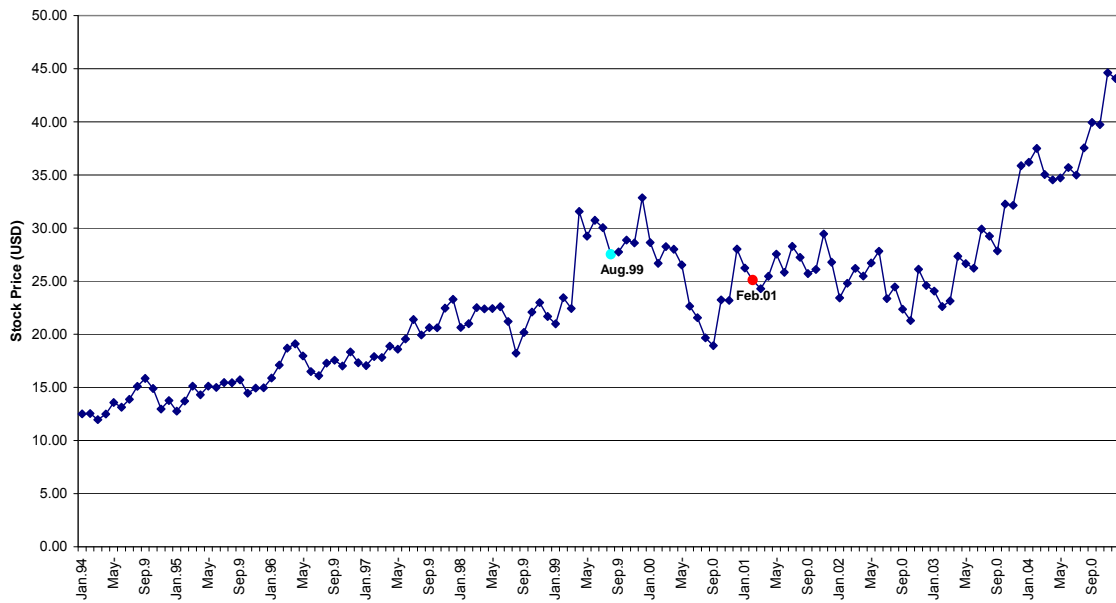
Glaxo-Wellcome acquires Smith-Kline

GLAXO-SMITHKLINE



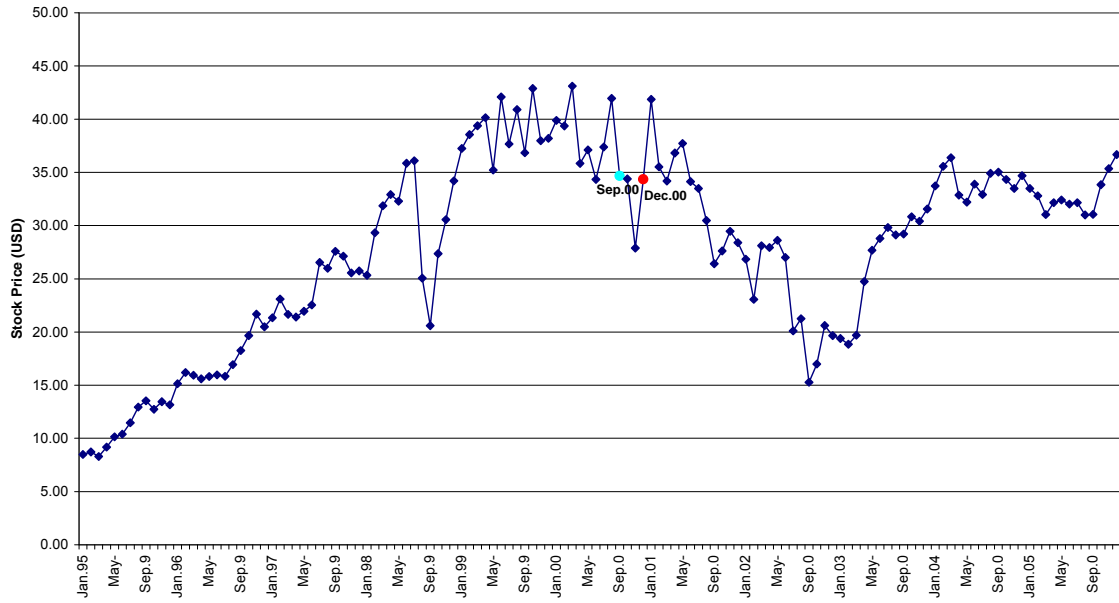
Low-tech Sector
Dow-Chemical Company acquires Union-Carbide

DOW CHEMICAL



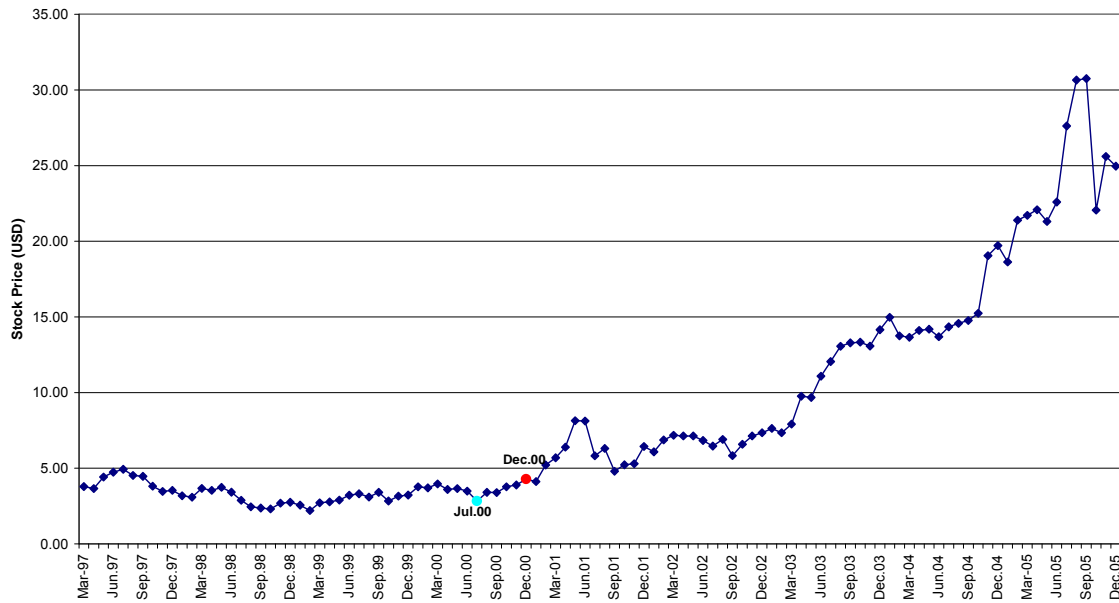
Chase Manhattan acquires JP Morgan

JP MORGAN CHASE



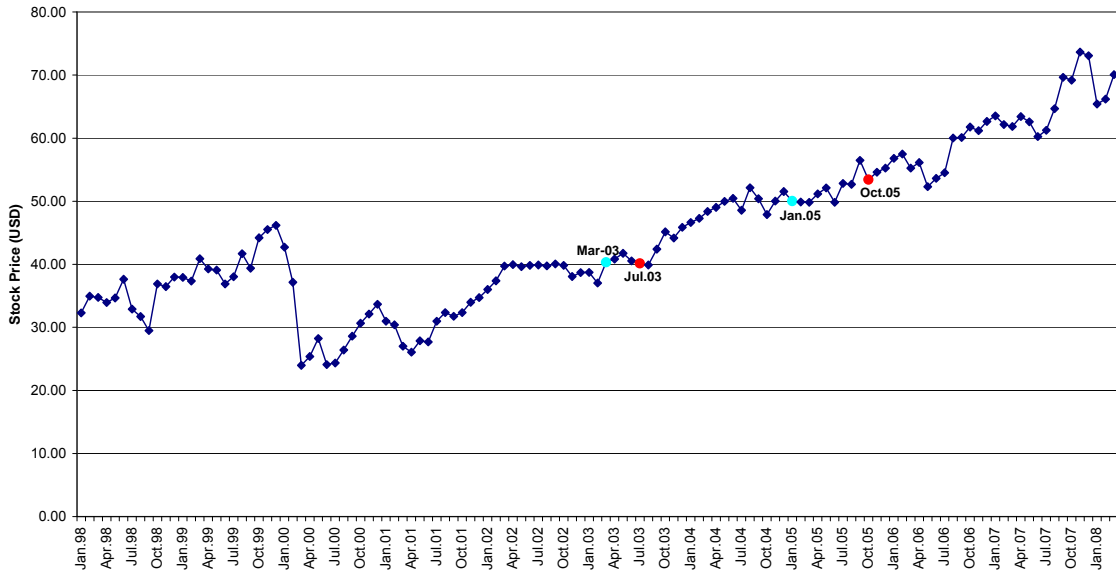
Chicago Bridge & Iron Company acquires Howe-Baker International

CHICAGO BRIDGE & IRON COMPANY



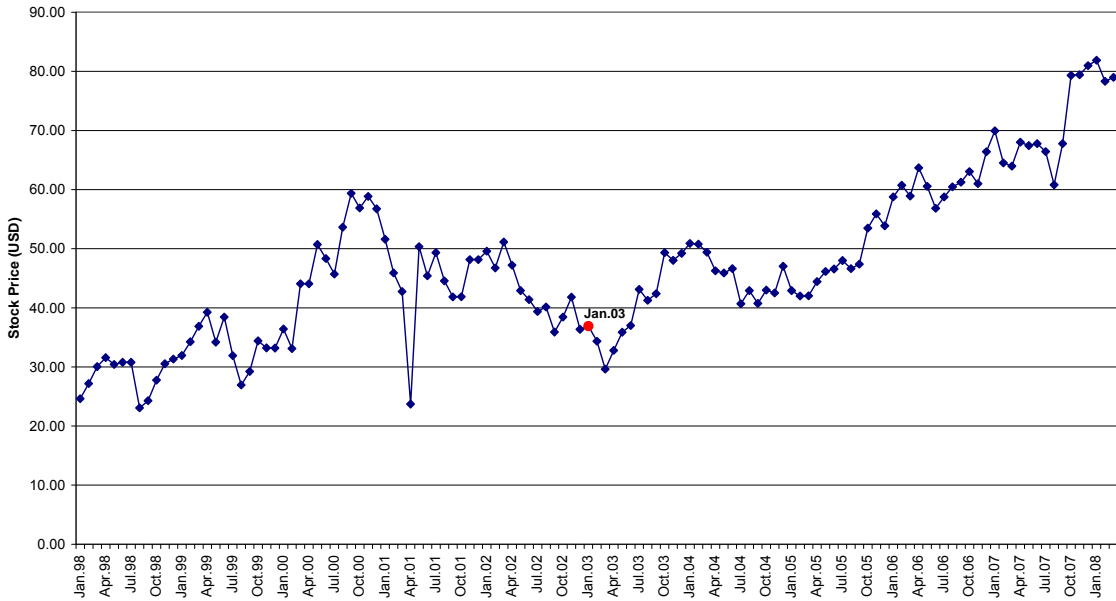
PG acquired Wella (2003) and Gillette (2005)

PROCTER&GAMBLE



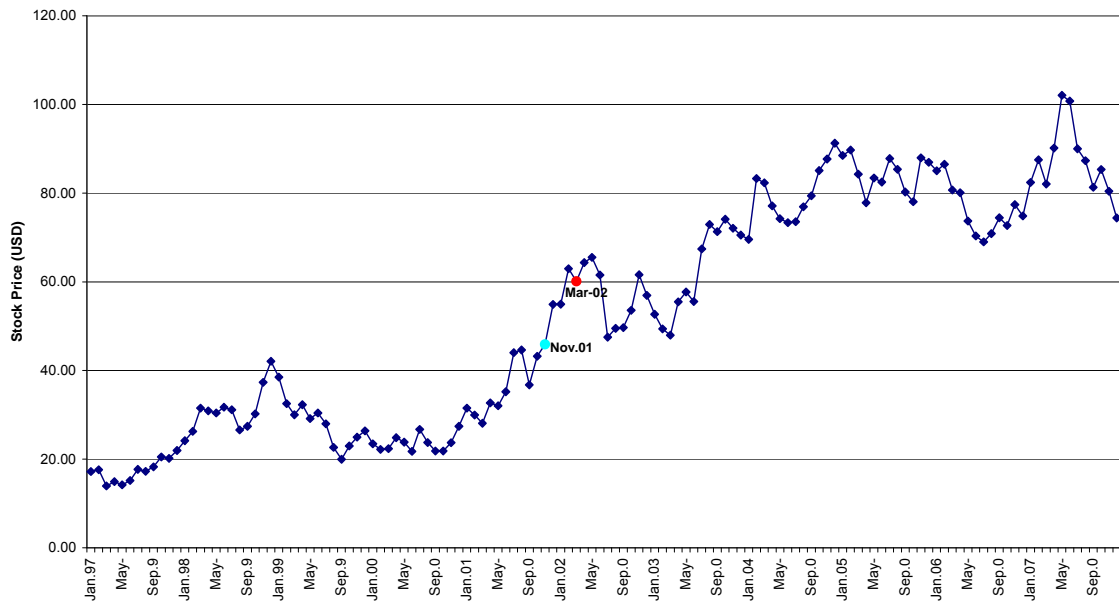
State Street Corporation acquired Deutsche Bank Global Securities Services

STATE STREET CORPORATION



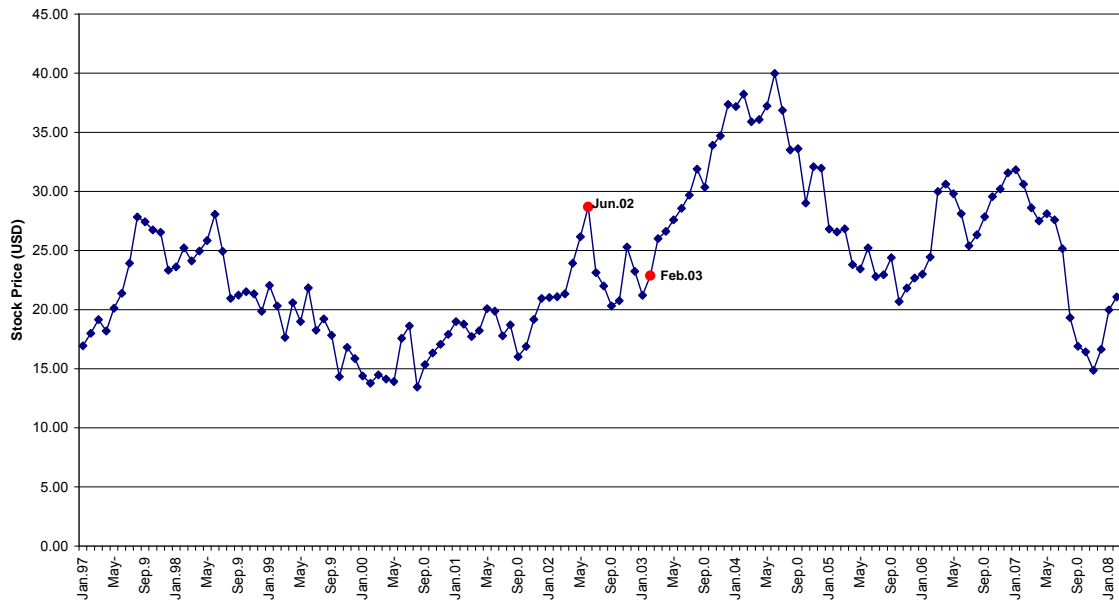
Mohawk Industries acquired Dal-Tile International Inc.

MOHAWK INDUSTRIES



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Corporate Culture Can Break (or Make) a Merger Published: September 26, 2001 in Knowledge@Wharton

TRANSITION AND CULTURAL CHANGES IN ALBANIAN BANKING SECTOR (CASE OF VLORA REGION)

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ABSTRACT

This paper is designed with the aim of discovering key elements of the Albanian business culture and tracking the changes it has gone through in this era of globalization.

The paper is undertaken in Albania in the banking sector and involves 11 companies of Albanian banking market. A combination of quantitative and qualitative techniques are used in order to achieve its objectives.

The theme can help us to get an idea of what happens to the Albanian culture when being influenced by other cultures.

The geographical scope of this article is limited in south of Albania , in Vlora Region.

Vlora is a city where the foreign influence is mostly felt, because of its geographical position and because of foreign investments

The article studies the dimensions of power distance, uncertainty avoidance , collectivism vs. individualism , relationship vs. rules , masculinity vs. femininity , affective vs. neutral , ascription vs. achievement and orientation towards human nature., time oriented, .

In these dimensions there are the most shifts from the genuine Albanian business culture.

The general aim of this article is to provide an insight into the Albanian business culture and its involvement in this era of globalization.

INTRODUCTION

Hofstede defines culture as the “collective program of thoughts that differentiates the members of one group from members of another group.” Culture then, is a collection of beliefs, hopes, and values of the members of an organization that is generally transmitted from generation to generation. This serves to create the norms that set the behavior of employees (members) of the organization.¹

This study is focused on the culture of the banks that operate in the city of Vlora, Albania.

The main purpose of this study is to observe the specifics of the culture of businesses in Albania and the changes in this culture during the period of globalization with specific focus on the banks in the city of Vlora.

To achieve this end, an empiric study was conducted focusing on the banking sector in the city of Vlora, Albania. The specific purposes were to

- 1) Explore and underline the main aspects of the business culture as an outcome of national culture and
- 2) Identify the impact and differences of other cultures, both national and corporate, on the banking sector.

STUDY FIELD

The field of study includes the banking sector in the city of Vlora, Albania. This was chosen for two reasons:

1. Banks are organized private activities where the headquarters have a specific strategy for their branches. This suggests that the study field can focused on one parameter
2. Since one of the study objectives to evaluate the effects of foreign culture and the changes due to them, the banking sector on Vlora is a favorable area for this study due to ownership being either foreign-based or Albanian-based.

The road known as Vlore-Skele could easily be called the “Banking Road” of Vlora due to the proximity of fifteen different banks located in this area. Due to the close proximity to one another these banks were chosen for study in the city of Vlora, Albania. Banks used for this study were divided into two groups:

1. Banks with Albanian owners which represent the model of Albanian culture in management
2. Banks with foreign investors which have brought models of foreign culture into the management structure. There are many examples of this type of management in the branches of banks in Vlora.

METHODS

In the development of methodologies of research, the goal was to take valid measurements of the culture characteristics in order to prevent as much bias as possible such that the conclusions derived from the individual perceptions of culture would not lead to invalid conclusions.

The goal was to prevent the generation of a false picture of organizations, cultures and the changes that might occur because of them.

Quantitative Techniques

Surveys were constructed that were deployed to employees at the banks. 78 surveys were deployed; 14 to banks with Albanian investors only and 64 to banks with foreign investors.

The surveys included questions with the specific purpose of identifying dimensions of culture, behavior, and the scale of depth of each dimension measured.

The survey was built by adopting the instructions of Hofstede and Trompenaars with the intention that the study and the results be structures to allow a common basis for comparison.

From these dimensions, the results will be derived. Please see the table below for the measured dimensions of analysis:

TABLE 1. DIMENSIONS OF CULTURE

Dimensions of Culture		
1 / 2	Distance of Power	Neutral vs. Affective
3 / 4	Avoidance of Insecurity	Accomplishment vs. Circumstances
5 / 6	Individualism vs. Collectivism	Orientation towards Human Nature
7 / 8	Masculinity vs. Femininity	Rules vs. Relations

The first four dimensions are based on the four cultural dimensions taken from the Hofstedeⁱⁱ. The other dimensions are taken from the studies of Trompenaarsⁱⁱⁱ, Kluckhohn and Strodtbeck.

The survey was built in sections based on the above dimensions. Questions were made multiple choice and it was left to survey to pick one correct answer.

During the distribution of the survey, after contacting the directors of the various banks and getting permission to deploy the survey, the survey was presented to the employees of the same bank.

The surveys were given anonymously to legitimize answers given and prevent bias.

Even though the categories on the survey were qualitative measures, they were made into a quantitative basis for analysis.

Then, in the phase of the reproduction of the data, each choice was given a value depending on the dimension.

The scale created was based on a range of 0 to 7 where 0 represents the lowest inclusion of the dimension and 7 represents the highest inclusion of the dimension.

All the points for each dimension are added for each question.

- The total for one question was divided by the number of survey respondents which gave the mean per question. The results for each category were compared amongst the two groups of banks.
- The total of the means per question that have the same dimension divided by the number of questions gives the measured value to the dimension.
- Some questions that could not be adjusted to a scale with points were expressed as a percentage in the given results. Information is expressed in graphs.

Qualitative Techniques

In order to have a full interpretation of the material collected there are some necessary quality methods research. Interviews were conducted with the directors of all banks.

During the interviews biases are more noticeable since the interviews are conducted in person.

Keeping survey results anonymous and allowing them to complete the surveys after work or when free time was achieved with the expectation that employees did not feel observed.

FACTORS THAT HAVE HELPED IN THE PROFILE OF ALBANIAN CULTURE

Brief History

Albania is located on the shores of the Adriatic and Ionian seas on the western side of the Balkan peninsula. The geographic location has had a major impact on the development of Albanian culture over the centuries. The Balkan peninsula is used as a connecting bridge between east and west, Europe and Asia. Albanian culture developed under the influence of other cultures, notably Greek, Latin, and Turkish influences. A factor that has influenced the growth of Albanian culture has been the various invasions of Albania over the centuries.

Albania had been under the influence of the Roman empire for over 12 centuries. In the 14th century, the Ottoman empire invaded and its influence was felt for over 500 years. Albania declared its independence in 1912. Following this, two World wars occurred with repeated invasions of the lands of Albania.

At the end of World War 2, Albania once again declared its freedom.

After 1944 started a new period of isolation under one of the toughest regimes that turned Albania into a communist country and isolating it from the rest of the world.

Characteristic to this was a centralized and planned economy. The dominant ideology was an adapted version of communism which is still reflected greatly in the national culture.

In the beginning of the 1990s, the winds of change in Eastern Europe overtook Albania and brought an end to the period of isolation. A new era started for Albanians which was accompanied by a period of confusion during this time of long and hurtful transition.

The phenomenon "Pyramid Firm" killed the desire to work and shook the weak economy. The period that followed was accompanied by large demographic movements. Large movements were illegal with populations moving to neighboring countries. But large-scale movements were seen with population shifts from the north of Albania to the southern part of the country and from the suburbs to the cities proper.

The development of Albanian society from the cultural aspect during the 1990s appears very confused. Political, legal and economic changes during these years lead to the emergence of Albanians finding their place in the world and to start building a new set of norms and values more appropriate to the new conditions of their lives.

This is a very critical moment in the life of a country as it transitions from a broken past without a hope for the future and so it started to adapt quickly to the new conditions. It is very interesting from the cultural perspective to follow the reasons for these changes and the processes that follow.

Albanian Society

The purpose of this case is to study the characteristics of the Albanian society culture as a function of the purpose of this thesis, study of the characteristics of the business culture and the changes with whom this culture is headed.

Stakeholders of the organization are members of the society which means the culture of this society will reflect in the stakeholders of the organizations.

In fact, the research that is done for the purposes of this subject is concentrated in the city of Vlora where traditional subculture has changed during the era of urbanization and under the influence of the penetration of foreign cultures.

This means that the traditional subculture is faded and has new attributes.

Vlora has traditionally been one of the most developed cities in Albania. During the 1990s, Vlora became the main point of emigration which allowed for further penetration of foreign cultures.

As time passed, these emigrants which worked for more than a decade in the neighboring countries like Greece and Italy started to invest and build their businesses in Vlora as their native city.

This comeback may not be physical but in terms of investments, were accompanied with attributes of new cultures with which Albanian culture was not familiar. We were going to say hybrid, which has the attributes of the native culture and the new culture, attributes gained during their living time as emigrants in the other countries where they have lived an active life and have assimilated to the new culture.

As a result of the attractive geographic location of Vlora during the period of 1990-1996 that have made foreign investment in different sectors allowable.

Investments stopped during 1997 as a result of borrowing firms collapse but after 2000 the foreign investments restarted. In these investments we can see investment in the banking sector by foreign investors. These investments are another possibility that Albanian culture will interface with other cultures and take on new attributes.

The traditional Albanian family is characterized by a strong connection between the members of the family. In traditional Albanian families, there exists a hierarchy of relations between the family members that represents the manner in which members behave towards one another.

Members of the family are used to respect and the ranking and to accept distances and inequalities which exist amongst members.

The younger members are encouraged to express their opinions but are expected to listen to the oldest member of the family.

This phenomenon broadens the boundaries by generalization in the education system where there exists a similar system. The young are expected to listen, obey and respect the teacher.

Since there exists an informal structure, society tends to be flexible during the change of different circumstances by bringing in the highest adaptive capability in new circumstances.

- ***Equality amongst the Citizens***

During the 50 years of the communist regime, Albanian society was taught with little difference existed amongst social classes if not to say that during this period different social classes did not exist. This means that attributes of Albanian culture represent a low level of acceptance of social inequality which means a low level of distance from power.

- ***Avoidance of uncertainty***

The troubled history of Albania has led Albanians to be leery of the unknown for long periods of time. For centuries, Albanian society has tried to minimize insecurity by expanding social relationships between families with the purpose of avoiding unforeseen risks and threats. Conversely, 50 years of isolation created life conditions full of unforeseen and high avoidance of uncertainty.

- ***Collective Society***

The idea of the group plays a great role in the lives of Albanians. This is seen in the way they arrange their lives. Traditional is the fact that Albanian families have a lot of needs. So the youngest stay home until they get married and start their own family. But they also stay connected to the bigger family.

This means the family has a big influence over the individual. In the last decades, especially in the larger cities, there has been a tendency towards individualization by changing the family model to from one with many needs to in family with only one need.

- ***Oriented towards Relationships, not Rules***

The typical business is a family business and often operates based on an informal agreement, on the faith and word of honor that traditionally it is respected by Albanians. This situation has changed with the adaptation of the practices from the modern business, contracts, legal agreements, but the given word still is considered important in Albanian society. So, social relationships still play an important role in the life of today's businesses

- ***Masculine Society***

Traditionally roles between the genders have been easily noticeable but situations have changes during the years of communist rule. The increase of the role of women in society and the improvement of her social status was one of the intentions of the communist regime.

With the fall of the communist regime and the movement to a market-based economy many activities that were classified as "non rentable" and were closed down by bring unemployed females that worked there. This increase in unemployment among Albanian female began in the early 1990s.

In the following years as a result of the changes in social customs, improvement of society and the control of the methods of birth control, Albanian females have become professionally ambitious and have increased their number in the work force by becoming owners, increasing their role in decision making, increasing their participation in politics, etc...

RESULTS OF THE STUDY

During the presentation of the results of the study, reference is made to the Globe^{iv} project and its analysis of cultural dimensions is used for comparative purposes throughout the analysis.

TABLE 2: STUDIED CULTURE DIMENSIONS

Dimensions of Culture		
1 / 2	Distance of Power	Neutral vs. Affective
3 / 4	Avoidance of Insecurity	Accomplishment vs. Circumstances
5 / 6	Individualism vs. Collectivism	Orientation towards Human Nature
7 / 8	Masculinity vs. Femininity	Rules vs. Relations

Power Distance

Distance of power refers to the level of inequality^v that exists in a culture and the scale in which members of this culture accept this inequality.

In project Globe^{vi}, Albania placed lower than the other states of the region. Points for this dimension for Albania are 4.52 on a scale of 0-7 where 0 represents the lowest level of distance of power and 7 represents high distance of power. By comparison to national averages, the following values were derived for the banks:

- In the Albanian banks, the distance to power was rated at 2.8
- In the Foreign investor banks, the distance to power was rated at 5

As the values show, working with foreign investors has brought about an increase in acceptance of inequality of power in the workplace.

The past decade was a very confusing and unstable time period for Albania. Breaking out of the dictatorship as a very poor state and contacting very developed parts of the world naturally brought about changes to the Albanian mentality.

Gradually, it was believed that foreigners operate businesses much better which decreased trust towards Albanian leaders in general. So by working with foreigners, Albanians learned to accept more the unequal distribution of power by attributing this to their specific capabilities and knowledge.

Another reason that leads to this high scale of power distance is the effect managers of these banks have for this purpose.

Many of the directors of the branches have studied in the West. Others are foreigners and come from countries with power distances like Greece, Germany and Italy. By bringing this philosophy to the banks, in order for Albanian employees to work there they must implicitly accept these beliefs.

It can be concluded that Albanian employees accept a higher level of inequality in the distribution of power when working in relationship to foreigners and a reduction of this inequality is noted when they have worked specifically with Albanians.

Avoidance of Uncertainty

Avoidance of insecurity express the scale in which societies do not tolerate insecurity^{vii}. Avoidance of insecurity as a cultural dimension refers to the attributes of a culture to avoid insecure situations. In project Globe, Albania represents the highest scale of avoidance of insecurity.

The measured level^{viii} for Albania is 4.62, higher than the average for the world at 4.58.

What does the study of the banks about avoidance of insecurity bring?

In the banks owned by Albanians the level of avoidance of uncertainty in 3.8

In the banks owned by foreigners the level of avoidance if uncertainty in 3.0

As it is seen in both groups of the study, the results indicate a lower scale of avoidance of insecurity than in the national culture.

The higher level of uncertainty is seen in the employees that work in the banks owned by Albanians. This is perhaps due to the association with national philosophy of Albanian owners with Albanians in general.

However, there are other factors that may influence both groups being lower than the national average. These include micro-conditions in the local markets.

These banks are new enterprises and change is constant in this field. To work in the field requires a higher tolerance for insecurity. Also, there is increased competition. Even though there are 14 banks in Vlora, of the fourteen, some must be newer ones.

Growth in this field has been explosive in accordance with the needs of consumers for these services. As a conclusion there is a level of competition that increases the instability and the need to adapt in this absence. This brings a low level of avoidance of insecurity.

One final factor was the average age of the respondents. The average age of respondents to the surveys was 32 years old, very young by comparison to national standards. Those younger in the workforce may be more ambitious to move forward and to learn the secrets of the work experience since they lack the experience. They are more likely to take on risks to advance themselves.

Masculinity vs. Femininity

This cultural dimension refers to the existence of inequality between genders in a society. Masculine society^{ix} focuses on the security of material goods whereas feminine society focuses on the softer values like education, security, quality of life, etc...

Project Globe provides important information about the dimension of masculinity or femininity in culture. The project splits this dimension into 2 components.

- Equality between genders that refers to the parts played by genders given in society
- The quantity in which masculine values, like monetary gain, competition are expressed in society

According to project Globe^x, Albania has a value of equality between genders of 3.65 which is higher than the average. This is expressed by the equality of genders sought under communism before 1990.

Instead, in terms of masculine values, Albanian society according to Globe, has an assigned value of 3.2 which could be called high tolerance compared with other countries of high masculine culture.

In fact, Albanians are given towards material goods both men and women.

In the survey performed, in which questions about gender equality and material values asked in banks of Vlora, the results were:

- Albanian owned banks – 4.3
- Foreign-owned banks – 5.3

On a scale of 0-7, 0 was assigned a value of inequality between genders and 7 was complete equality between genders. It is evident that both groups have high levels of equality between the genders.

This result is a surprise because with the emancipation of Albanian society and the increase in well being, females are an active force of society.

They contribute significantly in producing incomes for their families and they pursue opportunities just as the men do.

Traditional family roles where the husband works and the wife takes care of the children are now broken. Now, both parents serve as providers for the family unit.

Of the employees surveyed, 87% had college degrees. Also, 78% were women.

They inherently have an interest in working and they have an inherent basis for wanting equality regardless of traditional gender roles.

Ascription vs. Performance

Status in society is an important factor that affects social structures.

In some cultures, status is assigned accordance with personal performance which will further influence the person for further accomplishment^{xi}.

Conversely, some cultures define status based on social class, family, age, gender and education.

Albanian culture is traditionally defined by the second presented model. Family itself serves as the foundation of social status.

When comparing the banking groups, the banks owned by Albanians show that 43% of employees achieved their positions strictly by their personal accomplishments.

By contrast, 63% the employees of the foreign-owned banks believe that they have their positions based on performance.

28% of employees in the Albanian owned banks think they have obtained their positions based on family background alone.

In the foreign bank group, there is only 8%. In the Albanian-owned banks, 39% think it was a combination of both. It was 29% for foreign-owned banks.

EXHIBITS 1: ACCOMPLISHMENTS VS. CIRCUMSTANCES

Banks with Albanian owners have a higher percentage of trust by comparison to foreign banks. This is based on the premise of family background leading to the acquisition of positions. We believe that the directors of the employee selection process have been affected by the circumstances of knowing family members as opposed to individual accomplishment making it possible for job acquisition. Further, companies owned by foreigners are highly influenced by the individual achievement, a common trait of the West.

Individualism vs. Collectivism

This cultural dimension is used to identify both the role and importance of the group in society^{xii}. According to project Globe^{xiii}, Albania has a value of 5.62, a relatively high value by comparison to its neighbors. For the banks, a scale of evaluation 0-7 was used with 0 representing individualism and 7 representing collectivism.

- Albanian-owned banks rate 4.8
- Foreign-owned banks rate 5.1

We can see that between them, there is only a small difference. Both models are supported by the idea of collectivism.

This has occurred probably due to the strong effect of nationalism on the culture where the group overall plays a very important role.

In both banks, Albanians are employed. As such, it is probable that these answers represent the underlying collectivism values held by the employees regardless of ownership.

Albanians in groups tend to secure professional relationships with each other and generate a high spirit of teamwork and collectivism.

It appears that this is encouraged by the directors of the banks to ensure high quality working practices with the purpose of deriving high performance results.

Affective vs. Neutral

Trompenaars^{xiv} recognized culture is affective and/or neutral based in the amount of feeling that can be expressed. The scale in which emotions are expressed are considered scales of friendship. Relations ultimately are influenced by culture.

Members of a neutral culture tend to control and own emotions. On the other hand affective culture is accompanied with the expression of emotions and feelings. Albanian society tends to be an affective culture^{xv}. From the study in the banks a scale was used (0-7) where 0 represents neutral culture and 7 represents an affective culture.

- Banks with Albanian owners had a rating of 3.8 points
- Banks with foreign owners had a rating of 2.6 points

Banks with Albanian owners are more affective than banks with foreign owners. Why did this happen? Branches of banks with foreign owners are under the effect of foreign owners which tend to express their neutral outlook on the conduct of business.

When visiting these banks, it was noticed that employees always tended to be busy, lunch times had discrete timeframes and independent from each other, which leads to the impossibility of expressing their worries or emotions.

The information systems are online which increase the surveillance of the employees of the branches from their headquarters.

This means that employees are oriented from initial employment not to express emotions or show expressions of worries with colleagues, even though they are Albanian.

Orientation vs. Human Nature

Strodbeck and Kluckhohn state that cultures differ in the way they define human nature. According to them, cultures are divided into three groups depending on their orientation towards human nature and what people collectively think of it.

If human nature is good, bad or any other condition is a function of any given situation.

The way people define human nature depends fully on the construction of social relations amongst the members of the group, on the structure of society itself and on the relationships of its own members with members of other cultures.

With regards to the banks, trust was the underlying principle analyzed.

Employees were asked if they trusted their co-workers or if given the chance, would a fellow employee take advantage of them.

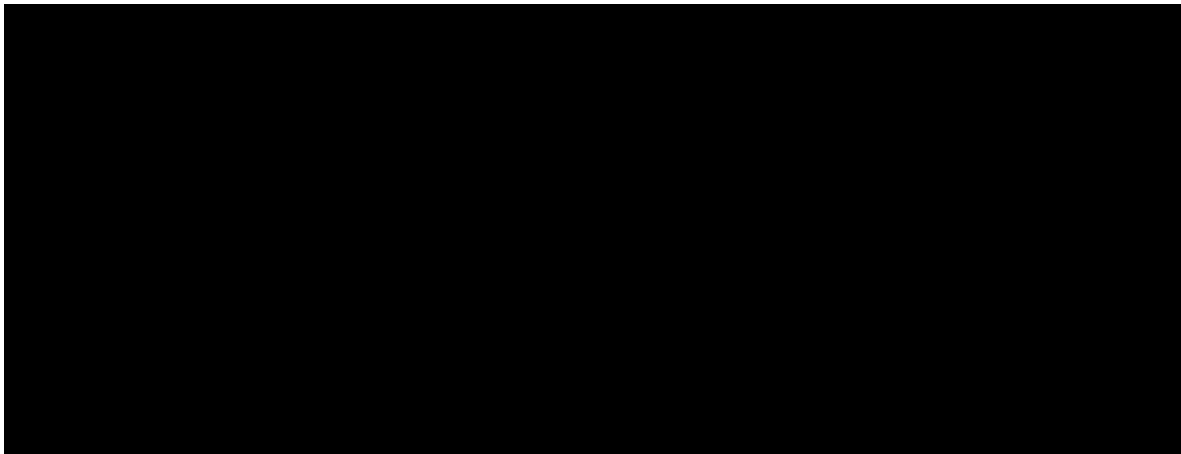
For the Albanian owned banks, 32% trust, 35% do not trust and 32% trust in some cases only. By contrast, in the foreign owned banks, 25% trust, 40% do not trust and 35% trust in some case only.

In the banks, those banks owned by Albanians have a higher percentage of the workforce that trusts their fellow workers.

We believe this to be a function of both understanding the underlying nature of the people owning the banks (as is the case with the Albanian owners) and the role of collectivism. In the banks owned by foreigners, the percentages are lower.

This could be the result of a longer hiring process, employees accomplishing job attainment on their own.

EXIHIBIT 2: TRUST BETWEEN CO-WORKERS



Rules vs. Relations

Some societies that have high scales of avoidance of insecurity create regulations, procedures and standards for daily operations to minimize insecurity and ask members to participate in them.

Trompenaars^{xvi} characterized these societies as universalists.

On the other end of the spectrum are societies in which there are no regulations or procedures but rather relations that affect social activities.

But referring back to the study of the banks with Albanian owners note that 80% of those surveyed expressed that the contract are final vs. the banks with foreign owners stating that contracts were final 91% of the time.

The reasons for these purposes are:

- Banks in Vlora are branches and they cannot be independent from the headquarters. Their structures are vertical so it is worked more with the final contracts. It appears this the tendency in both groups regardless of ownership.
- Since the political and economical risk in the country is high, especially after 1997 and especially in the Vlora banks where they have reduced their lending. This has effected in the increase of the procedures for it and toughness of the procedures. So it is understandable that why banks operate with fixed constraints.

CONCLUSIONS AND RECOMMENDATIONS

This thesis presents aspects of banking culture in the Vlora, Albania, the influence of foreign ownership, and the role of culture during the period of globalization in banks of Albania.

- Albanian culture is characterized by a low distance to power. This is best characterized by banks with Albanian owners. There is a tendency of increased distance to power when Albanians work with foreigners. This is suggested in banks owned by foreigners.
- Avoidance of uncertainty as a result of many circumstances was high. Banks with foreign owners show low tendencies of avoidance of security. These tendencies are also shown in Albanian banks but it is lower.
- Albanian culture is oriented by relations. However, there are now tendencies towards rules and interfaces with new cultures.
- Albanian society tends to be collectivist by group by emphasizing the role specifically played by the group. This finds acceptance in both bank types as both benefit from a collectivist approach to work.
- Albanian cultures in banks have strong masculine attributes. There is a difference in the definition of status.
- In regards to orientation of human nature, there are tendencies in difference towards trust and doubt among the staff. This may be stimulated by high competition amongst them.
- There are tendencies of affective culture where feelings are transparent vs. a culture more natural which is affected by other cultures and by conditions of work design.

In conclusion, we can state that important changes of Albanian culture are under the effects of foreign cultures and the period of transition that is underway in Albania. Collectively, these have significant impact on the work environment for Albanians in both foreign and Albanian owned businesses.

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***STRATEGIC HUMAN
RESOURCES
MANAGEMENT
ORGANIZATIONAL
BEHAVIOR***

A MODEL FOR MANAGING HUMAN RESOURCE COMPETENCIES STRATEGICALLY

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ABSTRACT

The current approach to build a Human Resource Management system in a company is the competency-based approach. It helps organizations focus on what is needed to succeed in today's competitive business environment. For a sustainable competitive advantage, strategic management of every company resources, together with Human Resource, is of vital importance. As Human Resource is the one that drives other resources in the company, it is the first to be managed strategically. The need to manage the Human Resource strategically and to do it competency-based necessitates a joint approach to the system. In this paper, we suggest a model for managing Human Resource competencies strategically.

COMPETENCY-BASED MANAGEMENT OF HUMAN RESOURCE

Today's fast-changing competitive landscape requires that the basis for recruiting, selecting, and compensating employees is their competencies. Competencies can be described as behaviors that distinguish effective performers from ineffective ones, can include motives, beliefs, and values, and are generally representative of the tasks and activities used to accomplish a specific job (McLagan, 1996;61). Groups of competencies typically include knowledge, skills, abilities, or characteristics associated with high performance on the job. Knowledge is the understanding needed for a particular subject or process, while the skills would include both the technical and non-technical requirements to accomplish a task. Abilities are those appropriate on-the-job behaviors needed to bring both knowledge and skills to bear (LeBleu and Sobkowiak, 1995;8).

The roots of competency models date back more than 20 years, and represent a process that was popularized by the late psychologist, David McClelland (Lucia and Lepsinger, 1999:3). A competency model describes the particular combination of knowledge, skills and characteristics needed to effectively perform a role in an organization and is used as a Human Resource tool for selection, training and development, appraisal and succession planning (Lucia and Lepsinger, 1999:5).

The construction of a competency model calls for the correct identification of the critical competencies required for effective performance. In order to achieve correct identification, the designer of the model should first develop an approach to analyze the company. Building a so-called competency model based solely on the beliefs and opinions of a group of people can rarely produce the expected outcomes. (Gaudet et al., 2003;23).

Briscoe and Hall (1999) postulated that there are at least three approaches for competency model development after they looked at 31 leading North American organizations with strong involvement in executive development efforts to obtain their data: Research-based, strategy-based and values-based (Briscoe and Hall, 1999;38).

A research-based competency framework relies primarily on two basic approaches; "Behavioral Event Interviewing" and "interviews or surveys with executives or Human Resource professionals on the executive skills critical to their current performance." Behavioral Event Interviewing involves interviewing selected executives because of their top performance. These executives describe "critical incidents" that exemplify the keys to their success. Briscoe and Hall noted that 12 of the 31 companies in their study used this approach (Briscoe and Hall, 1999;39-40).

The strategy-based approach sets competencies for the organization based on the future needs of the organization, not past competencies. These strategic level competencies allow for rapidly changing environments including technological fields. In the study, 9 organizations directly used the strategy-based approach and several others gained some indirect benefit as well (Briscoe and Hall, 1999;40-42).

The values-based approach applies “idiosyncratic, normative, or cultural values to construct competencies.” Using this definition, Briscoe and Hall discussed the possibilities of using formal or informal values to construct the competencies needed. The method included asking the senior executives to write specific desired requirements in order to use the exact language in competency formulation. There were 4 of 31 companies that used this technique directly and at least 5 more out of the 31 that partially used this technique (Briscoe and Hall, 1999;42-43).

Uyargil (2004) also mentions about these three approaches. Neither Uyargil’s nor Briscoe and Hall’s study mention about a model or methodology for implementing these approaches. They compare advantages and disadvantages of them. In Uyargil’s study, as well, it is clear that the only strategy-based approach suggests a forward-looking structure and other two approaches are predicated generally on company’s achievements in the past.

CREATING A STRATEGY-BASED COMPETENCY MODEL

The development of a strategy-based competency model starts with understanding the strategy formulation process. There are mainly two different approaches to strategy formulation process in the Strategic Management literature. During the 1980’s, the principal focus of interest was the link between strategy and the external environment. In the works of Michael Porter (1980), analysis of the industry structure is the starting point of the process and then the company defines its competitive positioning relative to the competitors. It is an outside-in approach. On the other hand, the resource-based view’s starting point is the internal environment “resources” of the company. It also deals with the competitive environment facing the organization, but it takes an inside-out approach. This approach is more commonly associated with the works of Hammel and Prahalad (1990), Barney (1991), Grant (1991) and Peteraf (1993).

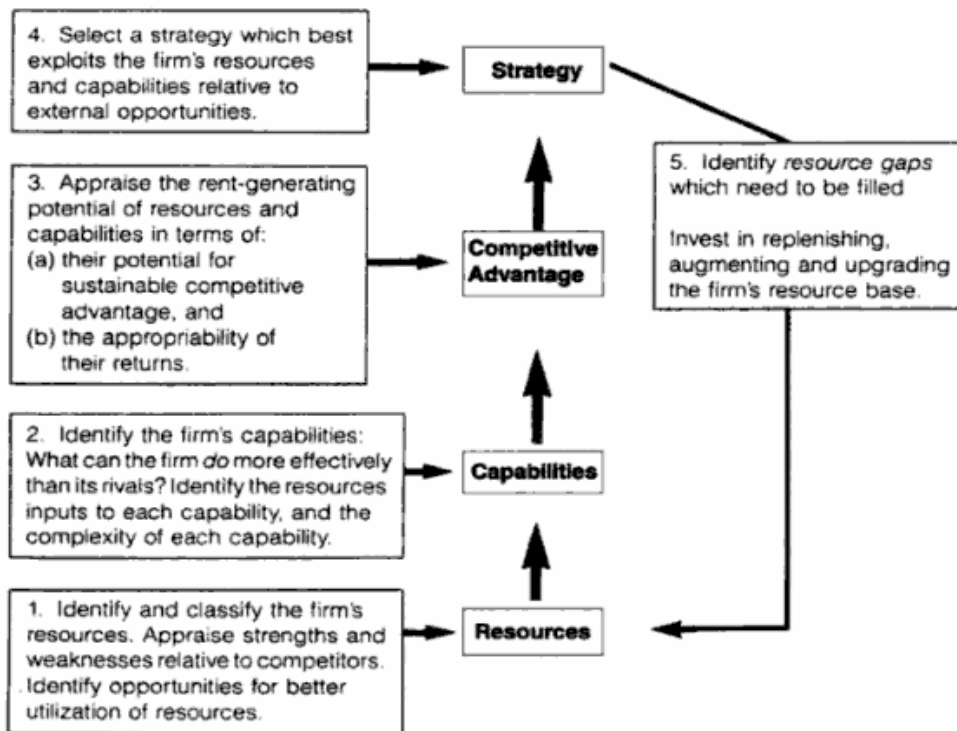
Because of its recognition of the potential for human assets of organizations to provide competitive advantage, many academic authors have applied the resource-based view to understanding the role of HR in organizations (Barney and Wright, 1998;31-32). For example, Wright, McMahan, & McWilliams (1994) used the resource-based framework to examine how a firm’s Human Resource can be a source of sustainable competitive advantage. Lado and Wilson (1994) explored the potential for HR practices to be a source of competitive advantage. Snell, Youndt, and Wright (1996) attempted to integrate the resource-based view with the concept of organizational learning. Additional applications of the resource-based view to Human Resource are discussed in Jackson and Schuler (1995).

Barney and Wright (1998;33), employing the resource-based view of competitive advantage, made an analysis to provide executives in the Human Resource function with the tools necessary to analyze how they can manage the function to develop a firm’s people as a source of sustainable competitive advantage. They propose that to identify the value of a firm’s Human Resource to organizations as well as the proper role of the Human Resource function in managing the firm’s Human Resource to achieve such an advantage, the questions of Value, Rareness, Imitability, and Organization (VRIO framework) should be asked. They concluded that the VRIO framework, in addition to highlighting the important role that the Human Resource Executives plays, provides guidance for them in how to effectively gain and maintain the role of strategic partner (Barney and Wright, 1998;43).

As Human ‘Resource’ Management being the focal point, the resource-based approach gives us more opportunity to explore the capacity of the Human Resource to create competitive advantage for a company. In this respect, the resource-based strategy analysis framework developed by Grant (1991;115) provides a practical tool to assess the contribution of the company’s resources to the strategy (Exhibit 1).

Grant’s framework (Grant, 1991;115) starts with the identification and classification of the resources. Grant accepts that there are 6 major categories of resources: Financial, physical, human, technological, organizational resources and reputation (Grant,1991;119). Company resources can be defined as an inventory of available factors that are owned or controlled by the firm. Resources are converted into final products or services by using a wide range of other firm assets and bonding mechanisms such as technology, management information systems, incentive systems, trust between labor and more (Amit and Schoemaker, 1993;35).

**EXHIBIT 1:
A RESOURCE-BASED APPROACH TO STRATEGY ANALYSIS:
A PRACTICAL FRAMEWORK (Grant, 1991;115)**



Capabilities are information-based, tangible or intangible processes that are firm-specific and are developed over time through complex interactions among the firm's resources. Capability refers to the capacity of a firm to deploy resources (Amit and Schoemaker, 1993;38).

According to Grant, there is a key distinction between resources and capabilities. Resources are inputs into the production process — they are the basic units of analysis. On the other hand, a capability is the capacity for a team of resources to perform some task or activity. While resources are the source of a firm's capabilities, capabilities are the main source of its competitive advantage (Grant, 1991;118-119).

Both in Grant's and Amit and Schoemaker's definitions, we see that the capability arises as a result of interactions among multiple resources. Only the human beings can make the other resources produce various capabilities and Human Resource gets the privilege of being the initiator of the process.

These capabilities lay the ground for the company's core competencies. Not all of the capabilities can be classified as core competencies. A core competency provides customer benefits, is hard for competitors to imitate and can be leveraged widely to many products and markets (Hammel and Prahalad, 1990;88). It is the management ability to make the resources interact through a value-creating process and come up with a set of core competencies that differentiate the company from the competitors and create competitive advantage.

At the strategy selection stage, the company will determine and declare its strategy as a manifesto of differentiation from competitors and a formula of sustainable competitive advantage. The top management should select a strategy which best exploits the company's resources and capabilities relative to external opportunities. They should be able to figure out the core competencies of the company and base the strategy upon it.

At the last stage, there is the identification of resource gaps which need to be filled. The management either exploits or creates new core competencies necessary to succeed in the competition. They should invest in replenishing, augmenting and upgrading the firm's resource base. Whenever needed, they should create, develop or acquire new resources in order to create new capabilities and hence critical company core competencies.

A Model for Managing Human Resource Competencies Strategically

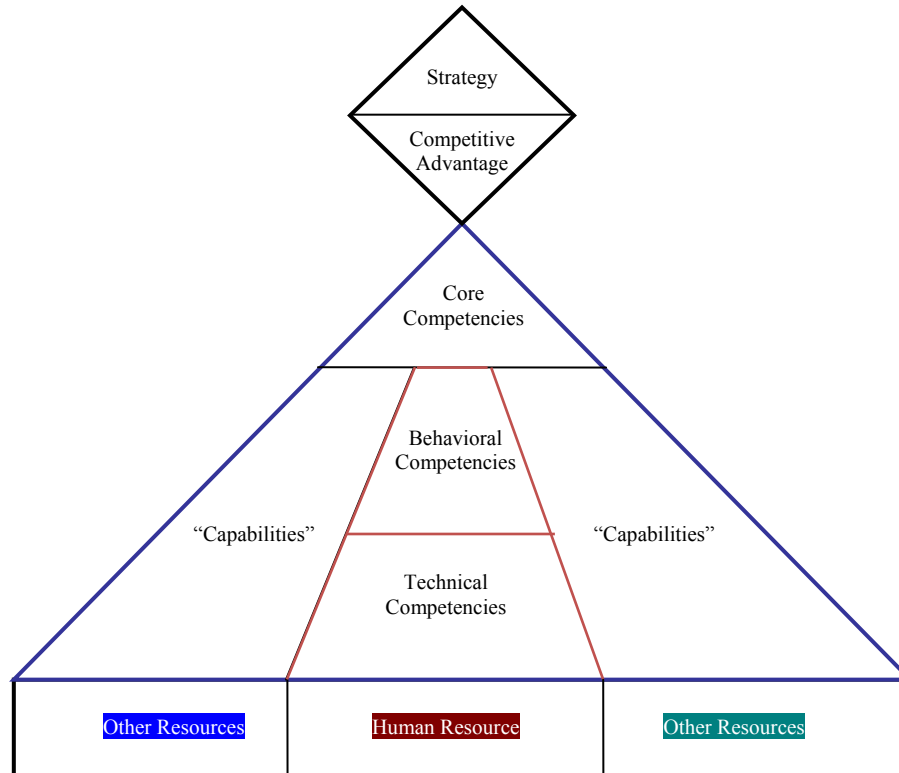
As a member of the top management, Human Resource Executive has an active role during the strategy formulation process, especially for the human related issues. Once the strategy is formulated, he/she will create the Human Resource competency model in accordance with the strategy requirements. In order to ensure the consistency between the strategy and what is needed to make it happen, there needs to be methodology designed in line with the strategy formulation process.

Taking Grant's framework (Grant, 1991;115) as the reference point and elaborating "capabilities" item from the point of view of competency modeling, a model can be developed as a guide for building a Human Resource competency model in relation with the company strategy (Exhibit 2). His framework helps the top management to formulate its resource-based strategy. It links company resources to the company strategy over the concept of the "capabilities". By the same way, the Human Resource's competencies are linked to the company strategy.

Our model uses the same structure with the Grant's framework. But, the process flow is not bottom-up but top-down. It takes the stage after the strategy is formulated. At the top of the model, there is the statement of competitive advantage of the company and its strategy. This statement is the manifesto of company core competencies. Core competencies are the collaborative products of company capabilities. Capabilities arise from the interaction of the multiple resources. Human Resource competencies will take the lead to initiate the interaction process between the resources, thus the company core competencies will be created. At the bottom of the model, there are the company resources together with the Human Resource.

In our model, we take a closer look to the Human Resource "competencies" section. This is the Human Resource competency model section incorporated into our extended strategic model. This incorporation demonstrates the interrelationships of Human Resource with other resources as well as the ones with core competencies and the company strategy.

**EXHIBIT 2:
A MODEL FOR MANAGING HUMAN RESOURCE COMPETENCIES
STRATEGICALLY**



Human Resource Executive ensures that the content of the competency model must demonstrate the competencies that employees must have, both now and in the future, to achieve the company's strategy. They must include the more general behavioral competencies needed for success in their organizational roles (e.g. leadership, teamwork), as well as the specific technical (e.g. industry specific know-how, ability to use a specific software) requirements needed. This two layer structure reflects the Human Resource's dual mission of being behaviorally oriented and technically skilled to create company core competencies by interacting / manipulating other company resources.

Technical competencies refer to competencies in employees' area of specialization and it can be defined as required skill and knowledge to do a particular job. (Rowe, 1995;13). They describe what people have to do in order to perform satisfactorily their job. The management of technical competencies has a strategic dimension as sometimes they take the form of industry-specific technological know-how. For example, if a company decides its strategy and changes its business model from wholesale to retail in order to expand in the global markets, it needs to develop retail know-how in order to continue to grow and become a strong global player. The retail related technical competencies like retail merchandising, range segmentation, store space management, shelf management, etc., should be acquired by the organization.

Behavioral competencies are the behaviors adopted when exercising a job. They describe how people do their job, therefore, define and evaluate personal behavior (Rowe, 1995;13). They can be defined as generic or company-specific. Defining these competencies generically would loosen their ties to the company's strategy. Not to cause this strategic mistake, they should be defined as company-specific and explained with specific behavioral examples in relation with the content of the strategy and the company culture.

Turning back to our example, retail operations need IT-intensive infrastructure in order to manage all product flows between and within stores. The company needs to have more IT literate and analytical minded Human Resource. Probably, "Analytical Thinking" will be the new or renewed competency of this company. Besides, competencies like "Customer Focus" must be redefined in transition from wholesale to retail business. In wholesale, resellers are the paying customers while in retail it is the end-user who pays the bill. There should be changes in the definition of the competency reflecting this difference.

If it would be a values-based or research-based approach of competency modeling, it would end up with a model that tells what to have to do wholesale business more effectively. On the other hand, if one starts with a strategy analysis and examines what to have to be successful in the competition, he/she will end up with a set of new or modified competencies.

The competency profiles should be defined to reflect necessary competencies to achieve best performance in implementing the strategy for each and every position in the company. Moreover, all the competencies included in the competency model must be aligned to support general Human Resource Management functions: career management, learning and development, succession planning, employee performance management as well as recruitment and staffing.

CONCLUSIONS

Strategic management of every company resource is about creating a competitive edge in the business environment. Human Resource is a very critical asset of companies and they try to make the most out of it. It is the only resource having the ability to initiate the creation of that competitive edge, if managed properly.

Today, proper management of Human Resource can be performed if it is based on competencies and handled strategically. Our model suggests an approach to make that possible. The parallel structure of the model to the Grant's strategy analysis framework (Grant, 1991;115) makes it easily understandable and can be put into practice parallel to strategy formulation process.

The alignment of the competency model with the strategy of the company through strategy formulation process makes the strategic verification of the competency model easier relative to that of values-based and researched based approaches. The built-in advantage of being forward-looking puts it in an advantageous position compared to the other two approaches as they generally are predicated on company's achievements in the past. It also gives it the flexibility of being sensitive to the changes to the business environment as it will be revised when the strategy of the company is changed.

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JOB ENRICHMENT AS STIMULUS TO EMPLOYEES OF B&H COMPANIES

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ABSTRACT

In the environment of increasingly aggressive competitors the successfulness of a company primarily depends on the knowledge, skilfulness and capabilities of its employees as well as their willingness and commitment in investing that knowledge and skills in achieving the strategic goals of the company. The motivation of the employees is extremely important for the effectiveness of the company's processes and recording of positive results. This paper aims at proving that the satisfaction and motivation of employees are conditioned by the features of the working environment but primarily by the features of their jobs. The analysis has focused on the key dimensions of a job, which are related to its motivating potential. Here in we have applied Hackman-Oldham's model of job motivating potential as a methodological framework for the analysis. The comparative analysis of the specialising and motivating approach to job designing, as an integral part of the theoretical research, has brought us to the conclusion that employees are more motivated for performing jobs that are creative, significant for the organisation's success, require great knowledge and skills and secure for their performers the freedom, independence, possibility of making decisions and precise feedback on the results. The empirical research that has been carried on through filling of questionnaires by B&H companies provided us with an analysis of the existing fundamental job features in the light of job enrichment practice. Based on the results of both the theoretical and empirical research, the top management of the companies as well as their HR managers may be recommended the non-material strategies of employees' motivating through job design and primarily through the vertical job expansion according to the Hackman-Oldham's model of job motivating potential. If a job includes several different tasks and skills, responsibilities and autonomy, the employees are given more opportunities to apply wide range of knowledge and skills. That does not contribute only to the individual upgrading and developing of employees but also to the organisational.

INTRODUCTION

Considering the contemporary turbulent and dynamic circumstances, the maintenance and development of a company greatly depends on the productivity and innovativeness of its employees. It is unquestionable that the most productive and innovative employee is the one who is willing to engage himself/ herself completely and accept the company's goals as his/ her own. Therefore, in the era of increasingly aggressive global competition, almost all companies look for the opportunity to stimulate the willingness (commitment) of their employees to invest their efforts in achieving the defined goals. From the aspect of leaders it means that, besides performing their usual managing functions, they have to motivate their subordinates. Today's employees are qualified and self-confident and they perceive their work not just as a mean for satisfying their elementary existential needs but as a constituent of their personal development. Being observed in that way, the work itself interweaves with the individual goals of employees. Thus, the working tasks, being designed as to help identification of the employees' individual goals with the organisational goals, provide for recording of high working productivity along with satisfying of the employees.

Throughout the paper one question arose: How to create an interesting and challenging job, whose attractiveness would contribute to the employees' satisfaction and enhance their motivation and commitment? Searching for an answer to this question we have started from analysing the influence that the professional satisfaction and motivation may have on a company's efficiency. Further on, we have considered the approaches to job design, the motivating strategies based on job design and Hackman-Oldham's job motivating potential. The key job dimensions, based on Hackman-Oldhman's model, have laid foundations for the empirical research on job motivating potential of B&H companies in the second part of the paper. The final part hereof presents the conclusions that have been made on the grounds of theoretical and empirical research, as well as the recommendations for job design intended for securing higher satisfaction, i.e. better motivation and therewith related long-standing sustainable competitive advantages of a company.

PROFESSIONAL SATISFACTION AND MOTIVATION

The term motivation is brought into line with human needs as an inner physical or psychological state of imbalance and/or lack of something. This lack, i.e. the unsatisfied need creates a desire in people, which stimulates them to act. Therefore, if we note that some employees eagerly perform certain activities, we come to the conclusion that they are driven by a desire to achieve some goals which they perceive as valuable. These instincts may have their source either in a very individual – which is internal motivation, or in other persons – which is external motivation (Osterloh, Frost, 2000; 193).

As soon as the action results in satisfying of the desire, the pleasure appears. Thus, it may be said that motivation is an effort employed in satisfying of desires and goals, and pleasure is a feeling that one experiences when he/ she satisfies a certain desire. Motivating is a managing process that influences human behaviour based on the facts we learn about causes of certain human behaviour. When managers motivate their subordinates it means that they do things which should stimulate the subordinates to behave in a favourable manner. Every manager ought to use motivators to make an impact on the employees' commitment in performing jobs and/ or working tasks successfully.

Very often and without any hesitation we say that there is a positive correlation between the professional motivation and satisfaction, while the relationship between professional satisfaction and motivation itself is not clear at all. The satisfaction is usually defined as a positive emotional state implying dissolving of the tension caused by a certain need. In the light of Maslow's concept of hierarchy the satisfaction does not bear any motivating potential (Maslow, 1954). On contrary, the motivation springs out of a tension that has its roots in an unsatisfied need. Satisfaction is only a short-lasting state which disappears in front of a new need and/ or tension.

According to Herzberg, professional satisfaction should rather be considered as an indicator of the great professional motivation, whereas we imply a positive state in which the needs relevant for job are mostly satisfied (Herzberg, 1964; 57). Theoretically, there is a very important question; what is the source of satisfaction or more precisely, which circumstances precondition the professional satisfaction of an individual?

Professional satisfaction is a proportion between what is expected as an ideal satisfaction of the needs, related to one job position, and the reasonable possibility of satisfying those needs. The benchmarks for evaluating the necessary (ideal) and the current state are generally determined through comparison. Namely, the individuals answer the questions on their satisfaction with job by comparing their own abilities to satisfy their needs with the referent ones. Awareness of the other comparable people's abilities contributes to growth or fall of a person's professional satisfaction, whereas the feeling of impartiality plays a significant role. Numerous instruments have been developed for measuring the professional satisfaction (Steinmann, Schreyoegg, 2005; 569-571). In general, we may differentiate the qualitative instruments that apply the principle of special context of questionnaires and the standardized quantitative scale that takes into consideration the generally applicable job requirements. The first group includes Herzberg's method of critical events. One of the constituents of the second group is the job descriptive index.

A great number of empirical researches have confirmed that the growing professional satisfaction decreases fluctuation, absences and failures. However, they have provided no empirical evidence on the thesis that is strongly advocated by human relations movement, stating that every professional satisfaction increases productivity. The reasoning points out an important impact of factors such as difference between interests of individuals and organisation, education, capability, etc. Yet, the main cause should be found in usually non-existent instrumental connections between the productivity and professional satisfaction. Therefore, this means that the thesis has been misinterpreted; the satisfaction does not contribute to the results but splendid results contribute to the satisfaction.

At this point it should be interesting to highlight the generally significant relation between the professional satisfaction and cooperative behaviour. More professional satisfaction makes the employees of an organisation more cooperative. Employees will be significantly more motivated for performance of their jobs if the jobs comply with their visions of personal career's development. In the last few decades the changes in the social-economic circumstances dramatically changed the very concept of career's perception and development, contributing to creation of new career management models (Arthur *et al.*, 1999) such as boundless career (Arthur, Rousseau, 1996) and protean career. According to the new motivation concepts the

satisfaction of employees is influenced more by the factors including personal competences development, recognition and appropriate evaluation of results by colleagues and superiors, opportunities for learning and career developing than by the status, salary, etc. (Arthur *et al.*, 2005). These facts emphasize the need for employees' development based on the so called Inter-organisational mobility (Arthur *et al.*, 1999; Valcour, Tolbert, 2003). The vertical career rise and/ or climbing up the organisational scale, as well as the material techniques of awarding are still dominant in many B&H companies, which will be elaborated in more detail further below. On the other hand, according to the carried on research, there are no elements confirming the horizontal career advancement.

Job Design as Non-material Motivating Strategy

Each person's individual motivation depends on the job he/ she performs. For many people their job is their most important activity on which they spend a half of their active hours. An interesting and challenging job raises the motivation for its performance while monotony is one of the greatest enemies of professional motivation. The concept of management, defining the manner of job designing, appeared with Taylor's concept of work efficiency and has been developing into the modern management. "Job designing is a process of determining the job's scope (the diversity, autonomy, complexity and integrity of tasks), its functions (responsibility, authority, information flow, operating methods and demands for coordination) and social relations at work, with an aim of achieving the organisational goals and satisfying the individual needs of its performers" (Bahtijarević-Šiber, 1999; 669). The contemporary professional literature points out two approaches to job design; the specially oriented approach and motivational approach. The specially oriented approach reduces working activities to just few operations which produces negative consequences on the individual psychology and causes decrease in qualification, lack of interest, apathy, boredom, fall of motivation, alienation and other negative effects. Therefore, many companies across the world have reconstructed their line technologies, improving the job organisation as well as the integrity and responsibility required by working tasks. The motivational approach is founded on the intensive motivation, which implies more diversity, complexity and autonomy of tasks but also higher responsibility and authority of the employees. A job designed in such manner brings higher productivity and better quality of products and services, while in the same time it reduces the rate of fluctuation and absence, increases flexibility and creativity. Simply, it contributes to the growth of professional satisfaction.

The lateral changes in jobs in an organisation imply changes in job descriptions, yet they need not be accompanied by changes in salaries, status or level of liability. Contrary to the vertical rise, the lateral advancement is based on the knowledge and skills of employees contributing to the development of competences. Many «flattening» organisations stimulate the lateral advancement, considering it necessary for gaining experience before getting an opportunity for the hierarchical advancement. Job enrichment, which is often called growing in place, actually relates to revival of the employees' interests in their jobs by replacement of the rigidly defined and narrowly specialised jobs with job positions that enable the employees to be more liable and autonomous. Job enrichment is a good solution for the employees who do not want to leave their current job positions in the organisation, since job enrichment offers them an opportunity to enlarge their liability and autonomy in performance of their current jobs and establish more productive relations both with their colleagues and customers.

Managers are especially challenged to create a motivating strategy that would be based on designing individual jobs. The theory assists them significantly in that undertaking, offering them the two elementary ways of motivating, each having its grounds in job design. The first way aims at reducing the negative impact on motivation that is caused by specialised, simple and recurrent operations. This may be achieved by rotation and enlargement of jobs. The rotation at work denotes periodical transfer of people from one specialized job position to another, while enlargement denotes complementing of a job with similar tasks but without adding to responsibility (Springer, Schulz, 2007; 71). Hence, the restructuring of job positions does not include introduction of making decisions or control but amplification of tasks. Rotation and job enlargement are not especially important concepts that significantly contribute to growth of motivation. To motivate employees and/ or to increase the job motivating potential it is much more preferred and efficient to apply the second approach, i.e. to enrich jobs.

Hackman-Oldham's Model of Job Motivating Potential

Job enrichment focuses on strengthening the feelings of challenge and achievement. It is a process that enlarges jobs vertically by complementing them with several different tasks and skills, as well as

responsibility and operating autonomy (Gulati, 2007; 101). The key feature of this process is giving back to employees the numerous activities such as planning, deciding, controlling, etc, in a way that enables applying of employees' knowledge and skills and provides for their individual upgrading and development.

Job enrichment is related to Herzberg's theory of motivation that considers factors like challenge, award and responsibility the real motivators. The development of concept of job design has not been advocated by Herzberg only, but also by Hackman and Oldham. Their contributions have been both theoretical and practical. Creating the famous Hackman-Oldham's model of motivating potential (1980; 90) they have underlined the fundamental human needs as well as job dimensions which provide for satisfaction of those needs. The fundamental job dimensions related to the job motivating potential include the following:

- Diversity of skills (to complete tasks it is necessary to be able to apply different skills and knowledge);
- Identity and integrity of tasks (employees are able to complete whole tasks and observe their results);
- Significance of tasks (influence on other people within or out of organisation and influence on the successfulness of group and organisation);
- Autonomy (independence and right on making decisions on planning and performing job) and
- Feedback – direct and precise information on the business results and efficiency.

The mentioned authors have developed a diagnostic questionnaire and formula for calculating the job motivating potential (JMP):

$$JMP = \left[\frac{DS+IT+ST}{3} \right] \times (\text{autonomy}) \times (\text{feedback})$$

DS- Diversity of skills
 IT- Identity of tasks
 ST- Significance of tasks

There are numerous practical examples (Volvo, Texas Instruments, AT&T, as well as Procter&Gamble) that confirm the positive results of job enrichment, such as more completed work, less mistakes, significant fall in absence, improvement in attitudes to work, growing satisfaction with job and personal development (Wiehrich, Koontz, 1994; 479-482). However, there are also important limitations to implementing these measures. One of them is technology since with great specialisation and production line it is not possible to enrich each job. Limitations may also consist in costs and wish of very employees to change the scope of their work. In the same time employees may experience fear of loosing their jobs. Job limitations mostly appear with jobs that require low qualifications.

To use this measure for motivating employees an organisation has to perceive the actual desires of its employees. In addition, employees have to be aware of aims of job enrichment and the benefits that they may gain from implementing those measures. No measure should be introduced in a way that employees feel like being excluded and isolated; they should be given an opportunity to give their own suggestions. Employees should feel that, while introducing each measure, their top management takes care of them and their desires. In addition, employees should continuously be informed on the results they achieve. Otherwise, if a job is not designed as to provide satisfying of employees' needs, i.e. if the expectations of employees, relating to job position and working environment are not met, organisations face stressful situations. Today, stress is considered as the main cause of many problems in organisations, as well as the cause of some specific diseases appearing with employees, such as cardiovascular system diseases but also mental diseases.

EMPIRICAL RESEARCH IN JOB MOTIVATING POTENTIAL OF B&H COMPANIES

The following part of the paper concentrates on analysing job enrichment as stimulus for employees. While carrying on the research we have focused on finding out what is job design like in B&H companies, does such job design have a motivating impact on the employees and do they feel that their potentials (the recognized and applied knowledge and skills) are directed towards creating values and strengthening competitive positions of companies. The management of B&H companies may use the opinions of the employees as a guideline in redesigning and/ or restructuring of jobs.

Sampling

Our research has included 64 companies from different branches: food industry, textile industry, wood and timber industry, construction, mechanical engineering, insurance companies, financial companies, trade and catering. Considering the size of companies, which has been measured by the number of their employees, the structure of the companies under review has been dominated by small companies (with 59%), then follow medium companies with 28% and big companies with 13% share. The research has been carried on through a questionnaire that has been filled in by the employees chosen by random sampling. The first part of the questionnaire has related to general information like gender, age and qualifications, while the second part of the questionnaire related both to the factors that influence the professional satisfaction and increase motivation and their dependence on job enrichment. The very questions have been based on the fundamental job features according to the Hackman-Oldham's model of job motivating potential. The respondents have been asked the YES/ NO questions as well as the questions on the fundamental job features, where they have been asked to what extent those fundamental job features have been present with their jobs. For the purpose of defining the extent the respondents have been offered the scale from 1 (denoting the minimum presence) to 5 (denoting the maximum presence).

In the structure of the respondents we have not noted any significant disproportion between men and women; the proportion has been 56:44%. The age structure of employees has consisted of three categories; the first ranging between 18 and 30 years, the second between 30 and 45 years and the third including employees older than 45 years. The most of respondents have belonged to the category ranging between 18 and 30 years, i.e. 26 respondents (which translates into 40%). 24 respondents (or 38%) have been in the second category ranging between 30 and 45 years and only 14 respondents (or 22%) have been in the third category. The most of respondents have had the secondary school qualifications (SSQ). The structure of respondents by their qualifications is presented on the graph 3 – The structure of respondents by their qualifications.

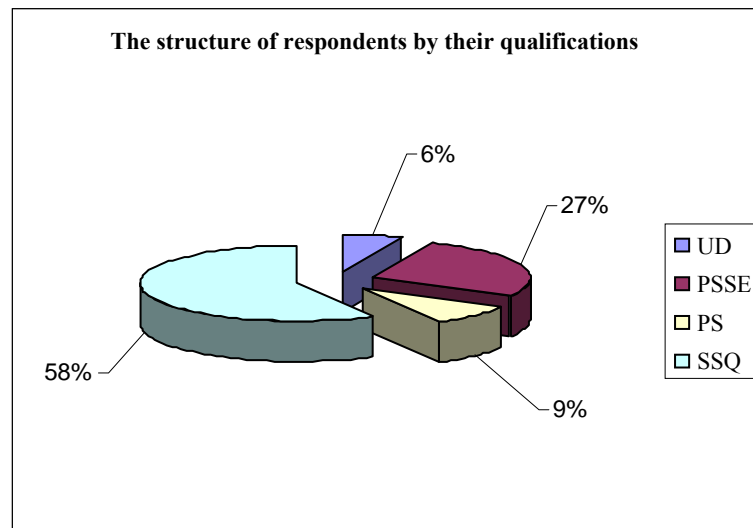


Figure1: The structure of respondents by their qualifications
(Legend abbreviate: UD – University degree; PSSE – Two year post secondary school education; PS – Primary School; SSQ - secondary school qualifications)

Fundamental Job Features of B&H Companies

The analysis of the answers to the questions from the second part of the questionnaire illustrates the fundamental job features of the companies under review and provides an indirect feedback on the acknowledging of the significance of analysing and designing jobs in order to satisfy employees and achieve greater professional success.

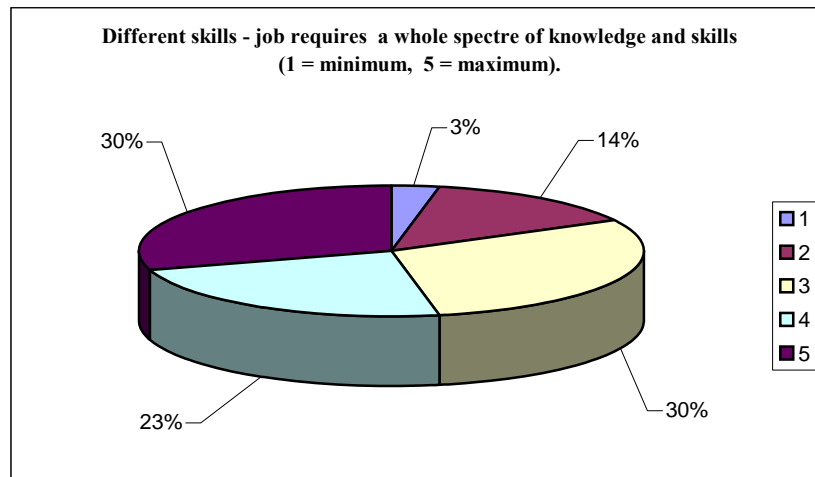


Figure 2: Different skills – job requires a whole spectre of knowledge and skills

The first fundamental job feature, interacting with job motivating potential, relates to the level of different skills that a certain job requires for performing the range of activities. According to the graph we may conclude that most of job positions in B&H companies require a whole spectre of knowledge and skills necessary for successful fulfilment of tasks. Therefore, more than 50% of respondents have marked this dimension with 4 and 5, while only 3% of them have described their jobs as monotonous and uniform jobs, whose performance requires application of only one or just few skills.

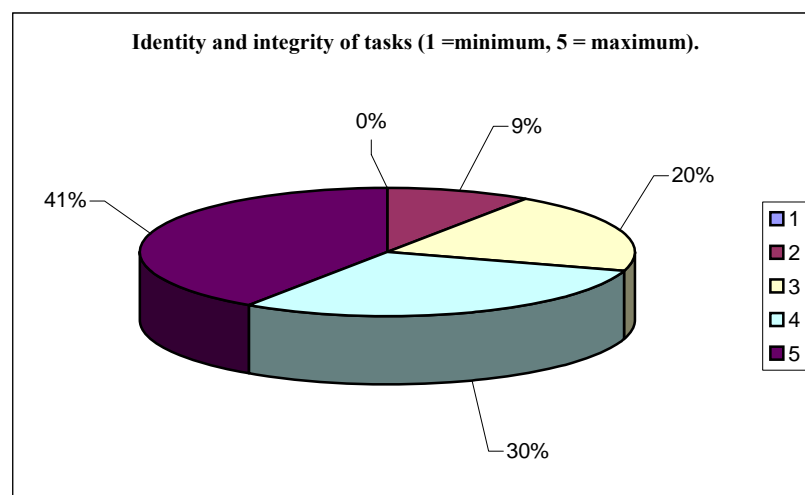


Figure 3: Identity and integrity of tasks

The second job feature (Identity and integrity of tasks) has confirmed presence of a more favourable situation in terms of professional satisfaction and motivation of employees. Even 71% of respondents have approved the integrity of their tasks, and/ or found it possible to identify themselves with their tasks and observe the results. None of the respondents (0%) has faced any professional demands which have been so disintegrated that the employee could not identify his/ her results.

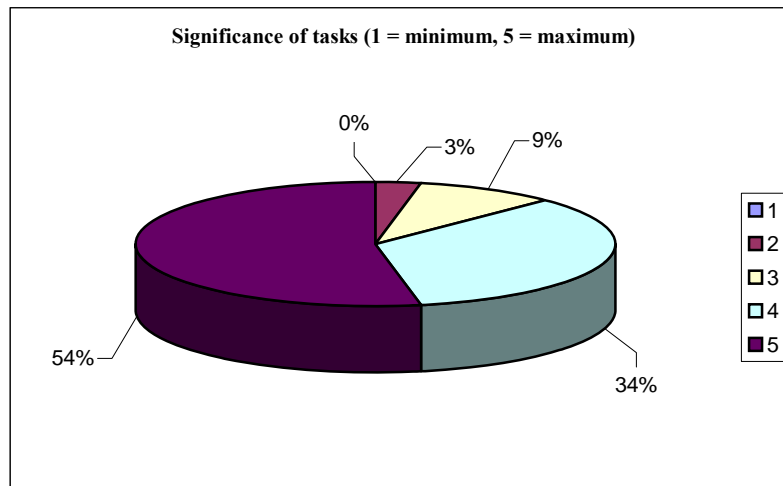


Figure 4: Significance of tasks

Significance of tasks: The questioning has been conducted by the method of random sampling in B&H companies, yet it is interesting that 54% of respondents have considered their jobs very significant for the organisations as well as influential on both the other people and the organisations' successfulness. Precisely, 88% of respondents have found their work quite significant, marking their jobs with 4 or 5.

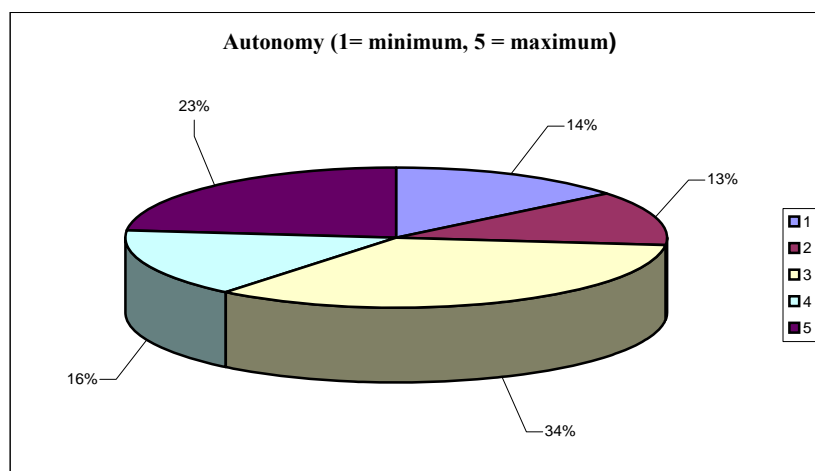


Figure 5: Autonomy

Autonomy: The respondents from B&H companies have assessed autonomy, which is the fourth key feature of job motivating potential, as somewhat lower or less present dimension. 14% of companies offer less than minimum autonomy. In other words, there is no right on decision making. To get a better picture of the employees' right to decide on plans and manner of performing jobs, please note that 60% of the respondents think that their professional freedom varies between the unsatisfying and medium. If we take into account the educational structure of the respondents, we may conclude that such an answer should not be either surprising or disturbing (9% of the questioned persons have primary school qualifications and 58% have secondary school qualifications). On the contrary, such feedback confirms that the respondents have seriously taken answering to the questions since it is reasonable that the employees from operational core (operational workers) do not have the conceptual abilities, necessary for making strategic decisions.

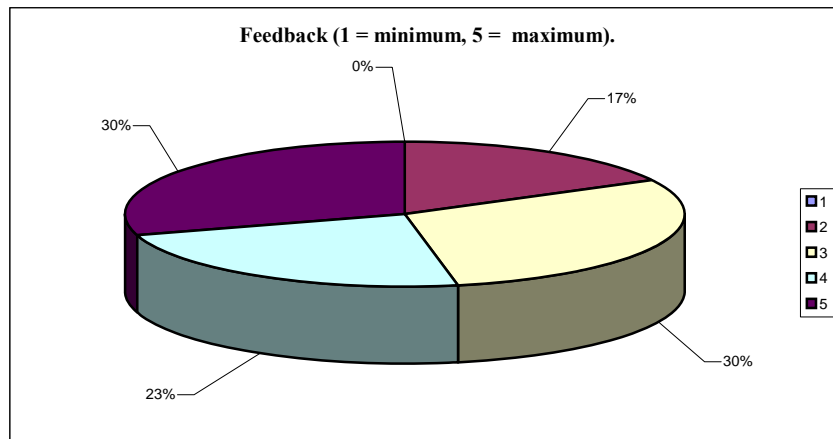


Figure 6: Feedback

Feedback: The respondents have stated that the direct feedback they get on their professional results and efficiency varies between good and quite regular. None of them has stated that he/ she does not receive or receives only the minimum information on operating results.

In addition to the analysis of the fundamental job features, while carrying on the research we have faced a special challenge of analysing the willingness of the respondents to accept more demanding and more complex jobs. We have also analysed their opinions on the significance of their current jobs. We find especially encouraging the fact that even 72% of the respondents are willing to accept a job which requires diverse knowledge and several skills. This is a signal that the observed companies are ready for changes and/or that there are grounds for establishing a strong organisational culture of "learning" organisation. The illustration no. 7 shows the answers to the following question: "Are you willing to accept a job that requires diverse knowledge and several skills?"

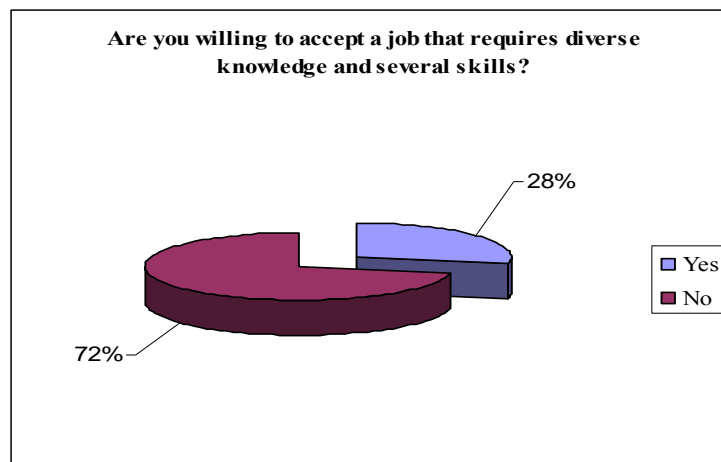


Figure 7: Are you willing to accept a job that requires diverse knowledge and several skills?

The existence of possibility to establish learning organisations is also confirmed by the data that 83% of the questioned persons feel that their potentials are not used in the right way, and all of them (100%) think that they may be more efficient. Such feedback may be considered a chance or potential for creating better future of organisations. On the other hand, it also signals that until now, the managements have not been able to recognise and strategically use human potential. That means that HRM has not been applied appropriately. However, by conducting more detailed analyses we have found out that utilising of skills meets the current professional needs. When we have asked people whether the jobs they perform give them an opportunity to develop their ideas and creativity and introduce some innovations, we have received a worrying answer. Many jobs are of recurrent nature and they do not encourage new ideas, creativity or constant innovating. 38% of the respondents think that the „responsibility“ for such situation lies with very jobs and/or managers, and even 9% of them stated that they are not creative at all. 53% of the respondents think that they are capable of innovations.

The above stated answers are also an important signal to the top management of B&H companies, pointing out that they should not concentrate only on the current professional requirements, but they should also be capable of designing jobs of tomorrow and stimulate development of employees' skills that would enable them to meet those future requirements. This is one of the ways that could lead to harmonising of individual and organisational goals and/or to achieving both the satisfaction of employees and successfulness of organisations. In the future, B&H companies should focus on stimulating their own internal labour market and developing new concepts of career making and motivation increasing.

CONCLUSION

In the era of globalisation as well as dynamic and turbulent changes of circumstances, the creation and long-standing maintenance of the competitive advantages of each company primarily depend on the knowledge, skills and capabilities of its employees but also of their willingness to use their knowledge for achievement of the defined goals. The employees' commitment to their work and tasks is proportional to their satisfaction and motivation that are significantly conditioned by job features. A job which, by its very design, requires from employees to apply diverse knowledge and skills, which is coherent and relevant for company's successfulness and which offers to its performers freedom, independence, right on deciding and transparent feedback contributes to the better engagement of employees, reduces fluctuations and absence and strengthens the feeling of loyalty to an organisation. According to the Hackman-Oldham's model, the listed job features are key dimensions of job motivating potential.

The pieces of work treating the (strategic) management of human resources often point out the gap existing between the strategic formulation of human resources management and actual implementation of the strategies. The more and more importance is attached to the requirements that employees have to meet in order to implement the defined strategy. Human resources should bring competitive advantages to their companies. Those advantages should be rare, difficult for imitating and simply irreplaceable. HR practices may affect the final results by shaping the behaviour and attitudes of employees, and high performance may be achieved also by creating of conditions in which the employees would be very actively engaged in organisation's operating and willing to work hard on achieving the company's goals. The latter way, implying the high level of employees' participation in companies, has been found scarce in B&H companies. According to the random sample included in the research, the respondents opine that they have potential, creativity and willingness to work harder, yet they also think that they have not been given any opportunity to apply these abilities in their full swing. Therefore, one of the following researches will consider the attitudes of the companies' managements in terms of their support and conditions they are ready to create in order to contribute to their employees' development. To achieve the synergic effects, managers should systematically and constantly work on bringing about the climate that would emphasize both the individual and organisational potentials and provide for achievement of both the employees' and organisations' goals. Anyway, B&H managers and employees should be aware that most successful companies have employees whose personal goals completely comply with the goals of the companies themselves.

Both theoretical and practical researches confirm that the model of job motivating potential is an important basis for managers in job design which is considered a non-material strategy of motivating employees. The results obtained through an anonymous questioning of the employees in B&H companies show that all key job dimensions, defined by Hackman-Oldham's model, are at their maximum in the companies except for the autonomy. In addition, it is interesting that the respondents (72% of them) are willing to accept a job which requires performance of several diverse tasks as well as application of more than one skill; they think that their potentials are not used appropriately. This may be taken as an indirect response to the question on the employees' satisfaction with current jobs, since only those employees who approve the current situation are ready to change and face new challenges. To prove that satisfied employees are more productive and innovative, and/or that they are more efficient, it is necessary to conduct measuring and analysing throughout several years. In that case, the research should also include the other material and non-material motivating strategies that also enhance the employees' commitment to the defined tasks and goals. Nevertheless, a focused research in job design, and/or the key job features that are related to the motivating potential, is significant in terms of increasing the satisfaction and motivation of employees. In addition, a job design based on the model of motivating potential imposes to managers a need for initiating and maintaining the process of constant learning. The purpose of this process is enriching the existing and acquiring new knowledge and skills with an aim of creating and maintaining the long-standing competitive advantages of the organisations.

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CAREER-MANAGEMENT PROCESS AND EMPLOYEE ATTITUDES

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ABSTRACT

This paper presents the results of a study investigating psycho-social aspects of career-management process (CMP) in Russia. The purpose of this study is to examine how it influences employee attitudes such as job satisfaction and organizational commitment. Participants were employees of a medium-sized organization in service-related industries (n= 167). The key findings of the study based on the regression models that showed that subjective assessment of each dimension of CMP was most strongly associated with a different dimension of employee attitudes. The results provide a useful first insight into CMP and support the notion that it has important implications for the employee attitudes. The significance of these results and areas of future research are discussed.

INTRODUCTION

Strategic human resource management (SHRM) is a general approach to strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. It is concerned with the contributions human resource strategies make to organizational effectiveness, and the ways in which these contributions are achieved. In spite of the increasing volume of research and scholarship, the precise meaning of strategic HRM and HR strategy remains problematic.

Bamberger and Meshoulam (2000, p. 6) describe SHRM as ‘the process by which organizations seek to link the human, social, and intellectual capital of their members to the strategic needs of the firm’. Compared with technical HRM, SHRM is considered a relatively ‘new’ concept. By combining the traditional HRM practices (recruitment, selection, performance appraisal, training and development) with business strategy, SHRM reflects a more flexible arrangement and utilization of human resources to achieve the organizational goals (Wei, 2006).

Strategic human resource management with the focus on human resource as a source of firm competitive advantage is receiving increased attention. A large number of studies supports the notion that there is a positive relationship between “human capital enhancing” practices and firm performance or employee productivity (Becker & Gerhart, 1996; Huselid, 1995).

As there is no standard set of HRM practices studied in the HRM literature, Fey et al. (2007) examined the frequency of various HRM practices included in previous studies that have focused on the HRM-performance relationship over the last decade. As analysis of 18 articles has shown, the most often studied HR practices in organization were employee training, performance-based compensation, internal communication and competence/performance appraisal. So, while the impact of some HR practices such as training (13 studies from 18) or compensation programs (8 studies) have been extensively studied, little is known about the effect of career-management process (only 3 studies). Despite their limited number, these studies can help to better understand the conditions necessary for the successful implementation of organizational practices of career development whose goal is to improve employees’ attitudes.

Further, little empirical attention has been paid to exploring the processes or so-called “black-box” through which this impact take place (Fey et al., 2007; Gardner et al., 2001; Park et al., 2003). Never less industrial psychologists have examined a wide variety of individual and organizational variables that influence organizational performance. For instance, Park’s et al. (2003) partial mediating model illustrates the impact of HR system on firm performance mediated by employee skills, attitudes and motivation (Appendix 1).

So, during the last 10 years there is an increasing recognition that HRM practices are important levers through which firms can increase employee attitudes that contribute to the achievement of a firm’s goals. Therefore, taken together, these findings suggest that it is reasonable to expect that career-management practices should also improve employees’ reported levels of work attitudes. What is required is more up-to-

date research that examines the specific nature of this relationship. Thus the purpose of this study is to examine how CMP influence employee attitudes in the context of medium-sized enterprises of service-related industry in Russia.

THEORETICAL BACKGROUND

Career-Management Practice in Russia

In SHRM literature we can find several studies the results of which give HR professionals an indication of how employees feel about their careers. In David Guest's and Neil Conway's (2004) survey three distinct groups of employees in terms of their attitude towards their career were identified: (1) employees wanting the traditional career with long-term tenure in one organization and upward mobility, they working longer hours than most, displaying high commitment and motivation; (2) others seeking a more independent and self-managed career with minimal commitment to the employing organization, a poorer psychological contract and a higher intention to quit; and (3) 'disengaged' - the employees not really interested in a career at all, displaying low levels of motivation and a reluctance to do anything extra.

In Russia industrial psychologists also identified these three groups. Indeed, it is widely acknowledged that in Russian labor market, many people expect to be employed by quite a few different firms over the course of their careers and thus while they are keen to have internal promotion opportunities, since they can always find employment opportunities in other firms (Fey et al., 2007; 16). But only since the mid-2000s some employers firstly promoted the notion that traditional corporate careers were a thing of the past. And, moreover, the number of employees, particularly 'able' employees, who prefer independent model of career development, is constantly increasing during the last 10 years.

New problems call for renewed vision. The war for talent in Russia was born and businesses used to partner with employees to carry out employees' career planning and development. Therefore some firms have been putting talent management high on their agenda. Recently career development is one of the primary responsibilities of HR managers in organizations. They are doing everything possible to win back the commitment of their able staff, recognizing that highly engaged employees will not only be a resource that is retained but at the same time will be a resource that beats the competition in serving and satisfying customers. The HR strategy has become the business strategy.

Indeed, to remain competitive, and to retain the best staff, companies must introduce a career development program that will clearly indicate to each employee their value to the organization. Facing the risk of losing employees many organizations try to implement various procedures contributing to the people development and company growth at the same time. Thus they establish a formal career-management process, including the definition of technical and behavioral competencies by function, clarity around roles and responsibilities, mapping of experiences and career moves, and agreement on promotion and progression criteria. Firms also encourage their employees to wide their competencies and raise the lever of responsibilities with support of professional courses and training.

In the context of a long-term approach towards working for a firm internal promotion is considered as a strong motivator for employees. But now Russian companies tend to focus more on the short-term priorities than on developing employee capabilities for the future. For example, according to a survey conducted by the Company Begin Group (2005), 48% of organizations are planning employee career only for one year. HR managers usually include the discussion about employees' career in the performance appraisal interview. During career planning process they evaluate employees' interests, strengths and potential career direction. Typically, the possibilities for the next career step for the employee within a system of a firm internal promotion can be as follows: to broaden the scope of the job by adding new responsibilities/accountabilities, to transfer employee horizontally to the new functional area, to promote person to the managerial/supervisory position.

However, this survey has also shown that some HR managers (approximately about 20 per cent) considered career development to be their least important function. In their firms the responsibility for the development of career paths has been downloaded to the individual employees. This correlates with recent trends of disappearing corporate career paths and job security.

While many best practices of a career-management infrastructure have yet to be implemented by the organizations surveyed, approximately 85% of all respondents indicate that career-related objectives have

been incorporated into the performance-management system. But as Park et al. (2003; 1399) note, “when managers implement new HR practices without consequent changes in employee skills, attitudes, or motivation, no positive outcomes on firm performance can be expected”.

Employee Attitudes

The idea that employee attitudes are important determinants of human performance is not new. It has received considerable conceptual attention from industrial and organizational psychologists, management scientists, and sociologists in recent years. A generally accepted point of view is that they will determine if and to what extent employees will use their capabilities within organization. If the employees have good attitudes they are more likely to work for the benefit of the organization, thereby positively affecting firm performance. In our study we took into account such attitudes as job satisfaction and organizational commitment.

In general, organizational commitment is considered as a useful measure of organizational effectiveness. In particular, commitment is a “multidimensional construct that has the potential to predict organizational outcomes such as performance, turnover, absenteeism, tenure, and organizational goals” (Meyer & Allen, 1997, p. 12). It is important because committed employees are less likely to leave for another job and are more likely to perform at higher levels.

Three components of commitment have been identified, each of which ties the employee to their organization but the nature of the “psychological-bonding” is different. Affective commitment ties people through their emotional attachment, involvement, and identification with the organization. Continuance commitment depends on employees’ awareness of the costs of leaving the organization are greater than the costs of staying. Normative commitment refers to employees’ feelings of obligation to the organization, coworkers or management (Meyer & Allen, 1997). Commitment also can be measured by following factors: (a) identification with goals and values of the organization; (b) the desire to belong to the organization; (c) the willingness to display effort on behalf of the organization.

Job satisfaction has been defined as a pleasurable emotional state resulting from the appraisal of one’s job; an affective reaction to one’s job; and an attitude towards one’s job. Job satisfaction can be considered in the framework of different models: disposition theory (Straw & Ross); affect theory (Locke); job characteristics model (Hackman & Oldham); two factor or motivator hygiene theory (Herzberg). It can be an important indicator of how employees feel about their jobs and a predictor of work behaviors such as organizational citizenship, absenteeism, and turnover.

Organization may influence employee attitudes. So we suggest that CMP can be considered as an important lever through which organization can increase employee attitudes that contribute to the achievement of firm’s goals. And we aimed to enhance our understanding of the nature of this relationship. Therefore we propose the following hypothesis: CMP will have a positive main effect on the levels of employee-reported job satisfaction and organizational commitment.

METHOD

Sample and Data Collection

The study was conducted during 2006-2007 in Saint-Petersburg. This study was carried out in three phases. Firstly, in-depth interviews were carried out with a pilot sample of HR managers (n=28). Secondly, a career-management inventory was formulated and then piloted on a sample of employees (n=32). Thirdly, a finalized set of instruments was distributed and employees of a medium-sized organization in service-related industries were surveyed to explore the effect of CMP to employee attitudes. One hundred and sixty seven employees participated in this study. Among employees 67% were women and 33% were male. Participants reported an average age of 31.6 (range = 22-47 years) with an average work experience of 12.4 years (range = 3-26).

Measures

The following are brief descriptions of the independent (CMP) and dependent (job satisfaction, organizational commitment) variables used in this study (see Exhibit 1). Job satisfaction was measured using the 16-item scale developed by Warr and colleagues (Warr et al., 1979). The scale provides a short, reliable, valid and easy-to-use measure of job satisfaction. This scale assesses the

degree of satisfaction/dissatisfaction. Each item is scored on a 7-point Likert scale ranging from “very dissatisfied” to “very satisfied” (the higher the score, the higher the satisfaction). Coefficient alpha for this scale for the present sample was 0.83

EXHIBIT 1 Dependent and Independent Variables

Dependent Measures (Criterion)

<i>Instrument</i>	<i>Variables</i>	<i>Scales</i>
Organizational Commitment Scale	Organizational commitment	Affective Commitment Normative Commitment Organizational Commitment
Job satisfaction Scale	Job satisfaction	Total job satisfaction

Independent Measures (Predictor)

<i>Instrument</i>	<i>Variables</i>	<i>Scales</i>
CMP-questionnaire	Career-management process' perception	Internal promotion schemes Training programs; Career mobility Career development

Organizational commitment was measured by Meyer and Allen (1993) Organizational Commitment Scale. The 18 items (6 items for each scale), with seven-point Likert-type rating scales for each item, assess the degree of commitment. It contains three components: affective ($\alpha=0.76$), continuance ($\alpha=0.54$), and normative commitment ($\alpha=0.83$). Therefore in our study only two most reliable and appropriate subscales were considered (ACS, NCS). Also we took into account an overall index of organizational commitment. Higher scores indicate increased organizational commitment.

CMP questionnaire was developed on the basis of in-depth interviews and a pilot survey (phase 1). The questionnaire was pre-tested on a sample of employees and slight adjustments were made as a result of their comments (phase 2). The final questionnaire comprised 16 items rated on a seven-point Likert scale. It contains four subscales: subjective importance of internal promotion schemes; availability of training programs; level of career mobility and career development satisfaction.

Participants in this survey were asked about the extent to which they agree or disagree with some statements reflecting the specificity of CMP in their organizations. For instance, the first measure of subjective importance of internal promotion schemes is derived from responses by employees to the statement: *Generally speaking, I am well informed about all new vacancies within my company and have an opportunity to apply for the desirable one.* Participants were asked to select a number from 1 to 7, where 1 = strongly disagree and 7 = strongly agree; 3-4 is interpreted as a neutral response. For the purpose of this analysis, it is assumed that the higher number selected, the greater the level of satisfaction of career-management process in organization. This self-reporting instrument has strong content validity. Coefficient alpha for this scale was 0.71.

Moreover, control variables such as gender, age and length of experience were derived from employers' registers.

Statistical Method

To answer our research questions we used the SPSS program package for descriptive statistics and multivariate analysis of the data. The method of separate multiple stepwise regression analysis relates independent and dependent variables in a manner which takes mathematical inter-correlation into account. In addition, this statistical technique achieves the best linear prediction equation between a set of independent variables and the dependent variable.

RESULTS

Before carrying out multivariate analysis of the data, we assessed employees' job satisfaction and organizational commitment scores. The highest levels of satisfaction were reported for the amount of physical working conditions and fellow workers; the lowest - for the amount of work, chance of promotion and relations between management and coworkers in the organization. Among the respondents there was, generally, only a moderate degree of organizational commitment. The lowest level of commitment was reported for normative one. The means and standard deviations for all dependent variables are presented in Appendix 2.

We also assessed employees' perception of career-management process in their organizations. According to a recent survey positive perception of CMP was based on clear information and subjective importance of internal promotion schemes and high level of career mobility.

No significant gender differences emerged in response patterns to job satisfaction, organizational commitment and CMP statements in this survey. However, we received some generational differences: older workers were significantly more satisfied with their job than younger workers; they also demonstrated the higher level of subjective importance of internal promotion schemes and affective and normative commitment.

Separate multiple stepwise regression analyses were performed to analyze the relationships between each of the dependent variables (overall job satisfaction and organization commitment) and the independent variables (CMP, gender, age and length of experience). The factors predictive of job satisfaction included availability of training programs, opportunity of career development in organization and age. The factors predictive of organizational commitment included availability of internal promotion schemes, the level of career mobility and age. The outcome of the multiple regression analysis is shown in Appendix 3.

DISCUSSION

Despite the rising interest in CMP across Russian companies, there are almost no scientific studies that systematically evaluate the results of these programs. In this article we explored the impact of CMP on employee attitudes. We aimed to enhance our understanding of the nature of this relationship by focusing on such useful psychological measures of organizational effectiveness as job satisfaction and organizational commitment.

According to a recent survey, among the respondents there was, generally, only a moderate degree of organizational commitment ($M= 71.75$ $SD= 13.21$). The study found that less than 30 per cent of all the workers are highly satisfied with their jobs. Rapid technological changes, rising productivity demands and changing employee expectations have all contributed to the decline in job satisfaction. Surveys over the past 10 years have shown that job dissatisfaction is widespread among Russian employees.

In describing the application of their Organizational Commitment Questionnaire scales, Meyer & Allen (1997) do not provide guidance about expected, desired, average, or ideal means for affective, continuance, and normative commitment. But the authors noted that the desired pattern is highest scores for affective commitment, followed by normative commitment, then continuance commitment.

According with above-mentioned notion the highest mean scores among the employees participating in this survey was received for affective commitment ($M= 4.1$ $SD= 1.46$). These findings illustrate employee's emotional attachment to and involvement with the organization. Affective commitment ties employees with their organization through a desire to invest more effort into it and they do so because it is their desire or willingness rather than a simple exchange-based relationship with the organization.

However the mean scores for normative commitment ($M= 3.2$ $SD= 1.78$) have not been as high as might be expected. These results suggest that some employees perceived themselves as not obliged to continue their membership in an organization because of some kind of social, cultural, or contextual norms. So, employees can not be expected to perform some extra role behavior to fulfill their obligation or to show their gratefulness towards their leaders or peers.

Thus the results of our study support the notion that in Russia over the last years the level of organizational commitment and job satisfaction tended to decrease. This correlates with recent trends of disappearing job security and high level of personnel external mobility.

As stated earlier, in our study generally positive perception of CMP in ($M= 4.1$ $SD= 1.44$) closely connected with the problem of job promotion. Unclear schemes of internal promotion, low level of career mobility, unavailability of training programs have all contributed to the decline in CMP satisfaction. The results of in-depth interviews with HR managers (step 1 of our study) show that less than 30 per cent of firms surveyed have equipped their line managers with the skills to effectively manage career opportunities for their staff.

The key findings of the study based on the regression models that showed that subjective assessment of each dimension of CMP was most strongly associated with a different dimension of employee attitudes. Regression analysis revealed that the subscale “internal promotion schemes” was the best predictor of organizational commitment. This finding may be because people who report high level of information about new vacancies and availability to apply for them may be more likely attached to or involved with the organization where he or she is employed, whereas those who are less informed and motivated for internal promotion reported the lower level of commitment.

As research has shown the most predictive factor for job satisfaction was the age of respondents. Moreover, age was predictive for organizational commitment too. These findings suggest that generational differences in work attitudes are evident: older employees consistently report a higher level of job satisfaction and organizational commitment than younger workers.

Unexpected result of this research is that no significant gender differences were found. These results are consistent with previous studies conducted using Russian workers. Linz S.J. (2002), using survey data collected in from 1,200 Russian employees in summer 2000, noted that response patterns associated with the job satisfaction measures used in her analysis of varied by occupation and generation, but not by gender.

CONCLUSION

The empirical results provide evidence to support the research hypothesis. It was shown that differences in employee attitudes can be partly explained by the sub-systems of HRM practices implemented. The findings of this study suggest employees expressing more positive perception of CMP tended to report the higher level of job satisfaction and organizational commitment.

These results suggest several practical implications. A managerial implication of this research is not only the demonstration of the positive effect of CMP on employees attitudes but also that effective use of existing performance management systems should provide sufficient information to assess individuals' career perceptions and expectations. In our study only in one company this information collated and taken beyond the creation of a training and development program into a more proactive talent management program that aligns these expectations with the company's business plans and projections. Moreover we assert that these results may be evidence for the need to enhance the communication between employees and their supervisors. Finally, this study contains some limitations that are important to keep in mind. First potential limitation relates specifically to the use of self-report data. Though their use is particularly appropriate in this case because in research of HRM practices both objective and perceived features are each likely to play a significant role. Moreover, we suggested that perception of CMP is most likely to result in employee attitudes.

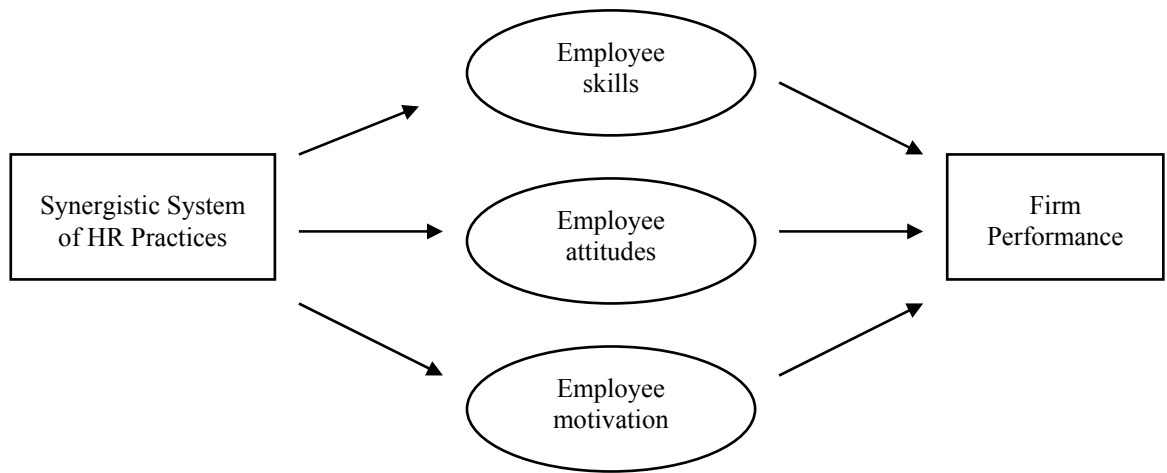
Another limitation of this study is that the effect of other HRM practices was not controlled. As Becker and Huselid (1998) noted that for better results it is necessary to study the influence of each element of HR system on firm performance including employee attitudes simultaneously in one model.

Finally, the results should be interpreted with caution, as the study is based on a small sample limited to the north-west region of Russia. However, our findings provide a useful first insight into CMP and give rise to several questions for future research. We suggest that future research should increase not only a sample size of the study but also the variety of firms included in the sample.

In conclusion, with the above limitations acknowledged, we are confident that this study makes an important contribution to opening up the black box between HRM and firm performance. This study has confirmed the hypothesized effect of CMP to employee attitudes. So, effective or positively perceived CMP may be considered as a strong motivator for employees in service industry with rapid staff turnover.

APPENDIX 1

Park, Mitsuhashi, Fey & Björkman's Partial Mediating Model



Source: Park et al. (2003; 21)

APPENDIX 2

Mean scores and standard deviations on Warr, Cook & Wall's Job Satisfaction Scale*

Dimension	Mean	SD
Your fellow workers	5.41	1.23
The physical working conditions	5.37	1.29
The freedom to choose your own method of working	4.95	1.38
Your hours of work	4.91	1.42
Your job as a whole	4.90	1.26
Your job security	4.79	1.26
The attention paid to suggestions you make	4.78	1.27
The opportunity to use your ability	4.70	1.63
Your immediate boss	4.31	1.64
The amount of variety in your job	4.25	1.57
Your rate of pay	4.21	1.56
The recognition you get for your good work	4.12	1.53
The way your practice is managed	4.01	1.32
The amount of work you are given	3.88	1.46
Your chance of promotion	3.64	1.38
Industrial relations between management and coworkers	3.52	1.65
Total job satisfaction	71.75	13.21

* Mean scores of the Scale presented in order of importance (score range 1±7, low satisfaction±high satisfaction)

Mean scores and standard deviations on Meyer and Allen's Organizational Commitment Scale

Dimension	Mean	SD
Affective commitment	4.1	1.46
Continuance commitment	3.7	1.18
Normative commitment	3.2	1.78
Organizational commitment	3.7	1.12

APPENDIX 3

Multiple regression analysis of subjective perception of CMP on overall job satisfaction

Variable	b-coefficient	SE	R2	Multiple R
Age	3.9	1.35	0.24	0.49
Training programs	3.3	1.40	0.19	0.43
Career development	4.01	1.35	0.10	0.31

F = 4.87 P < 0.01

Multiple regression analysis of subjective perception of CMP on organizational commitment

Variable	b-coefficient	SE	R2	Multiple R
Internal promotion schemes	3.2	1.37	0.81	0.55
Career mobility	3.1	1.41	0.21	0.43
Age	3.8	1.32	0.15	0.31

F = 7.01 P < 0.001

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CUSTOMER AND PERSONNEL SATISFACTION IN HOSPITALS – A CASE STUDY OF THREE FINNISH HOSPITAL DISTRICTS’ MEASURING METHODS

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ABSTRACT

Nowadays most public sector organisations are measuring customer and personnel satisfaction. Usually the key figures of these surveys are part of the balanced scorecard or other follow-up systems. Also, this information is used in customer and personnel strategies discussions. This means that the effects of the satisfaction surveys are reflected in the quality of customer service and the personnel working environment. Despite its significant role, there is only a limited amount of information concerning how the data are collected and the types of indicators organisations used in their balanced scorecard or other follow-up systems.

According to the customer-oriented view it is important to clarify what kind of key figures are used in the customer and the personnel perspective. If these key figures are too unidimensional or we cannot trust the information sources, the balanced scorecard’s information will be unreliable. In such cases, the organisation bases its strategy on a misconception.

The purpose of this paper is to study what kind of methods hospital districts use to measure customer and personnel satisfaction and what kind of role customer and personnel satisfaction surveys have in the balanced scorecard. In this research, I shall consider only those indicators which measure the customer or personnel aspect. The empirical analysis is composed of eight qualitative theme interviews from three different hospital districts during spring 2007.

The main finding of this research is that all three hospital districts measure customer satisfaction. Besides information from surveys, hospitals collected customer feedback internet and feedback forms, for example. The revelation was that only one hospital district in three measures personnel satisfaction. In general, they took care of the well-being of the personnel through development discussions. According to the results, the balanced scorecard was not a common follow-up system. Only one hospital district enforced it in all units. In this case, the hospital’s balanced scorecard also involves indicators based on Finnish law, the so-called treatment guarantee.

The customer satisfaction surveys had a more significant role in the balanced scorecard or other follow-up systems than personnel satisfaction surveys. This research showed that the original idea of the balanced scorecard was not verified. The balanced scorecard seems to be more a follow-up system than a system which inspires discussion.

INTRODUCTION

The purpose of this research is to clarify which methods are used to measure customer and personnel satisfaction and what kind of role customer and personnel satisfaction surveys have in the balanced scorecard. This research was concentrated on the public sector health care services, where the personnel and customers interact directly and where the quality of services is followed up with customer surveys.

Before the empirical part of this study, we shall briefly become familiar with the balanced scorecard, which is a common follow-up system in the private and the public sector in Finland. In the literature review the focus is especially on the customer , as well as on the learning and growth aspect.

Behind the balanced scorecard was the idea that traditional financial indicators are insufficient, and companies need a wider perspective (Irwing 2002). The idea of the balanced scorecard is that if companies

are also interested in the human perspective and not only financial profit, they will be able to make better long-term plans. The balanced scorecard also helps companies combine their visions and strategies. (Kaplan & Norton 1996.)

The earliest balanced scorecard consisted of four aspects: financial, customer, internal business processes and learning and growth. The original idea was that companies only pick five or six indicators for each aspect. The model helps companies find a balance between short-term and long-term targets, financial and non-financial indicators and external and internal indicators. (Kaplan & Norton 1996; Rocher 2004.)

The balanced scorecard's customer aspect describes what customer needs the company satisfies and why customers desire to buy the products or services of a company. The aspect is the essence of the scorecard: if the organisation does not produce products and services that satisfy customer needs cost-effectively, it cannot be profitable. If it wants to succeed, it has to be able to present a clear picture of how it can enhance and maintain customer loyalty. (Kaplan & Norton 1996; 2001; 2004.)

For example, customer aspect indicators can be used for customer satisfaction, customer profitability and market share. In the services, performance indicators can be measures, for instance, the number of successful service transactions or degree of service utilisation. (Kaplan & Norton 1996; 2004.)

The personnel aspect can be viewed from the standpoint of learning and growth. In this case, the company determines those priorities that support change, innovation and growth. The balanced scorecard links such intellectual capital as personnel and company strategy. In this model, the learning and growth perspective consists of employee capabilities, information systems capabilities and motivation, empowerment and alignment. Employee capabilities contain the employees' knowledge, skills and know-how. Kaplan and Norton (2001; 2004) emphasise that the value of intellectual capital depends on how it serves the strategy—not how much its maintenance costs. This perspective enhances the meaning of a motivated personnel, since material value comes about only from personnel action in support of a strategy.

The indicators for learning and growth should affect changes in behaviour, thus supporting the success of the company. Surveys provide the organisation's indicators of motivation, empowerment and alignment and measure the quality of the working climate and personnel satisfaction. (Kaplan & Norton 2004; Papalexandris, Ioannou & Prastacos 2004).

Nowadays the information on the balanced scorecard is used in the public sector in customer and personnel strategies and rewarding systems, for example (Smith 1995; Collier, Fishwick & Johnson 2001; Griffiths 2003). This means that the effects of the balanced scorecard are reflected in the quality of customer service and the personnel's working environment. Despite its significant role, the balanced scorecard only provides a limited amount of information concerning the types of indicators companies used in their balanced scorecards and how the data were collected.

In the customer-oriented view it is important to clarify what kind of key figures are used in the learning and growth and customer perspective. If these key figures are too unidimensional or we cannot trust the information sources, the balanced scorecard's information will be unreliable. In such cases, the organisation bases its strategy on a misconception.

The balanced scorecard usually combines different surveys. The satisfaction surveys can be divided into operational and strategic surveys. The aims of strategic surveys are usually to find those factor which affect satisfaction. Continual measurement is used in operational surveys, which aim to clarify the level of satisfaction on a regular basis. (Willging, 2004; Jakosuo 2002; 2005.)

DATA AND METHODS

In this research, I conducted eight qualitative theme interviews in spring, 2007 (see table 1). In some cases, a face-to-face interview was not possible. In these cases, I sent the interview questions by post or e-mail to the respondents. In this study I saw fit that eight interviews were enough, because the qualitative research does not seek to quantify data (Yin 1994; Pope & Mays 2000.)

TABLE 1. SUMMARY OF DATA

Occupational group	N	Methods	Region
matron	2	personal interview (1), survey (1)	Seinäjäki, Lahti
charge nurse	2	personal interviews	Seinäjäki, Tampere
nurse	2	personal interviews	Seinäjäki
maintenance manager	1	personal interview	Lahti
quality manager	2	personal interview (1), survey (1)	Seinäjäki, Lahti
customer manager	1	personal interview	Tampere
consultant	1	personal interview	Tampere

In this research, all hospitals were situated in the southern part of Finland. The hospitals were located in Lahti (Päijät-Häme Social and Hospital Federation), Tampere (Pirkanmaa Hospital District) or Seinäjäki (Etelä-Pohjanmaa Hospital District).

TABLE 2. SUMMARY OF HOSPITALS

Hospital	Personnel	Beds	Federation	Municipalities in district	Population in district
Lahti	3.000	821	Päijät-Häme Social and Hospital Federation	15	420.594
Seinäjäki	2.256	608	Etelä-Pohjanmaa Hospital District	26	194.000
Tampere	5.717	1357	Pirkanmaa Hospital District	28	470.000

In table 2 we can see that there are some differences between hospitals. In Lahti the hospital district also includes the social district, unlike Tampere and Seinäjäki. From the Finnish viewpoint the Lahti model is unique: the model which connects the social district and the hospital district was introduced in 2007.

RESULTS

In this section, I introduce the main results on the customer and personnel aspects. In both sections, I first introduce the methods for collecting feedback. Secondly, I introduce the satisfaction indicators. Because until the present the target, organisations have not been very familiar with the balanced scorecard method, the presentation of the balanced scorecard indicators has mainly been based on the Pirkanmaa Hospital District methods.

The Customer Aspect

All hospitals measure customer satisfaction. Depending on the hospital and customer group, the measurements were carrying out either once a year or more often. All hospitals collected anonymous feedback.

The contents of the inquiries and the scales depend on the target groups. For example, if there were children in the target group, the scale and the questions would have to be better understood than if the target group consisted of only adults. The hospitals normally used a five-point scale or a scale of four to ten (the same scale as that used in Finnish schools). The inquiries measured those themes that are generally related to customer satisfaction, such as professional skills and physical resources. Also, the inquiries varied according to respondents skills. (Grönroos 1996; 2000; Prahalad & Ramaswamy 2001.)

The questionnaires varied depending on the hospital districts. Also, the type of unit and business area interacted on questionnaires determined the way in which the questions were constructed. The benefit of similar questionnaires was that it provided a possibility to compare answers and results, although the disadvantage was that similar questionnaires can not take into account the different ways in which different units operate. For example, the service process of the intensive care patient is not the same as that of the ward patient. Also, there can be situations in which the laboratory customer is not even received by the doctor during the visit, yet is supposed to give an appraisal in the questionnaire. This makes the data unreliable.

Those questions measuring customer satisfaction varied from the general (e.g. professional skills) to the very detailed (e.g. relief from pain). Examples of customer satisfaction themes in surveys are presented in table 3.

TABLE 3. EXAMPLES OF CUSTOMER SATISFACTION INQUIRY THEMES

Theme of customer satisfaction	Theme of individual questions
professional skills	personnel's professional skills
willingness to serve	personnel's kindness, willingness to be of service, consideration for patient
physical resources	tidiness of wards and general facilities, peacefulness, comfort of furnishings
smoothness	swiftness of attention, functionality of appointment, speed in receiving medical treatment
information	medications, disease, different treatment alternatives, prognoses, confidentiality, intelligibility
other factors	pain relief, home care, general satisfaction, family

The customer satisfaction surveys were not the only way of getting feedback (table 4). In all hospitals, customers can express their opinions by, for example, filling in feedback forms or calling the ward or patient ombudsman. Depending on the unit, the feedback would be documented in the network. It was noteworthy that personnel documentation in the network usually only gave negative feedback, and not for example a patient's expressions of gratitude.

TABLE 4. SUMMARY OF DIFFERENT CUSTOMER FEEDBACK CHANNELS

Feedback channel	Data collections	Target group
customer satisfaction surveys	1–3 times a year	sample
feedback forms	continual feedback	all patients
internet	continual feedback	all patients
telephone	continual feedback	all patients
patient ombudsman	continual feedback	all patients

Almost all interviewees said they did not get enough information from the feedback, despite the very large numbers of patients. For example, in Lahti the laboratory only got feedback from 24 patients out of a total of 28,000.

Generally, the customer satisfaction indicators were based on the means of questions. There were also indicators which were based on the percentage values of the best answers. For example, if the scale was from 1 to 5, the indicator only takes into account a score of 5 or between 4 and 5.

TABLE 5. EXAMPLES OF BSC INDICATORS / CUSTOMERS' ASPECT¹

View	Indicator	Target
customer	swiftness of receiving medical treatment in urgent cases	estimation of treatment need at least within 3 weeks after referral (97%)
customer	satisfaction with ward functioning	75% or 90% reaches level 9–10
customer	satisfaction with outpatient department functioning	75% or 90% reaches level 9–10

Since the 2005 there has been a treatment guarantee in Finland. This means that the patient will be treated within a certain time limit. The shortest order limit is three days. The idea behind a treatment guarantee is to ensure the patient of the necessary treatment within a reasonable time. If the local authority is unable to provide it, it will buy in services from private doctors or hospitals. (Laki 856/2004; 855/2004.²)

Nowadays, this treatment guarantee one has also become a customer satisfaction indicator. In some cases, the hospitals update their treatment guarantee indicators in the internet, for example every second month. Other customer satisfaction indicators in the balanced scorecard are the amount of deviations, such as near-miss events, treatment injuries and medical errors.

The Personnel Aspect

The surprise was that personnel satisfaction surveys were not common: only one hospital in three measured personnel satisfaction. Even if the hospitals did not measure personnel satisfaction they took care of personnel well-being through development discussions.

The hospital, which measured personnel satisfaction, used a five-point scale. The inquiry measured themes that generally affect personnel satisfaction (Robbins 1996; Rollison & Broadfield 2002). The inquiry especially emphasized the supervisor's management style, working environment and work tasks (see table 6). It should be observed that there were no questions about the image. Also, there were generally only a few questions about organization culture and management.

¹ Pirkanmaa Hospital District

² In English the laws are Law changing the law of public health (855/2004) and Law changing the law on special health care (856/2004).

TABLE 6. EXAMPLES OF PERSONNEL SATISFACTION INQUIRY THEMES

Theme of personnel satisfaction	Theme of individual questions
supervisor's management	feedback, interaction, flow of information
working environment	working climate, ability to cope with disagreements, personal work fulfilment, personnel satisfaction, the actions of the work community
work tasks	satisfaction with work tasks, satisfaction with amount of work, deliniation of responsibility, possibilities for interacting
salary and rewarding	satisfaction with salary, justness of salary
other factors	orientation

TABLE 7. SUMMARY OF DIFFERENT PERSONNEL FEEDBACK CHANNELS

Feedback channel	Data collections	Target group
personnel satisfaction surveys	once a year	whole personnel
development discussions	once a year	whole personnel
informal feedback	continual feedback	some departments

Like customers, the personnel also had more than one channel for providing feedback (see table 7). Mainly, the personnel give feedback on the action the organisation takes after the development discussions which takes place once a year. In some cases the units also collected unstructured and open feedback.

Interviewees stated that there are many different indicators for measuring personnel know-how and satisfaction. According to the results, these indicators are for example:

- development discussions (% come true)
- personnel satisfaction
- updating training (days per year)
- day of illness (days per year)
- know-how estimating.

Depending on the hospital and units, the updating of training plans took place at the unit or ward level. In some cases there were minimum criteria for updating training (see table 8).

TABLE 8. EXAMPLES OF BSC INDICATORS / PERSONNEL'S ASPECT³

View	Indicator	Target
personnel	development discussions	over 90% carried into effect
personnel	updating training	doctors at least 10 days a year, nursing and research staff at least 5 days a year, other members of staff at least 3 days a year
personnel	the actions of the work community	over 65% grade 4-5

Usually, the key figures in the indicators were based on the highest grades. Depending on the indicator, the target level could be that, for example, 65 per cent of respondents give at least grade 4 on the five-point scale.

³ Pirkanmaa Hospital District

DISCUSSION

The purpose of this paper is to study what kind of methods hospital districts will measure customer and personnel satisfaction and what kind of role customer and personnel satisfaction surveys have in the balanced scorecard. The data was based on eight qualitative theme interviews which were carried out in three different hospital districts in spring 2007. This research concentrated on the public sector's health care services, wherein personnel and customers interact directly and where the quality of services is followed up by conducting customer surveys. Even these results can not be generalised upon, the results do give an indication of the methods of measurement and tools employed in determining customer and personnel satisfaction in the Finnish public health care sector.

According to the results, all hospitals do certainly measure customer satisfaction. Besides information from surveys, hospitals also collected customer feedback in many other ways (e.g. internet and feedback forms). This research has shown that the health care sector can not be restricted to only one customer satisfaction inquiry model, because the customers' needs depend on the type of treatment. Customer satisfaction surveys had a significant role in the balanced scorecard or in other follow-up arrangements: in every hospital at least one customer satisfaction indicator was based on these surveys.

The personnel satisfaction surveys were not as common as the customer satisfaction surveys. In this research, only one hospital of three hospitals measured personnel satisfaction. Even if the hospitals did not measure personnel satisfaction they took care of the well-being of their personnel through development discussions. The role of the personnel satisfaction surveys in the balanced scorecard or other follow-up systems was not significant. Most indicators were based on other sources of information, such as training registers.

The research also showed that the ideas of Kaplan and Norton (1996) remained unverified: the balanced scorecard seems to be more of a follow-up system than a system designed to encourage dialogue, and it does not include any indicators based on visions and strategies. In this research, almost all indicators measured only general, long-term targets and the balanced scorecard included also indicators which were based on laws (e.g. the treatment guarantee). Further, the original idea about innovation and growth indicators was not verified: in the personnel aspect there were no indicators which measured innovation and growth. Only the customer aspect indicators seemed to fit in well with the original idea of Kaplan and Norton. There were several indicators which measured the customer aspect (e.g. customer satisfaction and degree of service utilisation).

In the private sector high customer and personnel satisfaction levels can reduce turnover. Also, in the public sector customer and personnel satisfaction is important. In the future, there will be lack of trained personnel in Finland. Also, in the future patients will be able to choose for themselves the hospital from which they wish to buy the services needed. These changes will increase the meaning of customer and personnel satisfaction and the meaning of reliable follow-up systems.

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STRATEGIC ROLE OF MANAGERS FOR THE UTILIZATION OF FAMILY-FRIENDLY WORKPLACE POLICIES: A SOCIAL RESPONSIBILITY PERSPECTIVE

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ABSTRACT

This paper addresses the need for organizational responsiveness to family-friendly workplace policies and examines the strategic role of managers for their implementation to organizations. The main purpose of this paper is to investigate if the key managers, who are in position to utilize the family-friendly workplace policies, take the initiative to do so with the possible effect of their personal opinions/personal lives since there is still a huge gap between formal family-friendly business policies and their informal applications in organizations. Therefore, this paper has some propositions and suggestions to improve practical adjustment of the family-friendly policies, which stresses on their advantages to the organizations and to overall society's well-being from the social responsibility perspective depending on the key manager s in organizations.

INTRODUCTION

In recent years, the amount of research about the linkages between work and family has grown dramatically. Prior scholarly research on work and family interconnection is voluminous and work-family balance has received increased attention recently due to dramatic changes in the work concept, workplace environment, and family life over the past decade. Indeed, changing family structures and society values lead changes at work in many different ways. Organizations have introduced flex-time, work-at-home options and the 4-day work week to support workers in their work-life balance (Ezra and Deckman, 1996). Moreover, the personal computer and the Internet have cast a paradigm-shift in the manner that people function at both work and at home. These societal changes and technological advances have in an incidental way created a serious potential for interference, conflict, and competing demands between the expectations of the workplace and personal needs at home. Often, the pressures from the job and family domains are mutually incompatible and thus can create conflict or dissonance (Peelers, Montgomery, Bakker, & Schaufeli, 2005). Furthermore, in a technologically advanced, global marketplace, traditional 9-to-5 schedules have fallen by the wayside. As explained above, the introduction of cellular phones, pagers, portable computers, and e-mail are making it harder for workers to physically and psychologically draw boundaries between their work and family lives.

Consequently, the demands originating from these domains are frequently in competition, leading to conflict between work and family. Recurring conflicts between work and family may result in a variety of negative outcomes including risks to physical and mental health, poor job performance, poor parental performance, incidence of work withdrawal behaviors (e.g., tardiness, absenteeism, turnover, low job involvement), low morale, and low satisfaction with job, life, marriage, and family (Mesmer-Magnus & Viswesvaran, 2006; MacDonald and Liff, 2007). Recent research has applied these various conceptualizations of work-family linkage such as work-family inter-role conflict. Findings indicate that high levels of interference from one role can result in a dissonant state where dysfunctional behaviors (e.g., absenteeism, tardiness, leaving work early, personal use of the work phone) become evident (Hammer, Bauer, & Grandey, 2003) or, more ominous, the employee experiences burnout (Peelers et al., 2005). Frone, Russell, and Cooper (1992) analyzed data from a longitudinal study of 631 white and blue collar employees and found that 41% of their participants reported feeling work-family conflict at least occasionally. Similarly, Hill, Hawkins, Ferris, and Weitzman (2001) surveyed 6,451 IBM employees and found that approximately 50% of their participants reported having problems achieving work-family balance. These findings are consistent with those of the 1997 National Study of the Changing Workforce (NSCW; Bond, Galinsky, & Swanberg, 1998) that uncovered a trend over the previous 20 years of decreased security, increased demands, and increased time-consumption (i.e., longer working hours). Conversely, organizational support of employee flexibility and

family needs has been found to be associated with higher levels of work-family balance and a concomitant decrease in job dissatisfaction and somatic complaints (see Thomas & Ganster, 1995).

There are number of studies on organizational responsiveness to work-family issues (Morgan & Milliken, 1992; Goodstein, 1994; Ingram & Simons, 1995; Osterman, 1995) from the institutional theory perspective. This paper addresses the need for organizational responsiveness to family-friendly workplace policies and examines the strategic role of managers for their implementation to organizations based on Morgan and Milliken's study (1992). In addition, the paper focuses on individual level (managers), which is one of the four proposed factors affecting the implementation of family-friendly management policies from Harcar's typology (2003). The main purpose of this paper is to investigate if the key managers, who are in position to utilize the family-friendly workplace policies, take the initiative to do so since there is still a huge gap between formal family-friendly business policies and their informal applications in organizations. From this perspective, the key research question here is: how willing the managers are for the adoption of family-friendly management policies and how their personal opinions/personal lives affect this willingness for the implementation of these policies in organizations.

The importance of answering this question comes from two different views: The first one is company's point of view; it is known that a company that offers a family-friendly workplace will have an advantage when recruiting (Coyle, 1999) the high skilled employees as a competitive advantage in today's global world. Besides this, increased productivity, efficiency, effectiveness, and decreased turnover and stress are the major benefits of these policies to the companies (Durst 1999; Newman & Mathews, 1999; Overman 1999; Scott, 1999; Regan, 1994; Solomon, 1994; Goodstein, 1994; Morgan & Milliken, 1992). Second, it is also important to answer this question from the family point of view; indeed, employees' work/family conflict is bigger than was thought, first affecting family life and affecting society's well-being as a whole. The positive relation between marriage and subjective well-being has been consistently replicated in national and regional surveys conducted in the U.S., Canada, and Norway as well as in international studies. The large-scale surveys reveal that married people report greater happiness than those who were never married or are divorced, separated, or widowed. Marriage and well-being correlate significantly even when variables such as age and income are controlled (Diener, Suh, Lucas & Smith, 1999). Linehan and Walsh's (1999), suggested that stressful work experiences, such as overload and conflict can affect employee well-being which can, in turn, negatively affect the quality of marital relationships. The findings suggest that, despite profound changes in workforce composition, organizational policies and practices are still largely predicated on the outmoded assumption that employees are predominantly males from traditional families. The traditional family defined as one in which the husband is the sole bread-winner and the wife is the homemaker and child-rearer (Linehan & Walsh, 1999). In any case, a fast-paced economy squeezes the time a healthy society needs for its parents to spend time with their families (Wechsler, 1999).

At this point, it is important to define the major concepts of the paper to understand the theoretical base, which tries to explain family-friendly workplace policies and its linkage among the organization, family and societal well-being.

Theoretical Approaches to Family-Friendly Workplace Policies and The Conceptual Framework

For the purpose of this paper, family is defined as persons related by biological ties, marriage, social custom, or adoption; and work is defined as instrumental activity intended to provide goods and services to support life (Edwards & Rothbard, 2000). Fundamental changes in the substance and structure of work and family roles, such as the increasing prevalence of dual-earner couples, the influx of women into the workforce, and family arrangements that deviate from traditional gender-based roles, have debunked the myth that work and family are independent. Instead, work and family are closely interconnected domains of human life, and linkages between work and family are very important to organizations, families, and society as a whole. Figure 1 draws a model for the scope of the paper and explains the relationships and limitations in a theoretical framework.

As it can be followed from the conceptual framework, specifically managers play an important role for the utilization of family-friendly workplace policies. In addition to this, linkages between work and family affect organizational performance and family functioning, both of which are important markers of societal well-being (Edwards & Rothbard, 2000). Indeed, social integration is a basic ingredient of any description of a

good society. All people should get the opportunity to realize their full human potential, i.e. to realize their own goals and aspirations. This is also part of the social responsibility of private sector firms and, therefore, an integral aspect of business ethics (Schokkaert & Sweeney, 1999). To understand the linkages between work, family and social well-being better, family-friendly workplace policies need to be defined and analyzed in depth.

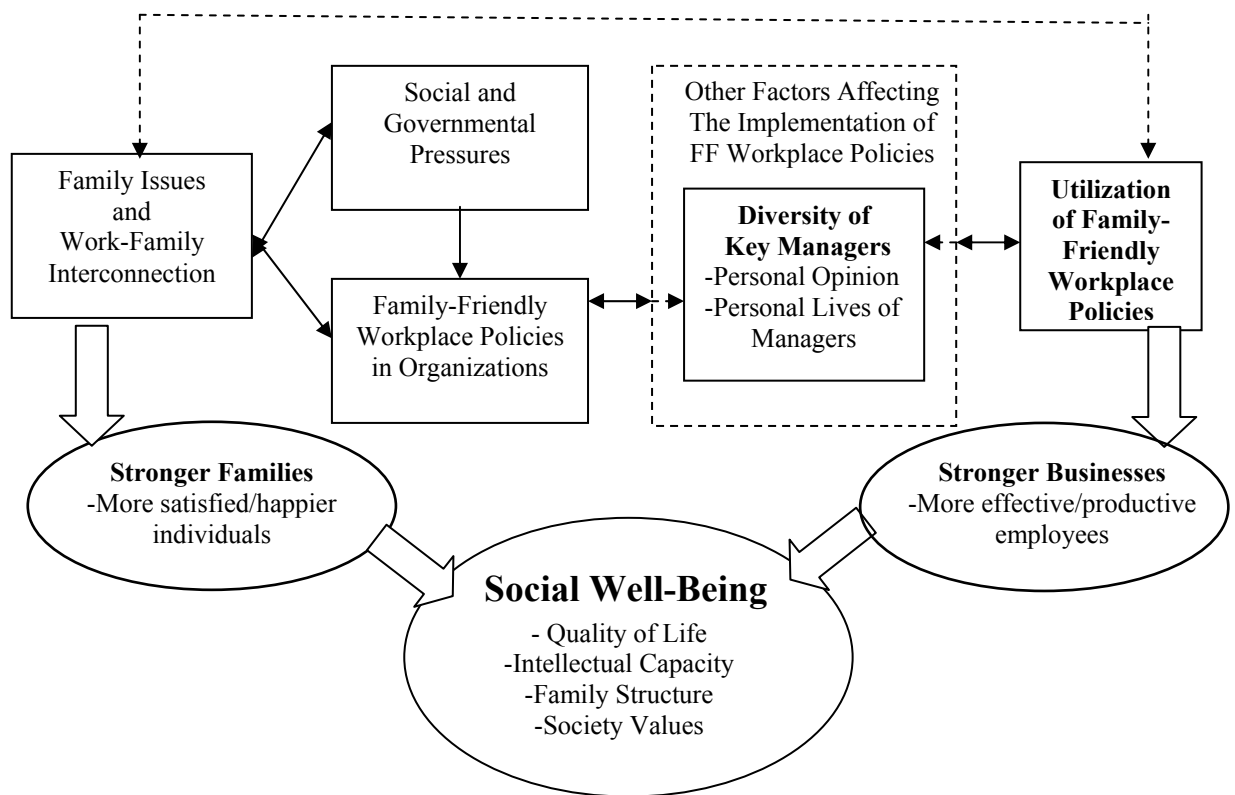


Figure 1-A Model for The Utilization of Family-Friendly Workplace Policies (Harcar, Feb 2008)

In general, it is difficult to a priori assign 'friendliness' or 'unfriendliness' to a particular flexible form of employment. In most cases it is a relative category, which is related to the mode of usage and specific circumstances of a particular job classifying particular forms according to the freedom given to the individual to allocate their working time and how it influences their life. As 'unfriendly' forms of flexible employment and work we classified those that increase the intensity of work and heighten the insecurity of employment. As 'friendly' forms of flexible employment we classified those that, at least formally, give the employee greater autonomy about the decision on where and when they will work. We are, of course, aware that each friendly form of flexible employment can also be unfriendly in particular circumstances and that many choices are made out of necessity and do not reflect the needs or desires of an individual. As relatively 'unfriendly' forms of flexible employments we classified: weekend work, shift work, overtime, temporary work, fixed-term work. As relatively 'friendly' forms of flexible employment we identified: annual, part-time work, job sharing, flexitime, home-based work and tele-work (Mrčela and Ignjatović, 2005).

Among other definitions (Durst, 1999; Overman, 1999; Wood, 1999), family-friendly workplace policies are broadly defined as arrangements designed to support employees faced with balancing the competing demands of work and family in today's fast-paced, complex environment. These policies usually target greater cost efficiency, increased worker commitment and productivity, better customer service, and improved family-life. Employees are viewed as whole people, multi-dimensional individuals, with full lives both inside and outside their job. The goals of these programs are to enhance worker productivity, as well as represent an exemplary first step which employers can relieve crisis in their families and the problems such as latchkey children and juvenile crime (Newman & Mathews, 1999).

Characterizations of family-friendly benefit programs are subjective and vary from organization to organization. There is no generally accepted list of family-friendly programs, but there are ways of flexible forms of employment, which supports to implement the family-friendly programs in organizations. Among other variations in literature, Table 1 presents an extensive list of flexible forms of employment (Mrčela and Ignjatović, 2005). As a whole, this category of programs supported by these flexible forms of employment, is intended to enable employees to manage family responsibilities better, which frequently involves the care of children or dependent parents (Durst, 1999; Overman, 1999). This paper will be based on Morgan and Milliken's (1992) family-friendly policies categorization. According to their study (1992), efforts to improve the balance between work and family life generally fall into three categories: family leave, flexible work option and dependent care (Morgan & Milliken, 1992).

Table 1: Types of flexible forms of employment regarding the basic dimensions of employment

(Mrčela and Ignjatović, 2005)

Time	Conditions of work/employment	Place of work
Part-time work Temporary-constant Fixed-variable Flexitime Compressed working week Annually defined hours Partial retirement Seasonal workforce Casual work Zero hours contract/work on call Sabbaticals Voluntary reduced working hours Prolonged working hours Overtime work Shift work	Sharing of work Combining of tasks of several jobs (job enlargement) Work rotation Sharing of job Fixed-term employment Contractual work Independent contractors Consultants Agency workers Landed workers Substitute workers Workers in other companies that occasionally perform work Workers paid by the state	Flexi-place Work at home Tele-working Distance working

When it comes to the organizational responsiveness to such family-friendly management policies, companies are increasingly responding to the changing character and needs of today's workforce by adopting work/family, or so called-work/life programs. Despite the proliferation of these programs, only a handful of companies have succeeded in transforming their corporate cultures to become truly family-friendly organizations. Unless the cultural barrier can be broken, work/family initiatives will fall short of their goals. In many companies, the goal is to create a working environment that fosters maximum productivity and serves as a source of competitive advantage in attracting and retaining talented employees (Regan, 1994).

National policies are frequently connected to employers' policies which, on the other hand, mean that employers are not obliged to repeat those policies already installed by the state. Trade unions also have an important role in the development of policies at the national level, and mostly have a negative attitude to the introduction of flexible forms of employment regardless of any potential positive impact on the family and employee relations. One justified critiques is that only a limited share of employees has access to them or that they are not equally accessible to all employees that would otherwise use them.

Regardless of the shift towards the greater utilization of advantages given by the mentioned forms of flexible employment, one can establish that such forms of employment have not (yet) become the permanent practice of most organizations. Thus Lewis states (Lewis and Lewis, 1996), 'While a

growing number of organizations have recognized that it is in their interest to adopt policies which might be regarded as family-friendly and this has sometimes helped some people to manage work and family, these policies have not brought about fundamental changes in organizational behaviours or values. This is because the policies continue to be widely regarded as benefits, conferred upon women or at best parents, and are therefore perceived as being marginal to the organization, rather than a central business concern.

Therefore, the assumptions in this paper are, a) even if organizations have formal family-friendly management policies, informally they are not widely accepted as a new cultural norm in organizations (Coyle, 1999; Dex & Fiona, 1999; Overman, 1999; Osterman, 1995; Solomon, 1994) and, b) because of this, employees are afraid to use family-friendly management policies so as not to cause a disadvantage in their career advancement (Davis, 1999; Newman & Mathews, 1999; Solomon, 1994).

Indeed, according to research (1994) by a Work/Family Advisory Board of thirteen experts, including Human Resources professionals, academic professionals and consultants, there was a significant disparity between existing policies and their use. Even if technology frees employees to have greater flexibility and autonomy, when it comes to work/family balance, corporate cultures are largely inflexible. Managers still guard employees who are tethered to their desks from nine to five. Employees still prefer to say they have car trouble rather than childcare problems. Workers still get little support in caring for their elderly parents, school-age children or teens. Employees do not believe they can take leave or use flex time without jeopardizing their careers. A changing workforce means organizations must help people manage their multiple responsibilities (Solomon, 1994). According to a survey, more than half (54%), of executives said firms are only somewhat successful in their efforts, while 43% said business are unsuccessful in helping their staff juggle these dual commitments (Coyle, 1999). In another survey, 48% of respondents say they feel guilty if they leave work on time. As many as 41% of the sample say they are disappointed with the work/life balance they find in their current job. Overall, the crucial feature that emerges is that even among employees who are generally satisfied, getting the work/life balance is a constant problem (Davis, 1999). Taking working arrangements separately, nine out of ten employers in 1996 provided at least one family-friendly arrangement. The same study reported that voluntary provision for these four categories of family-friendly initiatives (maternity benefits, paternity leave, childcare arrangements and non-standard working hours) was found among just 5% of employers; the study called this minority group "model employers" (Dex & Scheibl, 1999).

It can also be stressed that a very important role in the introduction of family-friendly policies (forms of employment) is played by formal rules in the organization, however behind such formal rules the informal rules used in the organization/company are usually hidden. These informal rules are not written anywhere but are still a very important in the behaviour of individuals in the organization. Informal rules have a great influence on employees' possibilities to balance out work and family life (Mrčela and Ignjatović, 2005).

At this point, it can be proposed several arguments regarding the managers' informal effects at individual level in organizations, not only for the introduction of family-friendly workplace policies but also for their implementation to the companies. Table 2 summarizes the following four propositions.

Proposition 1: Managers who have a family and who support the family concept would be more likely to favor of family-friendly workplace policies

Proposition 2: Managers who do not have a family and who do not support the family concept would be less likely to favor of family-friendly workplace policies

Proposition 3: Managers who have a family but who do not support the family concept would be less likely to favor of family-friendly workplace policies

Proposition 4: Managers who do not have a family but who support the family concept would be more likely to favor of family-friendly workplace policies

Indeed, the biggest hurdle to creating a family-friendly workplace is the reluctance of supervisors to grant employees necessary flexibility. Wariness on the part of supervisors and a distrustful organizational culture are two examples of the forces inhibiting the effective operation of family-friendly workplace policies. Along

with the attitude of management and a lack of trust, other barriers include a “workaholic” culture, limited communication and training, an overburdening of resources, a detriment to morale, stigma of non-professionalism, incompatibility with job function, and administrative convenience concerns (Newman & Mathews, 1999).

To clarify the concept of support, a “supportive manager” is someone who engages in two-way communication with subordinates, provides positive feedback, mentors employees, allows employees autonomy, recognizes that employees have a life outside work, and facilitates the completion of job tasks by making sure employees have the tools and training they need. Many managers are reluctant to integrate the initiatives into the company culture. According to a report, too often front line managers may convey the message, directly or indirectly, that flex-time scheduling creates more work for them, or that they are uncomfortable with telecommuting because they prefer to have their staff members working where they can see them. If management gives no more than a cursory nod to the value of work-life initiatives, employees could be wary of utilizing them. A 1998 Gallup poll of more than 1000 employees showed that work-life benefits were rarely used. Employees said that while they would like to take advantage of these benefits, they felt that corporate culture discouraged them from doing so. Duxbury and Higgins found a tremendous amount of inequity in organizations today as supervisors act as gatekeepers to many of the benefits offered by the firm. Employees who work for “supportive” supervisors, who trust and respect their employees and who base their decisions on circumstances rather than rigid rules report less stress and greater productivity than employees who work for managers, who deny their employees any degree of flexibility (even when such arrangements are technically available). Only one third to one half of the employees surveyed gave their managers high marks for their supportive behaviors. However, it is management’s responsibility to help employees to be successful in their work life and in their personal life. It is based on trust factors, but this can be difficult to learn, both for managers and employees (Overman, 1999).

Table 2: Personal Opinions / Personal Lives of Managers at Individual Level and Their Effects on Implementation of Family-Friendly Workplace Policies in Organizations (Harcar, Feb 2008)

<p style="text-align: center;">I</p> <p style="text-align: center;">Having a Family / Supporting The Family Concept (More likely)</p>	<p style="text-align: center;">II</p> <p style="text-align: center;">Having a Family / Not Supporting The Family Concept (Less likely)</p>
<p style="text-align: center;">III</p> <p style="text-align: center;">Not having a Family / Not Supporting The Family Concept (Less likely)</p>	<p style="text-align: center;">IV</p> <p style="text-align: center;">Not having a Family / Supporting The Family Concept (More likely)</p>

From the Morgan and Milliken’s study (1992), diversity of top management team or whether top decision-makers have experienced work/family conflict, gave the idea of characteristics of the managers according to their personal opinion and personal life. According to their study, it was found that if any of the top three decision-makers at a business were women, were married to a working spouse and had children under 18, were a single parent, or had significant eldercare responsibilities, that the company might be more open to responsive policies. On the other hand, upper-level male managers were the least likely of all gender and occupation-level categories to believe that companies should provide financial support for childcare (Morgan & Milliken, 1992). In this paper, the focus is on mid-level managers, who have a key position or impact on implementation of the family-friendly management policies in organization. Therefore, if a manager at this

position has a family and supports the family concept, there would be high implementation of family-friendly policies in organization. Similarly, if a manager does not have a family but still supports the family concept, implementation would also be high. However, if a manager does not support the family concept, regardless of he/she has a family, this would mean low implementation of the policies overall in the company culture.

Organizational structures are therefore not the only obstacles, more often people are. Especially managers are not trained to work within flexible arrangements. For example, telecommuting presents a dramatic change from tradition. Managers wonder how to be sure employees are working if they cannot see them (Solomon, 1994). Individual differences in managerial style have an impact on the utilization of family-friendly workplace programs, “old-style” managers are simply not open to new ideas as advanced by family-friendly initiatives (Newman & Mathews, 1999).

FUTURE SUGGESTIONS

To achieve success in utilization of family-friendly workplace policies, simultaneous changes are needed in the organisational structure of companies and managerial practices (see Kanter, 1997) as well as in organizational culture that would respect and try to harmonise on the job demands with demands outside the work place – in everyday life. Further, the collaboration of all social partners should be ensured at the organizational level as well as at the systemic level, where labour market flexibility should be adjusted along with the social welfare system’s flexibility. Thus, instead of work intensification that represents a short-term strategy of securing profit, the transition is recommended to a more long-term sustainable strategy of securing profit through the introduction of forms of flexible employment and an adequate institutional environment, that would be desired by both employers and employees (Mrčela and Ignjatović, 2005).

Family-friendly policies are tools for enhancing productivity, efficiency, and effectiveness and such will need to be managed in a meaningful fashion. Human resources personnel and other managers will need training if these programs are to be implemented and used effectively. 76% of seventeen respondents expressed a need for specialized training to manage both simple and more complicated family friendly programs (Durst, 1999). Organizational placement of the administration of work/life programs, such as the Work/Life Program Manager, may be a partial predictor of success (Newman & Mathews, 1999). Therefore, for companies that want their work/family initiatives to reach their full potential, there are three key cultural changes that they need to make. Organizations must first educate their managers on the business rationale behind work/family initiatives. They must also hold managers accountable using such objectives as sensitivity to employees’ needs to balance work and personal life, as measured by subordinates, peers and senior management, adopting department-wide work/family assistance programs, and partnering with individual employees to develop creative solutions to their specific problems and conflicts. Lastly, organizations must provide visible top-level support because middle managers are not likely to change their way of doing things without encouragement, empowerment and examples from top management. Ultimately, lasting organizational change cannot occur until senior managers recognize that work/family conflicts are not merely women’s issue (Osterman, 1995) or even an employee-relations issue, but a business issue.

CONCLUSION

Today, forward-thinking executives are beginning to see that providing a work environment that values individual differences and helps employees balance their career and personal interests will be a key to competitive advantage in the marketplace (Regan, 1994). Also, employees with supportive managers are more likely to have high job satisfaction, high organizational commitment and lower levels of job stress and life stress. They also are more likely than those with nonsupportive managers to feel that the organizational policies of their company were supportive of them. Therefore, organizations need to alter their culture and the behavior of their managers and supervisors to facilitate any form of permanent change. They also have to measure progress in these objectives and make sure managers are held accountable for progress in their areas. Organizations must remember the importance of measurable progress. These programs have direct and tangible benefits for employers. These benefits are high productivity and better job performance resulting in reductions of employee absenteeism and stress. Among the 103 organizations represented in a survey, it was the general consensus that family-friendly programs have positive effects on employees and the organization. Most respondents believe that productivity is increased, turnover is decreased, and recruitment efforts are enhanced in their organization as a result of these programs. Managers should spend time considering the individual relationship between an employee and manager. A manager needs to understand what is important

to each individual employee and what motivates the employee to be more productive. Some may be motivated by compensation while others may be motivated by job flexibility. Assessing the employee's needs by employee surveys, focus groups, systematic interviews and conversations with selected employees and supervisors, and evaluating family friendly programs are essential steps toward justifying these programs. The success of a particular program or set of programs will depend on the employer's efforts to customize the program for their employees and workplace. (Durst, 1999; Overman, 1999).

Family-friendly workplace policies have made a positive difference in the work lives of many men and (especially) women. These same policies, viewed from a more critical perspective, may also represent little more than sculpting around the edges of an entrenched masculine organizational structure. In addition, those who take advantage of these policies (mostly women with young children and growing number of elder-care) may be perceived as less motivated or less willing to make the sacrifices necessary to succeed in their work. If these policies are to be widely utilized, they must be relatively free of such negative connotations. It has been argued that so long as a core group of employees (notably men) continues to advance without the use of the new family benefits, the structure and culture of the workplace are likely to remain unchallenged. Obviously, a work environment and organizational culture that promotes a "no risk implementation" of family friendly workplace policies for employees represents a necessary first step to their broad utilization. A workaholic cult which sacrifices family life on the altar of efficiency is no longer (if it ever was) tenable. Alternative approaches to organizing, performing and evaluating work are conducive to improved workplace productivity (Newman & Mathews, 1999).

Macarov (2000) in the past explained work as one of the most widely spread and deeply embedded elements in individual psyches, the structure of societal institutions, and value system of industrial civilizations. Nevertheless, when satisfaction at work is studied in depth, it seems that few people get active satisfaction from their work. Therefore, if work is embedded in people's lives and society's structural body one way or the other, then there is an obvious need to define the family and work concepts not only from the economical perspective, but also from the humanitarian perspective, which affects society at the end.

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A STUDY ON THE ROLE OF EMPOWERMENT IN PROVIDING ORGANIZATIONAL COMMITMENT

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ABSTRACT

An empowered and committed employee is widely claimed to be essential for the effective functioning of modern organizations. The number of the studies in the literature about empowerment and organizational commitment is too scanty. In view of the basic idea dominating the studies conducted on this subject, in order to succeed in empowerment, the organizational commitment of the employees is essential.

Sharing power with others will expand one's own power. People who have higher opportunity for growth and mobility in their work are more likely to have high aspiration and to be more committed to the organization. This study aims to analyze the relationship between empowerment and organizational commitment. The study is based on the data gathered from the employees working in automotive industry in Aksaray.

This study provides important clues both academically and practically. It is considered that it will contribute considerably on this subject particularly for employees working in automotive industry, an extensively globalized field. The findings of this study corroborate with the findings of previous studies. In the light of the study, it is determined that there is a relationship between empowerment and organizational commitment. The relationships between empowerment and demographic characteristics of the employees are also investigated.

Keywords: Empowerment, organizational commitment, age, education, tenure and organizational behavior.

INTRODUCTION

Changes in business environment have forced organizations to review management systems in order to remain competitive in today's turbulent economy. "Empowering" employees has become a central theme of related management and leadership practices that have been endorsed to allow organizations to become more competitive (Schein, 1992). "Where yesterday's organizations were typically rigid, bureaucratic, and rule-bound, today's successful competitors are flexible, fast, and dependent on their front-line employees to act independently in the best interest of the organization." (Nelson, 1997:37). "Success in the global marketplace will come to the organizations built on synergy, collaboration, flexibility, and partnership; an organization that expects individual accountability in return for individual freedom." (Lynch, 1997:18). In this context, organizational commitment and empowerment of employees are important items in the success of the organizations.

It is supported by the literature that there is a relationship between empowerment and organizational commitment. When the situation in Aksaray, Turkey is considered, it is important that we learn the level of empowerment perception and organizational commitment of the employees of multinational corporations, which are in automotive industry in Aksaray, Turkey. It is an obligation rather than a preference that we have the automotive industry corporations in this study. Because, most of the multinational corporations in Aksaray are mainly from automotive industry. The results of this study are important for both the automotive companies of Aksaray and for employees of multinational companies.

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Empowerment is seen as a strategy to develop a flexible organization that is capable of adapting to a changing external environment. While employee empowerment has become a major organizational issue, minimal empirical research has been conducted on this phenomenon. Existing research on empowerment is primarily prescriptive in nature, describing how “empowering” employees has made significant performance improvements in organizations. Antecedents and outcomes of empowerment in an organizational setting have received limited theoretical attention (Spreitzer, 1992). The empowerment literature lacks consistency in terms of theoretical perspectives and often ignores theoretical implications.

The purpose of this study was to analyze if there is a relationship between empowerment and organizational commitment by using statistical procedures. Additionally, the study also examined the relationship between demographic characteristics with regard to empowerment and organizational commitment respectively. Through this aim, a research has been carried out in five companies operating in automotive industry in Aksaray. In the research, the sample size was determined through a simple casual sampling. The number of the employees attending the questionnaire in the research is 141. In this study, reliability, validity and correlation analysis were used. In the following caption, a brief description of the terms empowerment and commitment is provided. After that, the methodology, findings and conclusions of the study will be presented.

EMPOWERMENT

Empowerment is defined as increasing task motivation by enhancing feelings of meaning and control. Spreitzer (1992) has developed models that identify four task assessments as a basis for employee empowerment. These four dimensions of empowerment are meaning, competence, self-determination and impact. The first dimension, meaning, is defined as “the value of the task goal or purpose, judged in relation to the individual’s own ideals or standards”. The second dimension, competence, is defined as “the degree to which employees can perform task activities skillfully when they try”. Self-determination is the third dimension of empowerment. To be self-determining means to experience a sense of choice in initiating and regulating one’s own actions. The fourth dimension is impact. Impact is defined as the “extent to which one can casually influence a desired environmental outcome” (Spreitzer, 1992:20).

Empowerment is a motivational process of feeling enabled. More specifically, Thomas and Velthouse (1990) also defined empowerment as increased task motivation manifested in four cognitions: meaning, competence, self-determination, and impact. Based on Spreitzer’s (1995, 1996) construct definition, **meaning** reflects the degree to which an individual believes in and cares about work goals or purposes. Meaningfulness is judged in relation to an individual’s own ideals or standards of need. **Competence** refers to self-efficacy specific to work and is rooted in individuals’ belief in their knowledge and capability to perform task activities with skill and success. Feelings of competence are analogous to effort-performance expectancy, personal mastery, and agency beliefs. **Self-determination** represents the degree to which an individual feels causal responsibility for work-related actions, in the sense of having choice in initiating and regulating actions. Spreitzer describes **impact** as the experience of having an influence on strategic, administrative, or operating outcomes at work to make a difference. Together, the four cognitions of empowerment have been claimed to, and found to, combine additively, that is, they do not function as factors that are conditional to each other but additively create an overall of felt empowerment. Each dimension adds a unique aspect to an individual’s experience of empowerment, and the four dimensions together comprise the essence of empowerment. Empowered employees are assumed to feel increased intrinsic work motivation and have a proactive, rather than passive, orientation to their work roles (Spreitzer, 1995, 1996; Thomas and Velthouse, 1990).

Empowerment is a mean by which employees are encouraged to participate in different aspects of the organization: planning, developing strategies, searching for new ideas, and developing better methods within the organization (Goddard and Brown, 1995). Employers want to get the most from their employees. Many employees have incorporated the term empowerment within their organization without fully understanding the depth of how the individual influential factors impact the results within the organization. Empowerment involves giving employees a larger responsibility to make decisions (Forrest, 1995:10).

Every organization varies in its methods of operation. The one common factor among all organizations is that they are comprised of individuals who each have various backgrounds and beliefs. These backgrounds and beliefs are identified as individual influential factors, which consist of behavior, attitude, motivation, commitment, communication, and trust. Each of these individual factors plays a significant role within the organization (Sasiadek, 2006:2). Empowerment offers employees the opportunity to engage, energize, and

invoke various ways to serve the organizations customers and at the same time accomplish their work more efficiently. When employees are ultimately responsible, they are optimally motivated (Greenwald, 1995:11). Velury (2005:45) indicated that empowerment gives employees the feeling of belonging; allowing them to feel pride in their work and take ownership of tasks that may otherwise be mundane.

One of the greatest challenges in developing an empowered organization is in motivating employees to cultivate a leadership mind that is characterized by the desire for greater responsibility, innovation, and a willingness to take risks. It has been suggested that empowerment means productive and motivated behavior in influential organizations (Ozaralli, 2003:337). The creation of empowered employees results in significant advantages for the employees as well as the organization. The advantages of empowerment or involvement are said to include higher quality products and services, less absenteeism, lower turnover, better decision making and better problem solving which, in turn, result in greater organizational effectiveness (Ozaralli, 2003:473).

There are disadvantages to be considered in relation to empowerment. If there is a lack of sustained management support and commitment, empowerment can be used as a manipulative tool to ensure that employees complete tasks and assignments. Managers can use empowerment to abdicate managerial responsibility or task accountability. Empowerment is deployed selectively, segmenting the workforce into those who are empowered to use their brainpower and creativity to solve problems and those who are not, empowerment is used as an excuse not to invest in training or developing employee skills, and/or managers fail to provide feedback and constructive suggestions and do not recognize achievements (Sharafat, 1997:47).

ORGANIZATIONAL COMMITMENT

Organizational commitment can be defined as an employee's strong belief in and acceptance of an organization's goals and values, effort on behalf of the organization to reach these goals and objectives and strong desire to maintain membership in the organization (Hunt and Morgan, 1994:1568). In other words, organizational commitment points to the attitudes of employees concerning commitment towards the organizations they work for (Moorhead and Griffin, 1995:64-65; Northcraft and Neale, 1990: 465).

Meyer and Allen divided commitment into three dimensions: affective, continuance, and normative commitment. **Affective** commitment is defined as the extent to which an individual identifies with, is involved in, and enjoys membership in an organization. **Continuance** commitment is an attachment to an organization based on an employee's awareness of the costs associated with discontinuing membership. **Normative** commitment is defined as the totality of internalized normative pressures to act in a way which meets organizational goals and interests (Meyer and Allen, 1991: 67-69; Karadal et al., 2008; Allen and Meyer, 1990:3-4; Baker, 2000:3).

Commitment is handled by many researchers as the group of feelings, beliefs and intentions that increase the willingness to maintain membership in the organization (Hunt et al., 1985:113). There are two well-known opinions about commitment in organizational literature (Magazine et al., 1996). One of the opinions was developed by the studies of Porter, Steers, Mowday and Boulian (1974), and explained commitment as behavioral situation. In this respect, commitment is explained as the power of **identification and involvement** of an individual with a certain organization. The second view is the one stating that individuals focus on an action with the help of their early **investments** and if the action stops they lose their investments. This view handles commitment as the tendency to maintain membership in the organization and is founded on the Becker's "side-bets" view (Oliver, 1990:20). It is seen that in some of the empirical surveys, the relations among organizational commitment (Vandenberg and Scarpello, 1994; Meyer, Allen and Smith, 1993) and demographic characteristics (Allen et. al., 2000; Scarpello and Vandenberg, 1992) were studied.

Organizational commitment is a function of individual characteristics like age, seniority and education with conditional factors like climate, job satisfaction and organizational characteristics (Morrow, 1983:494). When most of the studies are analyzed, the relations of organizational commitment with demographic characteristics and job satisfaction organizational variables draw attention (Kacmar et al., 1999:979-981). Committed employees accept organizational goals; they reduce turnover and absenteeism and potentially perform better at their jobs (Somers and Birnbaum, 2000). It has long been a challenge for organizations to gain full commitment from all employees. Most of the time, organization leaders are generally blamed for the absence of commitment and imitative among employees (Macher, 1988).

There are good reasons to propose that the empowerment feeling of being able to make a difference in the workplace facilitates an employee's commitment to the organization (Steers, 1977). Empowerment evokes organizational commitment because: (a) a meaningful job provides a suitable fit between the requirements and purposes of one's organizational work roles and one's personal value system; (b) a sense of competence gives employees the belief that they are able to perform their work roles with skill and success, stimulating them to exert considerable effort on behalf of the organization; (c) self-determination (autonomy) gives employees control over their work and a voice in work-related decision processes, leading to enhanced involvement in the organization, and (d) having impact facilitates employees' possibilities to participate in shaping the organizational system in which they are embedded. In a team-level study, more highly empowered team members were indeed found to develop higher levels of commitment to the organization (Kirkman and Rosen, 1999).

METHODOLOGY

The purpose of the study is to determine the relationship between employee's perceptions of empowerment and organizational commitment. Additionally, the study also examined the relationship between demographic characteristics with regard to empowerment and organizational commitment respectively.

Empowerment (dependent variable) was measured using Spreitzer's multidimensional measure of psychological empowerment. Spreitzer's instrument is grounded in a construct definition derivative of the integration of a review of interdisciplinary literature on empowerment, and an examination of interview data. Spreitzer's (1992) twelve-item instrument is used in this study. The first dimension of empowerment, **meaning**, is defined as the value of a work goal or purpose, judged in relation to an individual's own ideals or standards. The second dimension, **competence**, is defined as an individual's belief in his or her capability to perform activities with skill. The third dimension of empowerment, **self-determination** (autonomy) is defined as an individual's sense of having choice in initiating and regulating actions. The fourth dimension, **impact** is defined as the degree to which an individual can influence strategic, administrative or operating outcomes at work. The items in this scale were adapted from Ashforth's (1989) helplessness scale. All of the items use a five-point Likert response format and are self-assessments (Spreitzer, 1995:1443).

Meyer and Allen's multidimensional approach to commitment (independent variable) was utilized in this study. The three dimensions of commitment, **affective, continuance, and normative**, were measured using Meyer and Allen's (1991) three six-item scales. The commitment scales are the revised versions of the original eight-item instruments developed by Allen and Meyer (1990). All measures were self-assessments and used a five-point Likert response format.

The population of this study is the employees of five companies in Aksaray, Turkey. Face-to-face survey method has been used in collecting data and information in the study. The number of the employees who took part in the study is 141. The magnitude of the exemplification in the study has been determined with simple casual sampling.

There are 560 employees in five companies. 280 questionnaire forms were distributed to these companies. 141 surveys returned from these companies. The response rate was 50%. Company A was founded in Germany and operates in over 17 countries. Manufacturing facility was opened in 1940. This multinational corporation is a manufacturer of automotive products and has 260 employees in Aksaray, Turkey. Company B was founded in Aksaray, Turkey, in 1962. It is one of the main suppliers of Mercedes Benz. Company B has 25 employees. Company C was founded in Aksaray, Turkey, in 1972. It exports its products to 38 countries. This international firm has 60 employees. Company D was founded in Italy, 1959. It started its operations in 2006, Aksaray, Turkey. It exports its products over 12 countries. This multinational corporation has 60 employees. Company E was founded in Aksaray, Turkey, in 2000. Home country of the company is Germany. It is one of the main suppliers of Mercedes Benz and exports several countries such as Germany and Brazil. This company has 155 employees.

Assumptions and Limitations of the Study

One assumption of this study was that people would be honest in their responses to the questions. The second assumption was that this researcher would have 141 participants in this study. Another assumption was that some participants would feel empowered. A final assumption was that some participants would take on leadership roles.

There are several limitations to this study. One is the context within which empowerment is examined. Individuals may feel empowered in a family setting, work setting, and/or a community setting. The work environment was the context for this study. Employee empowerment was examined in the context of manufacturing organizations. Another limitation of this study was the focus of inquiry. This study focused on individual empowerment, not collective empowerment. Empowerment of a collectivity requires group membership. Individual empowerment does not require group membership. Many factors may lead to increased/decreased perceptions of employee empowerment. This study was limited to examining the association of employee empowerment and organizational commitment.

Another limitation was that employees who have low levels of empowerment may be less likely to participate in the study. There may also be a fear that this survey is somehow linked to their organization, which may hinder stating negative opinions, which could impact the results of the survey.

In summary, this study focused on individual empowerment within a work context. Employee perceptions at five companies operating at automotive industry were assessed. The relationship between employee empowerment and employee commitment was analyzed.

Hypothesis of the Study

This study aims determining whether there is a relationship between organizational commitment and empowerment. Besides, in the study it was searched whether there was a relationship between empowerment and organizational commitment levels up to the employees' socio-demographical characteristics. This study consists of nine hypotheses. H_0 represents the null hypothesis, and $H_{a,b,c}$ represents the alternative hypothesis.

Hypothesis 1:

H_0 : There is no relationship between organizational commitment and empowerment.

H_a : There is a relationship between organizational commitment and empowerment.

Hypothesis 2:

H_0 : There is no relationship between an employee's education level and empowerment on the job.

H_b : There is a relationship between an employee's education level and empowerment on the job.

Hypothesis 3:

H_0 : There is no relationship between an employee's education level and organizational commitment.

H_c : There is a relationship between an employee's education level and organizational commitment.

Hypothesis 4:

H_0 : There is no relationship between an employee's age and organizational commitment.

H_d : There is a relationship between an employee's age and organizational commitment.

Hypothesis 5:

H_0 : There is no relationship between an employee's age and empowerment on the job.

H_e : There is a relationship between an employee's age and empowerment on the job.

Hypothesis 6:

H_0 : There is no relationship between an employee's gender and organizational commitment.

H_f : There is a relationship between an employee's gender and organizational commitment.

Hypothesis 7:

H_0 : There is no relationship between an employee's gender and empowerment on the job.

H_g : There is a relationship between an employee's gender and empowerment on the job.

Hypothesis 8:

H_0 : There is no relationship between an employee's tenure and organizational commitment.

H_h : There is a relationship between an employee's tenure and organizational commitment.

Hypothesis 9:

H_0 : There is no relationship between an employee's tenure and empowerment on the job.

H_i : There is a relationship between an employee's tenure and empowerment on the job.

FINDINGS OF THE STUDY

In the following part, the socio-demographic characteristics of the employees, reliability analysis of the study, descriptive statistics, factor analysis, correlations, and results of hypothesis tests were presented.

The Socio-Demographic Characteristics of Participants of the Study

According to Table 1, the rate of employees whose age group is below 40 is 91,5%; the rate of employees whose duration of employment in the company (tenure) is over 5 years is nearly 52%; the rate of employees

who are male is 93,6; the rate of employees who are university graduates is 13,5%; the rate of employees who are married is 82,3%.

Table 1: The Socio-Demographic Characteristics of the Employees

Demographic Characteristics	Frequency	Percent	Cumulative Percent	Demographic Characteristics	Frequency	Percent	Cumulative Percent
Age Range				Education			
• Less than 20	7	5,0	5,0	• Less than high school graduate	53	37,6	37,6
• 20-29	54	38,3	43,3	• High school graduate	69	48,9	86,5
• 30-39	68	48,2	91,5	• 1-2 years college	9	6,4	92,9
• 40-49	8	5,7	97,2	• Bachelors degree/3-4 years college	9	6,4	99,3
• 50 and over	4	2,8	100,0	• Masters degree	1	,7	100,0
Tenure				Marital Status			
• Less than 5	68	48,2	48,2	• Single	21	14,9	14,9
• 5-9	58	43,2	91,5	• Divorced	4	2,8	17,7
• 10-14	10	7,1	98,6	• Married with children	14	9,9	27,7
• 15-19	2	1,4	100,0	• Married without children	102	72,4	100,0
Gender				Total			
• Female	9	6,4	6,4	Total	141	100	
• Male	132	93,6	100,0				
Total	141	100					

Reliability Analysis of the Study

Cronbach alpha method was used to assess the test of internal consistency and reliability in scales of the survey. Survey scales in the study are empowerment and organizational commitment questionnaire. Cronbach's alpha was calculated of the empowerment and organizational commitment scale. Table 2 shows that the internal consistency reliability was above 0,60 for all of scales except.

Table 2: Measures of Reliability

Scales	N of Items	Cronbach's Alpha
Empowerment Scale	12	,811
Organizational Commitment Scale	18	,622

Descriptive Statistics

Descriptive statistics were calculated for all continuous scaled variables. Table 3 shows Descriptive Statistics of the empowerment and organizational commitment. The mean score of empowerment was 3,68 (SD = 0,695) and the range was 3,19 to 4,19. The organizational commitment mean score was 3,24 (SD = 0,430) and the range was 2,98 to 3,44. Finally, the employee commitment scales had a mean score for affective, normative and continuance commitment, respectively, 3,31; 2,98 and 3,44 (SD = 0,529; 0,701 and 0,626).

Table 3: Descriptive Statistics (Empowerment and Commitment)

	N	Minimum	Maximum	Mean	Std. Deviation
Empowerment**	141	1	5	3,68	,695
• Meaning (EM)	141	1	5	4,19	,781
• Competence (EC)	141	1	5	4,17	,842
• Autonomy (EA)	141	1	5	3,20	1,013
• Impact (EI)	141	1	5	3,19	1,018
Organizational Commitment**	141	2	4	3,24	,430
• Affective (OA)	141	2	5	3,31	,529
• Normative (ON)	141	1	5	2,98	,701
• Continuance (OC)	141	2	5	3,44	,626

** Scale: 1 = strongly disagree, 5 = strongly agree

Factor Analysis

Table 4 reports the factor analysis results concerning empowerment perceptions. The KMO test, employed for the factor analysis, was resulted as 75,3%. This result shows that there is a data set which is proper for factor analysis and significant groups will form in the end of the factor analysis. There were four components in result of factor analysis. These components explain 70,576% of total variance explained.

Table 4: Factor Analysis Results Concerning Empowerment Perceptions

	1	2	3	4
EM1. The work I do is meaningful.	,915			
EM2. The work I do is very important for me.	,581			
EM3. My job activities are personally meaningful for me.	,392			
EC4. I am confident about my ability to do my job.		,600		
EC5. I am self-assured about my capability to perform my work.		,814		
EC6. I have mastered the skills necessary for my job.		,878		
EA7. I have significant autonomy in determining how I do my job.			,651	
EA8. I can decide on my own on how to go about doing my work.			,820	
EA9. I have considerable opportunity for independence and freedom on how I do my job.			,780	
EI10. My impact on what happens in my department is large.				,745
EI11. I have a great deal of control over what happens in my department.				,835
EI12. I have significant influence over what happens in my department.				,663
% of Variance Explained:	32,937	23,453	7,398	6,789
Total Variance Explained:	70,576			
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy:	,753			
Bartlett's Test of Sphericity:	<i>Approx. Chi-Square</i> 707,642			
	<i>df</i> 66,000			
	<i>Sig.</i> ,000			

As in Spreitzer's (1992) empowerment scale, the components conducted in the end of the factor analysis are named as EM: Empowerment-Meaning, EC: Empowerment-Competence, EA: Empowerment-Autonomy and EI: Empowerment-Impact. At the result of the analysis, it is observed that the related questions are gathered under the factors involved.

Table 5: Summary of Factor Analysis Results Concerning Organizational Commitment Perceptions

	Total Variance Explained	KMO	Bartlett's Test of Sphericity		
			<i>Approx. Chi-Square</i>	<i>df</i>	<i>Sig.</i>
Affective Commitment (OCA)	47,914	,738	283,746	15,000	,000
Normative Commitment (OCN)	33,300	,621	108,782	15,000	,000
Continuance Commitment (OCC)	36,184	,686	100,169	15,000	,000

Table 5 reports the summary of factor analysis results concerning organizational commitment perceptions. OCA, OCN, OCC each of which is formed of six questions are gathered under a single factor. We calculated the values of KMO of affective commitment (OCA) and it was %73,8; the value of KMO of normative commitment (OCN) was %62,1; the value of KMO concerning continuance commitment (OCC) was %68,6. Explained variances of organizational commitment components were calculated respectively, OCA, %47,914; OCN, %33,300; OCC, %36,184 of total variance explained.

Correlations

In the study, the relations among demographic characteristics, organizational commitment and its components, and empowerment and its components were investigated and the results are given in Table 6.

Table 6: Correlations

		OCA	OCN	OCC	OCO	Age	TN	GN	ED	MS
Age	r	,067	-,027	,179*	,094					
	p	,429	,750	,034	,266					
Tenure (TN)	r	,068	-,019	,122	,077	,477**				
	p	,422	,821	,150	,366	,000				
Gender (GN)	r	-,037	,256**	,084	,162	,095	,147			
	p	,664	,002	,324	,055	,264	,082			
Education (ED)	r	-,205*	-,399**	-,037	-,321**	,081	,039	-,458**		
	p	,015	,000	,662	,000	,340	,649	,000		
Marital Status (MS)	r	,017	,092	,253**	,173*	,510**	,415**	,247**	-,137	
	p	,845	,276	,002	,040	,000	,000	,003	,105	
Meaning (EM)	r	,181*	-,130	,418**	,247**	,061	,053	-,098	,068	,014
	p	,032	,124	,000	,003	,475	,535	,246	,421	,866
Competence (EC)	r	,139	-,107	,367**	,214*	,127	,144	-,043	,097	,162
	p	,101	,206	,000	,011	,134	,089	,610	,253	,054
Autonomy (EA)	r	,307**	,047	-,009	,150	,183*	,151	-,199*	,195*	,073
	p	,000	,579	,919	,076	,030	,074	,018	,021	,390
Impact (EI)	r	,310**	,058	,007	,175*	,179*	,150	-,200*	,192*	,069
	p	,000	,491	,934	,038	,034	,075	,017	,022	,419
Empowerment (EO)	r	,321**	-,021	,241**	,275**	,185*	,168*	-,188*	,189*	,101
	p	,000	,809	,004	,001	,028	,046	,025	,025	,232

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

N=141

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

OCA: Organizational Commitment – Affective

OCC: Organizational Commitment – Continuance

OCN: Organizational Commitment – Normative

OCO: Organizational Commitment – Overall

Table 6 exhibits that there is no relationship between employees' **age** and organizational commitment, a relationship between employees' age and affective commitment, and a relationship between employees' age and normative commitment, whereas there is a relationship between employees' age and continuance commitment ($r=,179$).

A relationship exists between employees' age and empowerment, and employees' age and two empowerment components which are autonomy ($r=,307$) and impact ($r=,310$). Whereas, no relationship exists between employees' age and two empowerment components, which are meaning and competence.

No relationship exists between employees' **tenure** and organizational commitment; and employees' tenure and components of organizational commitment. Besides, there is no relationship between employees' **gender** and organizational commitment; and employees' gender and affective commitment; and employees' gender and continuance commitment. However, a relationship exists between employees' gender and normative commitment ($r=,256$).

Even though Table 6 shows a relationship between employees' tenure and empowerment ($r=,168$), there is no relationship between empowerment components.

There is a reverse relationship between employees' gender and empowerment ($r=-,188$), and employees' gender and two empowerment components which are autonomy ($r=-,199$) and impact ($r=-,200$). Besides, there is no relationship between employees' gender and two empowerment components which are meaning and competence.

In Table 6, it seems there exists a reverse relationship between employees' **education** level and organizational commitment ($r=-,321$); and employees' education level and affective commitment ($r=-,205$); and employees' education level and normative commitment ($r=-,399$).

Pearson correlation shows a statistically positive correlation between employees' education level and empowerment ($r=,189$), and employees' education level and two empowerment components which are autonomy ($r=,195$) and impact ($r=,192$). But it does not show a correlation between employees' education level and two empowerment components which are meaning and competence.

Pearson correlation shows a statistically positive correlation between employees' **marital status** and organizational commitment ($r=,173$), and employees' marital status and continuance commitment ($r=,253$). Whereas, there is no relationship between employees' marital status and affective commitment, and employees' marital status and normative commitment.

There is no relationship between employee's marital status and empowerment and its components.

There is a relationship between **affective commitment** and the meaning ($r=,181$); affective commitment and an employee's autonomy ($r=,307$) in the workplace; affective commitment and an employee's impact ($r=,310$) in the workplace; and affective commitment and empowerment overall ($r=,321$).

There exists no relationship between **normative commitment** and empowerment; and normative commitment and empowerment components.

There is a relationship between **continuance commitment** and empowerment ($r=,241$); continuance commitment and the meaning ($r=,418$); continuance commitment and competence ($r=,376$). There exists no relationship between continuance commitment and the autonomy; and continuance commitment and the impact.

There is a relationship between **organizational commitment** and **empowerment** ($r=,275$); and organizational commitment; and empowerment components which are the meaning ($r=,247$), the competence ($r=,241$) and the impact ($r=,175$). But, there exists no relationship between organizational commitment and the autonomy.

Results of Hypothesis Tests

Results of hypothesis tests are shown in Table 7. All hypotheses of the study were accepted, except three.

Table 7: Results of Hypothesis Tests

Hypotheses	Accepted/Rejected
H_a : There is a relationship between organizational commitment and empowerment.	Accepted
H_b : There is a relationship between an employee's education level and empowerment on the job.	Accepted
H_c : There is a relationship between an employee's education level and organizational commitment.	Accepted
H_d : There is a relationship between an employee's age and organizational commitment.	Rejected
H_e : There is a relationship between an employee's age and empowerment on the job.	Accepted
H_f : There is a relationship between an employee's gender and organizational commitment.	Rejected
H_g : There is a relationship between an employee's gender and empowerment on the job.	Accepted
H_h : There is a relationship between an employee's tenure and organizational commitment.	Rejected
H_i : There is a relationship between an employee's tenure and empowerment on the job.	Accepted

The results of this study considerably supported Baker's (2000) study and also partially supported Janssen's (2004).

CONCLUSIONS

The findings of the study are presented below:

1. Without the exceptions of the correlations between the components of organizational commitment and the components of empowerment, it is demonstrated that a moderately positive correlation existed between organizational commitment and empowerment.
2. As a result of the study, it is understood that there is a relationship between employee's empowerment and their levels of education. This situation shows that the more education levels of the employees rise, the higher their empowerment levels are. When we consider the components of empowerment we can see that there is a relationship between the education levels and self-determination; and impact. In this situation, the employees whose education levels are high can make their own decisions regarding their work and can affect the way the job is done in the organization. No relationship between the components of empowerment, which are meaning and competence and education level, could be obtained.
3. One of the results is that there is a reverse relationship between employee's education levels and their organizational commitment. According to this result, the more the levels of the employee's education levels rise, the less their organizational commitment goes up. On the contrary, when the education levels fall, the organizational commitment rises. We can say that this is a result of their having more opportunity for a career.
4. There is not a general relationship between the employees' ages and their organizational commitment. However, there is a positive relationship between age and continuous commitment. So, the more the age goes up, the more the employees' desire to stay in the same company grow stronger.
5. In the lights of the results of this study, it can be said that there is a positive relationship between empowerment and the employees' ages. This situation shows that the increase in the age makes the empowerment perception of employees' increase, too. In short, the employees who are older feel stronger in the organizations.
6. It may be said that the employees' perceptions of empowerment in the company are important in the organizational commitment. Strengthening the employees' perceptions of empowerment consists of the components such as meaning, competence, autonomy and impact. So, the organizational commitment will increase significantly. Therefore, new strategies, policies and training programs for employees should be developed in that direction in the automotive companies.

Almost all of the companies in automotive industry have operations throughout the world, and most of them are defined as borderless companies. Obviously, these companies need to have effective international business strategies to be successful in today's intensively competitive business world. These companies may have leading edge technologies, high quality, low cost-low price opportunities or effective strategies as their primary business strategy. On the other hand, to achieve these strategies and to be successful under the globally competitive conditions, companies must have productive and effective employees. As a result of this study, it can be stated that employees will feel stronger when the work accomplished is made more meaningful, more significant; and when the employees can make their own decisions and effect the way the work is done in the organization. The employees' feeling of empowerment will increase the levels of the organizational commitment. An employee with a high level of organizational commitment will be able to work more productively and thus, a working environment dominated by trust, respect, and effective communication will be formed

The fact that the employees of several companies are involved in the study is the most important limitation of the study. Therefore, making the results of the study general may lead to some misunderstandings. However, the fact that employees from various socio-demographical backgrounds were involved in the study is quite important. Studies involving employees who are compatible with the general characteristics of the automotive industry in terms of gender, education, the length of employment, and work experience, would provide important clues for future studies.

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THE SECTORAL ANALYSE OF ROLE CONFLICT AND ROLE AMBIGUITY WITH JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT: A STUDY IN THE EAST MEDITERRANEAN REGION

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ABSTRACT

This study analyzed the sectoral perception and difference of role conflict and role ambiguity with job satisfaction and organizational commitment. This study was conducted with employees from both public and private sector firms in the Mediterranean Region of Turkey. The data gathered from 219 employees was analyzed to test the three hypotheses of the study.

Findings indicated that role conflict, role ambiguity, job satisfaction and organizational commitment are different to in public and private sector. This study concluded that managers must reduce the level of role conflict and role ambiguity if they want to increase job satisfaction and organizational commitment. As a result, organizational performance and effectiveness could be further improved. In addition, this study recommends that similar research be conducted on various employee groups to expand the antecedents and outcomes of role conflict and role ambiguity.

Key Words: *Role conflict, role ambiguity, organizational commitment, job satisfaction.*

INTRODUCTION

Employee job satisfaction and organizational commitment are two important criteria of organizational performance. The basic means of the concept of economic reconstruction, mainly cooperative strategies (e.g. alliances, business networks, joint ventures) and privatization, which started in the early 1980s, resulted mass dismissals, have affected employees' level of job satisfaction and organizational commitment in a negative way. After 1980's, particularly collapsing the east bloc countries, as well as those countries and in Turkey, privatization has been the most important issue in the state economic policy. Programs intended to increase employees' organizational effectiveness have caused ambiguity about the work they do. Consequently, this ambiguity led to stress. One of the approaches explaining the stress of an employee is the role theory. According to the role theory, responsibilities of all employees and positions at work should be defined. Only under these circumstances, managers can direct employees; and, in turn, employees can report on their work and responsibilities. If employees are unclear how much authority they have and what is expected from them, they will refrain from decisions making and exhibiting behaviors that are relevant to the organization's aims (Jackson and Schuler, 1985). On the other hand, clearly defined job roles can strengthen employees' feelings related to the efficiency of their abilities. In this case, employees know what is to be done and what is expected from him or her.

Explanations about employees' roles and responsibilities are not always clear. The content in which the authority is determining the role and the person who undertakes this role is constantly changing (Schaubroeck *et al.*, 1993). Several factors can cause ambiguity including the problems arising from determining and defining the process of the role; the limitations that emerge from the nature of the job and the organization; the differences in management forms and conflicts amongst the roles of the employees. Two employee behaviors that are affected by role conflict and ambiguity are job satisfaction and organizational commitment. Within this context, the aim of this study is to reveal sectoral difference or similarity in role ambiguity, role conflict, job satisfaction and organizational commitment in private and state sector.

This study aims to contribute to existing research on what the similarity and differences role ambiguity and role conflict affect job satisfaction and organizational commitment in public and private sector. Studies related to the topic in Turkish management are very rare, and this study should be regarded as an appendix to these studies in the numerical context. On the other hand, as Babin and Boles (1998) point out that the understanding about the role conflict and ambiguity can be deepened via empirical studies, which can be conducted on different cultural and job groups. Moreover, this study will contribute to projects developed to increase job satisfaction and organizational commitment when taken into account by the human resource management staff.

LITERATURE REVIEW

Role Conflict and Ambiguity Scale (Rizzo et al., 1970) and the Job Satisfaction Scale (Warr et al., 1979) were used to measure job satisfaction, role conflict and role ambiguity in both Redfern et al.'s (2002) study and Draper et al.'s (2004) study. Kahn et al. (1964) and Katz and Kahn (1978) defined role conflict as the simultaneous occurrence of two or more sets of pressures such that compliance with one would make compliance with the other more difficult. Building on Kahn et al. (1964), Rizzo et al. (1970) defined role conflict in terms of the compatibility of demands on the individual; the incompatibility may be due to conflicts between organizational demands and one's own values, problems of personal resource allocation, or conflicts between obligations to several different people. Greene (1978), Kemery et al. (1987), and Miles (1976) have all adopted the Rizzo et al. conceptualization ("incongruities arising out of perceptions of role requirements") in their respective studies.

The Organizational Commitment Scale (Mowday et al., 1979) was adopted by AL-Aameri (2000) and Redfern et al. (2002) to measure organizational commitment in their studies. These three scales were reported to have good reliability and validity in all these studies. Thus they are the measures of choice in the present study.

According to the results of a meta-analytical study conducted by Brown and Peterson (1993), and in many empirical studies, it is evident that role conflict and role ambiguity affect employee job satisfaction in a negative way (Babakus *et al.*, 1996 and 1999; Grant *et al.*, 2001; Weatherly and Tansik, 1993). A positive relationship between job satisfaction and organizational commitment has been reported by studies which involve qualified professionals. Redfern et al. (2002) reported a strong positive relationship between job satisfaction and organizational commitment

Job stress, stemmed from both role conflict and role ambiguity is the main topic of many research studies (Keenan and McBain, 1979; Jamal, 1990; Babakus *et al.*, 1996). Yousef (2000) conducted one of these studies, observing that role conflict and role ambiguity together do not effect job satisfaction and employee reactions to organizational change. Role conflict and role ambiguity do, however, affect job satisfaction when they are considered separately.

Harris *et al.* (2006) found that role conflict and role ambiguity affect employees' level of resourcefulness in a negative way. The level of resourcefulness of role conflict and role ambiguity that is affected negatively influences job satisfaction and employee intention to leave. This particular study showed that the job satisfaction level of employees who have a low resourcefulness level is lower than those who have high levels.

Lankau *et al.* (2006) conducted a study that dealt with increasing resourcefulness and role conflict and role ambiguity together. In this study, the authors looked at whether or not role conflict and role ambiguity effect the mentor's job satisfaction and organizational commitment. The findings showed that through mentoring, employees role conflict and role ambiguity levels of are reduced. Thus, the job satisfaction and organizational commitment are increased.

Namasivayam and Xinyuan (2006) studied the effect of job and family conflict on job satisfaction and organizational commitment using data gathered from hotel staff. Using hierarchic regression analysis method, the authors observed that family-related roles and job-related roles are often in conflict. This conflict affects an individual's job satisfaction in a negative way. When the relationship between job satisfaction and organizational commitment are studied, it was observed that a strong relationship exists between emotional organizational commitment and job satisfaction; on the other hand, the relationship between the rule-dominant organizational commitment and job satisfaction is weaker. Organizational commitment in terms of continuity has not been observed to have any effect on job satisfaction.

STUDY HYPOTHESES

This study looks at the sectoral similarity or differences of role conflict, role ambiguity, job satisfaction and organizational commitment. Three hypotheses connected with the aim are developed and tested:

Hypothesis 1: On the employee of the private and the public sectors, role conflict and role ambiguity show some differences between the sectors.

Hypothesis 2: On the employee of the private and the public sectors, organizational commitment shows some differences between the sectors.

Hypothesis 3: On the employee of the private and the public sectors, job satisfaction shows some differences between the sectors.

METHODOLOGY

Sampling and Data

The data for this study was obtained from employees of two public organizations in the East Mediterranean Region included Adana, Mersin, Osmaniye, and Hatay provinces and two private firms operating in the city of Adana, one of them is selling the products all over the world, in Turkey. Convenience sampling method was used. Questionnaires were prepared to measure role conflict with the role ambiguity and job satisfaction surveys were given to volunteers who were willing to help in the study. They were asked to have as many employees as possible fill in the forms and then return them within one week. In total, 257 surveys were distributed to four institutions, with 219 assessed as “eligible.” Public sector employees accounted for 67.6% of the sample, with public sector employee account for 32.4% of the sample. Men accounted for 85.2% of the volunteers and 14.8% were women.

The oldest age group of volunteers was 36-40 with a percentage of 18.3%. The lowest age group of participants is 46-50, with a percentage of 13.4%. The majority are university graduates at 69.9%. The percentage of the undergraduates is 13.4%, while masters’ degree and doctorate degree students amounted to 16.1%. The percentage of the people who worked for the same institution for five or less years is 24.7% and this is the greatest group. On the other hand, those who worked in the same institution for 11-15 years is the smallest group with a percentage of 8.25%.

Variables

Role conflict developed by Rizzo *et al.* (1970) is the first scale developed to measure role conflict. The scale consisting of eight items, participants’ answers were obtained according to Likert measurement scale (1 = I don’t agree at all, 7 = I completely agree). In the scale, sample items are: “Sometimes, I am under the necessity of doing my work”, “Sometimes I am requested to do something by my superior that includes missing information” and “I work without getting enough personnel support.” The reliability of role conflict varies between .71 and .87.

The scale reliability obtained in this study is .77. The average of these eight items, forming role conflict is used to constitute a single role conflict variable. Yet, the role ambiguity scale developed by Rizzo *et al.* (1970) consists of six items. In some of the items used to measure role ambiguity, there are such explanations like “I always understand the things I am asked very well;” “I am sure that I manage my time right;” and “I am completely aware of the responsibilities about my job.” The items of the role ambiguity scale are obtained according to the Likert scale, but they were encoded reversely (1 = I do not agree at all, 7 = I completely agree). The reliability of this scale varies between .71 and .95 compared to previous studies. The scale reliability measured for this study is .69. After making the reverse encoding of these six items constituting role ambiguity, the average value of these articles was used to obtain a single role ambiguity variable.

There are seven items in the job satisfaction scale, developed by Taylor and Bowers (1974). The scale aims to measure job satisfaction according to the work the individual does, his or her colleagues, managers, promotion opportunities and organization. The reliability parameter values are varying between .61 and .71.

The scale reliability measured for this study is .76. The average value of the seven items constituting job satisfaction was used to form a single job satisfaction variable.

Data Analysis

We benefited from both descriptive and one way anova statistical techniques for data analysis. Frequencies and percentages were used to explain the age, gender, education, experience, and the other basic qualities of exemplification. Likewise, the correlation co-efficient, standard deviation, and the averages of the variables were measured. Multi-regression method was used to understand the effect of role conflict and role ambiguity on job satisfaction and organizational commitment. This multi-regression method enables us to explain uncommitted and committed variable relationships not only as exemplification, but also as the relationships and interaction among variables in the population where the sample is drawn (Churchill, 1999).

FINDINGS

Table 1 shows the basic statistical values according to the variables used in the study. The role conflict and the role ambiguity averages of employees constituting the sample are respectively 4.21 and 2.46. In other words, the role conflict that employees perceive is at a medium level, with role ambiguity more intensive. From the point of view of job satisfaction, the medium level value points out that employee are satisfied with their jobs. The 5.52 average signifies that the organizational commitment of sample is strong.

Table 1: The Basic Statistics Belonging to Study Variables.

Variable	Number of Questions	Interspace	Arithmetic Mean	Median	Standard Deviation
Role Conflict	8	6	4.21	4.13	1.23
Role Ambiguity	6	5	2.46	2.50	.94
Job Satisfaction	7	6	5.02	5.29	1.18
Organizational Commitment	9	5.33	5.52	5.78	1.13

In this section, the hypothesis will be tested and explained, respectively. Moreover, some statistical method such as descriptive analysis, one way anova and multiple comparisons are used respectively.

Table 2: role conflict and role ambiguity on the public and the private sectors

		N	Mean	Std. Deviation
Role conflict and role ambiguity	O	45	4,8143	,72226
	S	86	4,8189	,83290
	T	36	4,5933	,63952
	C	29	4,1798	,60507
	Total	196	4,6819	,77288

As it is seen in Table 2, role conflict and role ambiguity differs between public foundations and private sector corporations. According to Table 2, while the mean of O personnel is 4,8143, S personnel is 4,8189 in public foundations, the descriptive mean of T is 4,5933 and C is 4,1789 in private sector corporations. According to this table, the mean rate from the highest to the lowest is S>O>T>C; so, the biggest difference is between S and C and the private sector corporations has a mean under the total mean rate which is 4,6819.

Table 3: one way anova statistical results of role conflict and role ambiguity

		Sum of Squares	df	Mean Square	F	Sig.
Role conflict and role ambiguity	Between Groups	9,998	3	3,333	6,009	,001
	Within Groups	106,485	192	,555		
	Total	116,483	195			

The one way analysis that is done to measure the H1 hypothesis also proves the accuracy of the hypothesis. As it is understood from Table 3 above, in the mean square at 0,05,role conflict and role ambiguity differs between public and private sector corporations. Because, the significance rate for role conflict and role ambiguity is lower than 0,05.So, our hypothesis which is developed at 0,05 mean square, is accepted, too.

Table 4: multiple comparison method result of role conflict and role ambiguity

Dependent Variable	(I)surveyed institution	(J)surveyed institution	Mean Difference (I-J)	Sig.
Role conflict and ambiguity	O	S	-,00465	1,000
		T	,22103	,624
		Ç	,63448(*)	,006
	S	O	,00465	1,000
		T	,22568	,508
		Ç	,63913(*)	,002
	T	O	-,22103	,624
		S	-,22568	,508
		Ç	,41345	,179
	Ç	O	-,63448(*)	,006
		S	-,63913(*)	,002
		T	-,41345	,179

* The mean difference is significant at the .05 level.

Multiple comparison analysis is aimed to identify that in which public and private sector corporations, role conflict and role ambiguity is different. In the 0,05 mean square, it is identified that role conflict and role ambiguity differs between O and C. It is understood that public and private sector corporations in Table 4 whose sig. rates are lower than 0,05, are also different. According to multiple comparison analysis, the sig. rate between O, which is a public foundation, and C, which is a private sector corporation, is $P=0$ and $006 < 0,05$; sig. rate between S and C is $P=0,002 < 0,005$; the difference between C, which is a private sector corporation, and O, which is a public foundation, O ,006 and S ,002 is accepted reasonable. So, our hypothesis that is developed at 0,05 mean square is accepted, too.

Table 5: Organizational commitment on the public and the private sectors

		N	Mean	Std. Deviation
Organizational Commitment	O	49	5,8730	,94933
	S	95	5,1778	1,28308
	T	37	5,7538	,74311
	Ç	28	5,8016	1,00313
	Total	209	5,5263	1,13198

As it is seen in Table 5, organizational commitment does not show an obvious and clear difference in terms of public and private sector corporations descriptive statistics. According to Table 5, there is 5,1778 descriptive mean among the personnel of S, which is a public foundation. According to this situation, the rate of S is the further rate to the mean rate which is 5,5263. So, there is not a reasonable difference between S and other private sector corporations.

Table 6: one way anova statistical results of organizational commitment

		Sum of Squares	df	Mean Square	F	Sig.
Organizational Commitment	Between Groups	21,466	3	7,155	5,986	,001
	Within Groups	245,059	205	1,195		
	Total	266,525	208			

The one way analysis that is done to measure the H2 hypothesis also proves the accuracy of the hypothesis as seen in Table 6. As it is actually understood from the table above, at 0,05 mean square, organizational commitment differs according to public and private sector corporations. Because, organizational commitment sig. rates in Table 6 are lower than 0,05. So, our hypothesis which is developed at ,001<0,05 mean square is accepted, too.

Table 7: multiple comparison method result of organizational commitment

Dependent Variable	(I)surveyed institution	(J)surveyed institution	Mean Difference (I-J)	Sig.
Organizational Commitment	O	S	,69524(*)	,005
		T	,11926	,969
		Ç	,07143	,995
	S	O	-,69524(*)	,005
		T	-,57598	,064
		Ç	-,62381	,074
	T	O	-,11926	,969
		S	,57598	,064
		Ç	-,04783	,999
	Ç	O	-,07143	,995
		S	,62381	,074
		T	,04783	,999

* The mean difference is significant at the .05 level.

Multiple comparison analysis is aimed to identify that in which public and private sector corporations, organizational commitment is different. As it is understood from Table 7, it is identified that organizational commitment differs between O and S at 0,05 mean square. Both of these are public foundations.

Table 8: job satisfaction on the public and the private sectors

		N	Mean	Std. Deviation
Job Satisfaction	O	46	5,4099	,85535
	S	94	4,5653	1,27344
	T	39	5,2601	1,07399
	Ç	29	5,5172	,91187
	Total	208	5,0151	1,17684

As it is seen in Table 8, job satisfaction does not show an obvious and clear difference in terms of public and private sector corporations. According to Table 8, there is 4,5653 descriptive mean among the personnels of S, which is a public foundation. According to this situation, the rate of S is the further rate to the mean rate which is 5,0151. So, there is not a reasonable difference between S and other private sector corporations. So, our hypothesis that is developed at 0,05 mean square is accepted, too.

Table 9: one way anova statistical results of job satisfaction

		Sum of Squares	df	Mean Square	F	Sig.
Job Satisfaction	Between Groups	35,838	3	11,946	9,715	,000
	Within Groups	250,849	204	1,230		
	Total	286,687	207			

The one way analysis that is done to measure the H3 hypothesis also proves the accuracy of the hypothesis. As it is understood from the table above (Table 9) at 0,05 mean square, organizational commitment differs according to public and private sector corporations. Because organizational commitment sig. rates in Table 9 are lower than 0,05. So, our hypothesis that is developed at 0,05 mean square is accepted, too.

Table 10: job satisfaction multiple comparison method result of

Dependent Variable	(I)surveyed institution	(J)surveyed institution	Mean Difference (I-J)	Sig.
Job Satisfaction	O	S	,84459(*)	,001
		T	,14986	,943
		Ç	-,10730	,983
	S	O	-,84459(*)	,001
		T	-,69472(*)	,014
		Ç	-,95189(*)	,001
	T	O	-,14986	,943
		S	,69472(*)	,014
		Ç	-,25717	,827
	Ç	O	,10730	,983
		S	,95189(*)	,001
		T	,25717	,827

* The mean difference is significant at the .05 level.

Multiple comparison analysis is aimed to identify that in which public and private sector corporations, job satisfaction is different. At 0,05 mean square, it is identified that job satisfaction differs between O and S, S and T, S and Ç. It is understood that the sig. rates of public and private sector corporations in Table 10 which are lower than 0,05 are different. So, our hypothesis that is developed at 0,05 mean square is accepted, too.

RESULTS AND SUGGESTIONS

In this study, the perceptions of role conflict, role ambiguity and job satisfaction, and organizational commitment of employees in both public and private sectors are studied. Data were gathered from two organizations in the public sector and two organizations in the private sector in region of the east Mediterranean, included Adana, Mersin, Osmaniye, Hatay, province of Turkey. Three hypotheses were supported by the one-way anova analysis, which were done to test the study's hypotheses. This means that, as posited by the study's hypotheses, the level of role conflict and role ambiguity with job satisfaction and organizational commitment has perceived in a different way for public and private sector. In other words, the more a worker perceives role conflict, role ambiguity, job satisfaction and organizational commitment in public sectors the less the private sectors workers will feel opposite. In the search for increasing organizational performance and effectiveness, today's organizations must pay particular importance to their employees' job satisfaction and organizational commitment in order to reach organizational aims. The results of this study show that the organization's managers and human resource professionals must address problems caused by role conflict and role ambiguity. In this context, we can point to improving organizational communication to decrease role conflict and role ambiguity. In addition, priority has to be given to the problems occurring during the establishment of an organization including position, responsibility and role identification and delegation of authority.

All empirical studies have specific restrictions. First among these limitations is caused by gathering data through a questionnaire. Answering questions in the questionnaire or providing explanations in a short time frame turns the method variant into a potential constriction. Using a questionnaire in this study was defined as the natural method for data gathering as this study focused on participants' perceptions. Thus, stronger studies should be carried out using panel data. Future studies on this subject can be improved by adding more participants and different working groups. Likewise, using different scales developed differently from the scales used in this study, will allow researchers to better understand the relationship between role conflict and role ambiguity on employees' manners.

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ACADEMIC ENTREPRENEURSHIP: THE ROLE OF THE UNIVERSITY AND THE RESEARCHER

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ABSTRACT

In today's world, entrepreneurship is viewed as the third mission of universities in addition to its missions of teaching and research. In addition to creating new knowledge, universities are expected to be involved in economic activities as well since universities that become economic actors contribute to regional and national development. Hence, increasing the level of academic entrepreneurship is an interesting issue worldwide. Achieving desired levels of academic entrepreneurship assigns some vital roles to the university and the researcher. This paper aims to review the roles of the university and the researcher in facilitating academic entrepreneurship as well as exploring the case of a Turkish foundation university within the light of academic entrepreneurship.

Key Words: *academic entrepreneurship, entrepreneurial university*

INTRODUCTION

Academic entrepreneurship is a new term and approach both in business and academy. It is a promising research area both in developing and developed countries. The base of academic entrepreneurship is to convert knowledge and expertise into a more useful and efficient output. This is one of the reasons why it is an important issue for developing countries. In developing countries; resources, knowledge and expertise are scarcer and needs to be properly managed. In this sense, academic entrepreneurship is a promising research and application area.

The birth of academic entrepreneurship is associated to numerous dependent developments occurred in the 21st century. With the collapse of the Soviet Union, the cold war period ended and the world's economy has been reshaped again. Globalization has become a hot issue and began its long journey by affecting many countries on the way. There occurred different approaches such as supply chain, value chain, sustainable economy, new economy, customer relationship management and innovation.

Meanwhile business has started to use knowledge-based approaches and has earned money from this process. Today's economy context is not dependent on just production and sales. Approximately, every country is able to produce, sell and market their products and services. Production, selling and marketing were the key performance indicators of the old economy context. Adversely, in the new economy context, the key performance indicators are based upon knowledge and value. Currently countries attempt to establish an innovative environment and the motivating factor for this is the need for knowledge-based economic development (Etzkowitz and Leydesdorff, 2000).

In that sense, the role of universities still remains to be vital in terms of creating knowledge. However, the abrupt relationship between university and business is a shared problem by both sides. One of the underlying reasons for this is the lack of sustainable networking efforts between business and the academy. This is because, business people commonly share the idea that, academicians are far away from practice and they just concentrate on theory and intuitive models. However, academicians support applied research where they believe that they can make great contributions both to practice and literature. Apart from this, in most cases they believe that by applying scientific methods to practice, problems are likely to be solved. Although the common and shared belief is as stated above, it is beneficial to consider that industry is not a university-

separate institution anymore and it increases collaboration and coordination with the academy in order to support knowledge production (Leydesdorff and Etzkowitz, 2001).

Within this context, academic entrepreneurship is an emerging and booming issue. The universities are eager to perform their roles with the help of this approach. Although, academic entrepreneurship activities are firstly experienced in developed countries such as U.S.A, (especially in M.I.T, Stanford and in other universities) Germany, UK and in other European countries; developing countries has begun to seek ways to implement and get benefit from this approach.

With academic entrepreneurship, the universities seek to make profit and do more research with their profit. Meanwhile, they learn to take precautions in order not to lose their intellectual property. This is a management tool for universities, which exist in developing countries, because they face more rigid conditions compared to the ones in developed countries. They have limited resources and money, thus they have to experience and learn the ways to make profit in order to transform this to more knowledge and money. Briefly they are aware of the fact that the more research they conduct, the more profit they will earn.

However, academic entrepreneurship is not a basic process. First of all, the university should set this as a strategy and evaluate this process in its mission and vision. Apart from this, it should be a common shared value among faculty members. Otherwise, it will not work out properly. The level of common share depends on the university culture, structure and strategy. Another remarkable point is the willingness of faculty members towards this approach. It is likely to occur that some of the researchers will not be eager like the others. In lights of these, it is obvious that both the university and researcher have some roles in realizing and implementing academic entrepreneurship activities.

This paper attempts to shape a framework related to the roles of the researcher and the university in academic entrepreneurship. In order to shape a framework, a case study in Izmir University of Economics was conducted. The perceptions of academicians regarding academic entrepreneurship and the attitude of the university towards this concept will be evaluated.

ACADEMIC ENTREPRENEURSHIP AND ITS BENEFITS

Academic entrepreneurship proposes the involvement of academic scientists and organizations into commercially relevant activities (Henrekson and Rosenberg, 2000; Franklin et al., 2001). The commercialization of science and technological knowledge has reported economic benefits and this has attracted attention to academic entrepreneurship (Storey and Tether, 1998). However, academic entrepreneurship does not just aim to have economic benefits, it aims to find new ways to create knowledge and transfer this to an efficient output compared to past applications. The direct involvement of academic scientists into industrially associated activities would help to solve problems and this would motivate researchers to manage projects with greater economic and social interaction (Gibbons et al., 1994; Zucker, et al. 1998; Etzkowitz, 2004).

Although academic entrepreneurship involves entrepreneurial activities, the forms of academic entrepreneurship differ from entrepreneurship. Louis et al. (1989: 113) determined five forms of academic entrepreneurship: large-scale science (obtaining large, externally funded research projects), earning supplemental income outside the university, mainly through consulting (knowledge transfer for personal gain), soliciting funds from university (capitalizing on university-industry relationships to provide new sources of funding for research), patenting the results of research, forming companies based on the results of the research.

The major benefits of academic entrepreneurship are economic development of the region, opportunity for continuous research, increasing reputation of the university and ability to get access to sufficient resources for scientific research (Çetin, 2007). The common assessment about academic science is its ability to provide a crucial input into the national innovation system and create opportunity for industrial innovation (Rosan, 2006). Within this framework, there are different evaluations of academic science and entrepreneurship as stated by Jaffe et al. (2007: 573): “While some claim that the effective commercial application of academic science not only hinges on participation by academics but can actually benefit the academic mission, others suggest that policies encouraging academic entrepreneurship may come at the expense of the long-term strength of the research university and its contribution to economic growth.”

The academic entrepreneurship facilities help universities to realize and activate their own roles. These can be summarized as follows: developing value added facilities and pulling these facilities into the region (where the university is in), forming mobile capital, knowledge creation and transferring the knowledge (Çetin, 2007) to point of consumption with a careful and conscious manner.

THE ROLE OF THE UNIVERSITY AND THE RESEARCHER IN ACADEMIC ENTREPRENEURSHIP

According to a study by Shea et al. (2004), the existing literature is likely to be divided into six diverse research streams regarding academic entrepreneurship: 1) studies that focus on individual and the personality of the individual as the key determinant; 2) organizational pattern studies that seek to explain spin-off activity with the resources of the university; 3) socio-cultural development studies that enlighten spin-off activity by taking into consideration culture and the rewards within the university; 4) studies that explain spin-offs in terms of external environmental impacts; 5) studies that determine the performance of spin-offs; and 6) studies that try to find the economic impact of spin-off activity. When these studies are thoroughly examined, it may be inferred that the individual and the university both assume substantial roles in academic entrepreneurship.

The academic entrepreneurship is likely to be supported through the existence of entrepreneurial university. As individuals or academicians need an organization to survive; the academic entrepreneurship approach needs an entrepreneurial university environment. The term ‘‘entrepreneurial university’’ was first introduced by Etzkowitz (1998) to identify instances in which universities have proven themselves critical to regional economic development and assumed a third mission of entrepreneurship in addition to education and research. Although the entrepreneurial university is defined and explained in many ways, essential components of an entrepreneurial university according to Röpke (1998) are the following: a) The university evaluates itself as an entrepreneur; b) The university members including academic staff, students and administrative staff become entrepreneurs; c) The interaction between the university and its environment form entrepreneurial relations.

In order to be evaluated as an entrepreneurial university, there are some stages that need to be accomplished. One of the ways to experience academic entrepreneurship is the existence of an entrepreneurial organization. If there is no entrepreneurial university (the foundation of research & development centers, professional research groups, international networks), majority of the academic entrepreneurship level will likely to stay at the individual level (for instance, individual consultancy). This will bring advantages to the academician however it will not increase the overall entrepreneurial level at the university. In case that just the academicians on their own contribute to academic entrepreneurship, it is more likely to be criticized that science is being commercialized (Lockett et al., 2003).

According to a recent study (Rothaermel et al., 2006) there are four major research streams in the area of university entrepreneurship. Figure 1 displays the conceptual framework of university entrepreneurship. In this conceptual framework, Rothaermel et al. (2006) places entrepreneurial university in the center and explains that university entrepreneurship can occur through productivity of technology transfer offices, new firm creation and environmental context including networks of innovation. Academic entrepreneurship depends on the role of the university in this conceptual framework. However the role of the researcher in academic entrepreneurship is inevitable. It should be stated that academic entrepreneurship facilities occur with the help of qualified researchers. Thus, in the heart of this conceptual framework, the researcher should also take its place.

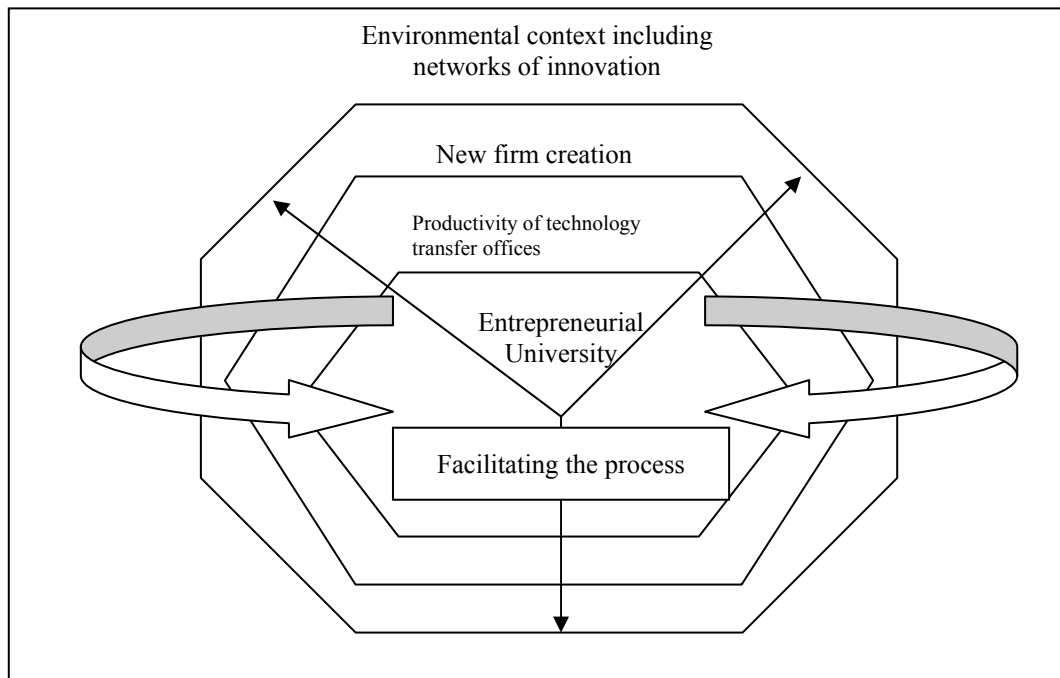


Figure 1: Conceptual framework of university entrepreneurship
 Source: (Rothaermel Agung and Jiang, 2006)

It can be inferred from the literature that academic entrepreneurship needs university support. However, apart from university the researcher also has some roles to encourage and manage academic entrepreneurship. Universities need a strong emphasis on the individual faculty member's perceptions, ambitions, motivations and commitment in order to support and develop academic entrepreneurship facilities (Glassman et al., 2003). According to Glassman et al. (2003), there are four important dimensions, namely organizational culture, people, resources and opportunities that affect the level of academic entrepreneurship. They have analyzed these dimensions according to force-field analysis as presented in Figure 2 where the driving and restraining forces of individual faculty entrepreneurship are listed. As can be observed in Figure 2, opportunity, resources and organizational culture all play a substantial role in academic entrepreneurship and they mostly concern the role of the university. However, these are not sufficient by themselves. People dimension, which is mainly associated with the role of the researcher, is also one of the dominant factors that facilitates academic entrepreneurship. Hence, the role of the university and the researcher should be considered simultaneously to evaluate the level of academic entrepreneurship.

Driving Forces →	F A C U L T Y E N T R E P R E N E U R S H I P	← Restraining Forces
Opportunity		Opportunity
<ul style="list-style-type: none"> * Individual connections university affiliation has brand value. * University may have existing connections. * May be exempt from some government bidding restrictions. * From previous work. 		<ul style="list-style-type: none"> * May have thin market around campus. * Academic speciality may not be marketable.
Resources		Resources
<ul style="list-style-type: none"> * University may help with proposal development, budgeting, qualifications, etc. * Opportunities may come to the University, college or department and be passed on to individual faculty member. 		<ul style="list-style-type: none"> * No financial support for business development. * High overhead rates. * Policy of transferring funds from revenue generators to revenue.
People		People
<ul style="list-style-type: none"> * Personal incentives; money, recognition, career variety, satisfying ego needs. * Many high skilled potential partners down the hall. * Administrators are under pressure to increase external funding. 		<ul style="list-style-type: none"> * May upset status hierarchy within college or department. * Complicates relations with colleagues, creates boundary issues between schoolwork and consulting, and between private consulting and university-based consulting. * Entrepreneurship is not taught in Ph.D. programs. * Ability to get outside funding seldom part of hiring criteria.
Organizational Culture		Organizational Culture
<ul style="list-style-type: none"> * Other faculty may share opportunities and contracts with junior faculty. * Peer recognition for success outside university. 	<ul style="list-style-type: none"> * Time invested in entrepreneurship may be viewed as "stolen" from teaching, a sign of not carrying your share of the load. * Professional jealousy * Entrepreneurship, which does not lead to publishing, is not valued for promotion. * Limits on faculty earnings. * Ambiguity over the ownership of work products. 	

Figure 2: Force Field Analysis of Individual Faculty Entrepreneurship
(Source: Glassman et al., 2003)

The mutual interaction of the university and the researcher is associated to some attributes of the university. The following are some elements, which are common among successful entrepreneurial institutions (Clarke, 1998 cited in Shea et al.2004):

- a) Strong commitment of leadership and policies that enable and encourage the progress of academic entrepreneurship;
- b) Strong relationships between the university and industry in research projects of mutual benefit and "robust" structures, policies and procedures to realize such activity;
- c) A miscellaneous funding resources both from industry and private entrepreneurs, though much of university funding is still collected from government sources;
- d) A tough academic base, the universities employ the top candidates in their research areas. Tenure and academic rewards are remitted just on academic achievement and not due to individual entrepreneurial endeavors;

- e) An entrepreneurial culture that emboldens change and supports the fundamental values of the institution.

Related to science-based entrepreneurship, Henrekson and Rosenberg (2002) outlined a framework to determine strategic preferences made by individuals and policymakers in USA and Sweden. They concluded the research with an implication that there exists a general lack of favorable institutions and supporting incentives in Sweden to provide an entrepreneurial culture. Provided that there are enough favorable institutions and supporting incentives for an entrepreneurial culture it is not sufficient to provide sustainability for academic entrepreneurship. Academic entrepreneurship needs industry-university collaboration to continue on their work. For collaboration between the academy and industry, the demands and expectations of both sides need to be compatible. Lee (2000) determines the underlying motivations of university faculty and firms as displayed in Figure 3.

<u>Ranking</u>	<u>What Firms Seek from Academics</u>	<u>Ranking</u>	<u>What Academics Seek from Firms</u>
1	Research on product development	1	Secure funds for graduate assistants and lab equipment
2	Conduct 'blue sky' research in search of new technology	2	Gain insight into one's own research
3	Solve technical problems	3	Field-test application of one's own theory
4	Design prototypes	4	Supplement funds for one's own research
5	Provide seminars and workshops	5	Assist university's outreach mission
6	Conduct fundamental research	6	Create student jobs and internships
7	Support universities	7	Gain knowledge useful for teaching
8	Develop software	8	Look for business opportunity

Figure 3: Hierarchy of underlying motivations of university faculty and firms manifested in research collaboration

Source: (Lee, 2000)

As seen from Figure 3, the demand patterns from both sides are compatible whereas there is also risk that faculty members dealing with commercialization activities is likely to spend less time on teaching and student advisory (Theotoky et al., 2002). It is likely to occur that the more academic entrepreneurship facilities are facilitated the more control by university is needed.

Within this framework, for facilitating academic entrepreneurship, both the university and the researcher assume some roles. This study aims to reveal the roles of researchers and university with a case-study approach by using in-depth interview technique.

CONTEXT OF ACADEMIC ENTREPRENEURSHIP IN DEVELOPED AND DEVELOPING COUNTRIES

Nowadays, universities tend to participate in entrepreneurial activities more frequently compared to previous decades. For instance Russia, Zambia, Argentina, Mexico, China, Gana, Mozambique are countries that interact in entrepreneurial facilities at the university level (Çetin, 2007). These are good examples for academic entrepreneurship in developing countries.

The experience of entrepreneurial universities perform better especially in American and European universities. There are some motivating and forcing reasons for this experience such as the diminishing

support of governmental funds. Universities had to seek ways in order to offset the operational costs and some funding to do research.

Massachusetts Institute of Technology (M.I.T), Stanford University, and a number of other schools with conventional ties to industry, have commenced their research resources for profit (Etzkowitz, 2001). This continuing rush is defined as second academic revolution by Etzkowitz (2001).

Another example for entrepreneurial universities is from Europe. The reason why European universities have experienced academic entrepreneurship is identical to American universities. The lack of diminishing governmental funds directed universities to academic entrepreneurship. Figure 4 displays academic entrepreneurship facilities in some European Union countries.

Facilities	Sweden	Finland	Spain	Portugal	Ireland	United Kingdom
Contracted research	45	50	70	43	69	57
Consultancy	51	44	61	54	68	53
Scientific projects	44	42	82	42	68	48
External teaching	40	37	67	37	73	36
Test and trial	15	25	22	25	40	30
Patent and license	12	20	7	20	26	16
Long term cooperation	12	11	7	11	19	10
Research marketing	6	6	5	6	6	6

Figure 4: Academic Entrepreneurship Facilities in some EU Countries (%)
(Source: Cooke, 2004)

Knowledge and expertise are valuable everywhere in the world. However, they are more important in developing countries in order to add value to every type of transaction. The underlying reason for this is the need for technology production and transfer. It is also promising for education and entrepreneurship. The facilities related to academic entrepreneurship in Turkey have started recently. The leading universities such as Istanbul Technical University (ITU), Middle East Technical University (METU), Bilkent University, Ege University, Izmir Institute of Advanced Technology (İYTE) founded 'Techno parks' inside universities in order to support technological advances and organized industrial zones. However, establishing techno parks is not the only application in Turkey in this sense. Embryoniks Company, which is established by Izmir University of Economics, is another type of example of entrepreneurial university (Katrinli et al., 2007) and academic entrepreneurship.

Although there exists some promising applications related to academic entrepreneurship in Turkey, every university does not have the same resources and infrastructure. Currently, there are 94 universities in Turkey. 64 of them are public and 30 of the universities are foundation universities. Özmen, et al. (2007) determine entrepreneurial facilities in Turkish facilities. The authors classify entrepreneurship facilities according to three attributes of the university. Arranging seminar/congress/conference, existence of student clubs at the university and the foundation of a research & development center at the university are accepted as the main entrepreneurial facilities that universities implement. According to this information, which is taken from the web sites of universities, the results from the public universities side are not very promising. Out of 64 public universities, 30 of them do not arrange or held any seminar/congress/conference (for the time being), 42 of them do not have any student clubs (even if they have, it is not accessible from their web sites), only 11 of the public universities have research & development centers. The conditions of foundation universities seem to be better than public universities. Out of 31 foundation universities, 29 of them have research & development centers, student clubs and arrangements to host a seminar/conference/congress.

At a glance either public or foundation universities in Turkey are likely to be categorized as amateur entrepreneurial universities according to the categorizations of Yokomaya (2006) who classifies entrepreneurial universities into five categories: Prototype university, entrepreneurial adapted university, amateur entrepreneurial university, harmonic entrepreneurial university and ideal type university. Hence,

Turkey has to show a lot of effort, in terms of policies, university structures and cultures and the mindsets of academicians, to turn into an ideal type university in order to achieve desired levels of academic entrepreneurship.

CASE STUDY OF A FOUNDATION UNIVERSITY

The perception of academic entrepreneurship by academicians and university is a significant indicator for determining the level of academic entrepreneurship as discussed within the above framework. Thus, perception and evaluation of faculty members and university need to be analyzed in detail. In the near future these will be the main metrics for the promising academic entrepreneurship facilities in Turkey. Therefore, a case study in Izmir University of Economics is conducted for assessing the role of university and the researcher.

Izmir University of Economics (IUE), a foundation university, is established by the Izmir Chamber of Commerce Health Foundation under the auspices of the Izmir Chamber of Commerce in 2001. The IUE is a respected institution of higher education and aims to nurture individuals who are creative and dedicated to common beliefs of our society. Although the history of IUE is relatively short it has approximately 5500 students and 350 academic personnel.

In terms of academic entrepreneurship there are seven founded research centers. These are; Continuous Education Center, European Union Research Center, the Izmir Congress of Economics Research Center, Center for Design Research and Practices, Center for Urban and Regional Development and Environment, Center for Innovative Entrepreneurship and Leadership Governance Center. Apart from these research centers, Embryonix Company founded by IUE is the unique example of a university spin-out in terms of its structure. Embryonix provides capital and consultancy to students where students bring out business plans to university executives. The consultancy board of Embryonix Company is the faculty members who work at IUE and members from business associations. It has five companies for the time being.

The in-depth interviews are held with the faculty members that are in Faculty of Economics and Administrative Sciences. There were nine structured questions. During the interviews some spontaneous questions were also asked to members. Generally the content of the questions are as follows:

- (a) In your point of view, which type of academic entrepreneurial facilities does IUE perform?
- (b) Do you think is it possible for each university to name itself as an 'Entrepreneurial University'? / Should universities name their institutions as entrepreneurial universities?
- (c) Do you agree with the following statement: "Is there academic entrepreneurship at IUE?" Why / Why not?
- (d) What types of roles should the university perform in order to develop academic entrepreneurship?
- (e) Do you think that academic entrepreneurship can be determined as a policy by the university's top management? If so, will it bring success to the university in terms of academic entrepreneurship?
- (f) In your point of view what are the roles of the researcher in terms of academic entrepreneurship? / What should be the roles of the researcher?
- (g) Do you think that academic entrepreneurship is likely to be embraced and implemented by all faculty members? Why/ Why not?

In the in-depth interview there are some specific questions asked to faculty members. The questions aimed to reveal the perception of faculty members towards academic entrepreneurship facilities of IUE and the roles of researchers (faculty members) in that process. The assessment of in-depth interviews reveal the model depicted in Figure 5. As is discussed above, in Figure 5, it can be observed that the interviewees also agree that both the university and the researchers assume some roles in academic entrepreneurship.

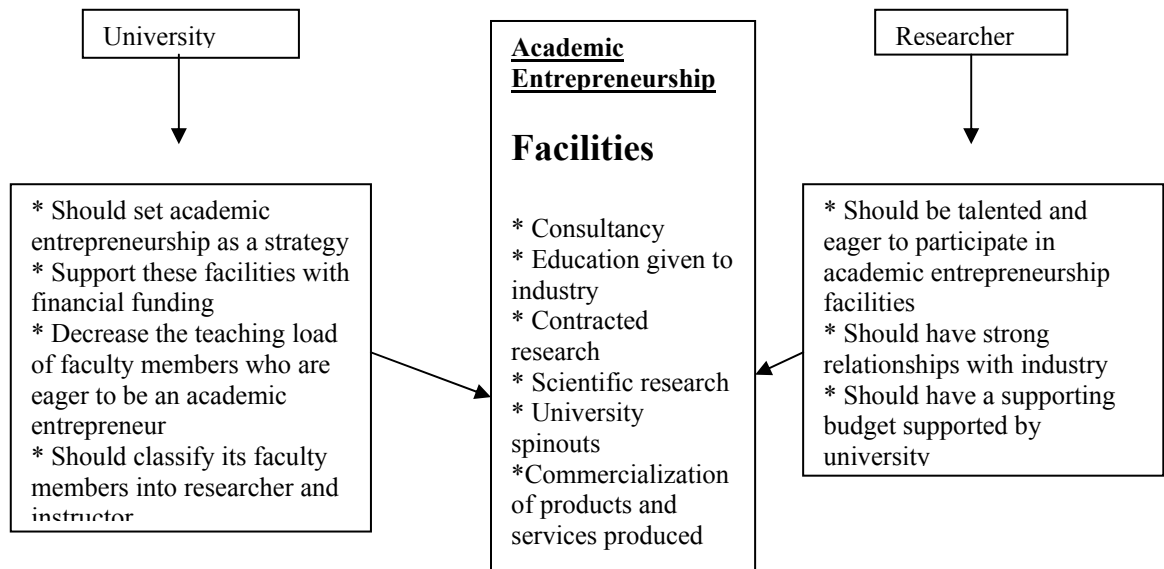


Figure 5: The Role of University and Researcher in Terms of Academic Entrepreneurship

CONCLUSION AND FURTHER RESEARCH

This paper tried to give a general framework about academic entrepreneurship, its benefits and its applications in developed and developing countries. Also, a case study based on in-depth interviews was conducted with faculty members in a foundation university in Turkey. The responses of interviewees reveal important expectations from both the university and the researcher in order to facilitate academic entrepreneurship. One of the limitations of this study is its focus on intraorganizational factors regarding academic entrepreneurship, excluding the environmental factors such as public or private policy makers. Another limitation of this research is based upon its case study approach. However, it is believed by the authors that it is a pioneering study to attract attention of other researchers to this area. In addition, future research will be conducted in foundation universities in Turkey by using the survey method to analyze the distinct roles expected from the university and universities' expectations from the researchers in order to increase levels of academic entrepreneurship.

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LEADERSHIP GRAND STRATEGIES FOR 21ST CENTURY: LESSONS FROM ATATURK

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ABSTRACT

The recent increase in contemporary problems of freedom and independence became a major concern for many people throughout the world. Strategic leaders of private and public organizations and governments have been looking for new strategies to solve these problems. The objective of this study is an attempt to develop appropriate leadership strategies for solving these problems by studying Ataturk's leadership strategies.

Ataturk's leadership grand strategies were the most successful in the twentieth century. Although, Ataturk's strategies took place decades ago, current needs for leadership strategies are similar to those of the past. Ataturk's strategies ended the authoritarian leadership practices of the Ottoman leaders by abolishing the Sultanate and the Caliphate. Grand strategies played the key role for founding the Democratic Turkish Republic.

Ataturk's leadership grand strategies studied in this paper include, strategy of gaining and defending freedom and independence. The strategies of democratizing political activities and educating people played important role for maintaining freedom and independence. The paper explains the nature, policies and techniques of these strategies and presents some useful lessons for the contemporary and future leaders.

Ataturk demonstrated that if the grand strategies can be utilized cooperatively, they can achieve freedom and independence under even severe difficult conditions. The member of each organization and citizens of each nation have to understand the value of a shared vision and commit themselves to achieve it. They can win every war against even the most powerful adversaries if they commit themselves for utilizing grand strategies like Ataturk did.

INTRODUCTION

Freedom is having rights and opportunities for participating in political, economical, technological and social activities. The ability to be independent is not an end itself, but it is also principle means to express human dignity. Political freedom in the form of free speech helps economic security. Social freedom as a right to education facilitates economic participation. In turn, economic participation establishes the cornerstone of production and trade as well as development of resources for the social structure. Moreover, the rights in all kinds can support and strengthen one another within human social milieu (Sen, 1999).

Freedom is the core-concept in maintaining national independence (sovereignty). The independence is the state of being independent. It provides requisite security for retaining public order and quality of life. Such quality reflects in the value of goods and services and represents the level of a nation's development. In progress the citizens of a country enjoys the means to satisfy needs and wants.

Most of the contemporary problems including hunger, poverty, unemployment, environmental destructions, terrorism and wars, arise from lack of freedom and independence. These problems are growing fast, and they will grow faster during the twenty-first century. If these problems are not solved soon, the world will face a great risk of destruction of our humanity and environment (Sachs, 2008). Contemporary leadership strategies are partly responsible for these problems, and are slow to solve them. The problems are urgent and they require immediate solutions.

Majority of the contemporary problems are globally connected and their solutions require fine tuned strategies. The contemporary leadership strategies are not responding to today's pressing problems and fast changing needs of people, including knowledge customers and employees, advance technologies and hyper-competitive global market.

Many prominent experts indicated that contemporary leadership strategies based on the authoritarian principles will not work in twenty-first century (Toffler, 1980; Drucker, 1993; Senge, 1993; Gibson, 1997; and Sen, 2003). The new strategies have to be developed for solving global problems.

The objective of this paper is to develop more effective leadership strategies while may be useful for solving contemporary problems. One way of developing effective leadership strategies is to study most effective examples from twenty-century. Ataturk's leadership strategies are one of the greatest among the most successful. This paper investigates the nature of leadership and uncovers lessons from the life of this great leader.

In this study, strategy is defined as a process for developing a shared vision, analyzing the external and internal conditions; and charting the direction, and implementing the resultant plan. The analysis of the Ataturk's leadership strategies are made within the frame of strategic management process (Thompson and Strickland, 2003). In my examination of Ataturk's leadership strategies, I will focus on specifying the major strategies, policies, techniques, rules and regulations for their successful implementation. I also consider the complex interplay between environment, and the variety of behaviors of Ataturk and his followers that are utilized for implementing the strategies.

Ataturk's leadership strategies studied in this paper include, mainly the strategy of how to gain and maintain freedom and independence. Ataturk adopted freedom and independence and development as a "shared vision" for his people (Sen, 2007). In order to achieve this vision, he organized military forces and people to gain and defend freedom and independence. His strategy of democratization of political activities resulted in endowing people with power. He was able to see that, the future of his nation was in parliamentary democracy for the people by the people and to that end it was necessary to abolish the Sultanate and Caliphate.

However, the successful implementation of these strategies depended mainly on the availability of knowledge people. Realizing the importance of knowledge, Ataturk utilized the education to educate the nation. He established reforms at a mass scale for improving individual knowledge, skills, and values to maintain stability and continuity of freedom and independence. These strategies established the foundation for moving Turkish Republic towards achieving a contemporary development level and beyond.

His strategies were effective for solving the main problems of freedom, and independence. Considering today's struggles, I feel that Ataturk's experience can provide guiding light, a map for advancement. To this end, his grand strategies have to be implemented with mutual cooperation of nations. Today's leaders can actuate this movement by designing a plan based on knowledge, skills and competencies.

In order to utilize grand strategies for solving local problems successfully, it is also necessary to establish goodwill and cooperation, care and trust between individuals, institutions, and even countries. This can be achieved by adopting a feeling of "we society" rather than a "we and they society".

LEADERSHIP GRAND STRATEGIES FOR 21ST CENTURY

The contemporary common problems can not be solved by the contemporary strategies; they require leadership grand strategies for generating joint efforts. There are of course, many different problems in many different organizations and nations. However, the most pressing common problems are caused by the lack of independence and freedom. These are also the most desired things (the values) that most people like to have. Developing leadership grand strategies will help to solve these problems and satisfy the contemporary needs and desires of the people in the twenty-first century.

Ataturk was able to design and implement the grand strategies for gaining and maintaining freedom and independence and establishing the basis of independent development to move his country toward a contemporary development level and beyond. The following sections explain the grand strategies, policies, and techniques that were utilized for achieving his shared vision and establishing the foundation for its stability and continuity. The insights obtained from the designing and implementing of these strategies provide some valuable lessons for the contemporary and future leaders.

The Strategy of Gaining Full Freedom and Independence

Many people throughout the world have been suffering a lack of freedom and independence. Freedom is the

most needed and desired for people's life. It is crucial for a nation's existence and people's life. Political, economical, technological, and social freedom depends on the nation's independence. The people's culture, identity, and freedom of speech, writing, deciding, and doing also depend on independence. People work hard, fight and give their life for having and preserving their independence. If people can not preserve their independence their nations and freedom will disappear. History provides many examples of this kind (Albert, 1993; Kennedy, 1987; and Braudel, 1994). Freedom and independence are complementary to each other; one can not exist without the other.

Ataturk was also faced with these kinds of freedom and independence problems. The external forces were threatening the freedom and independence of the Turkish people. Furthermore, some internal forces were supporting the external forces. However, Ataturk successfully dealt with these forces and gained full freedom and independence for his people.

Freedom and independence were very important to him, his friends and his followers. He believed that independence and freedom are necessary for every individual and every nation. He made the following statement about independence and freedom:

Those people who have freedom of ideas can help their "Fatherland". They are able to have the power for saving and protecting it...Where there is no freedom, there are death and destruction. The freedom is the mother of every progress and independence... Freedom is my character.

He indicated that the integrity, honor, humanity, equality, and quality exist with freedom and independence. People can not build a nation without independence. Freedom and independence make it possible for people to have their own nation, country, and to live, learn, decide, work, and behave the way they like. Freedom and independence is the backbone of individuals and nations; without them they live like a slave. They together make a person human and people a nation. Therefore, freedom and independence are the most valuable and desirable things for a human being and must be obtained and defended.

a) Developing Freedom and Independence as a Shared Vision: Ataturk developed the shared vision to establish independence and freedom for the Turkish people, and raise the nation's development level to the level of contemporary nations' development level and beyond (Sen, 2008). He did this under the severe political, economical and social conditions of the falling Ottoman Empire and under the occupation of the most powerful nations. The autocratic administration of the Sultan was failing in almost every political, economical, social and military activity. The Empire was losing very valuable parts of its land. The people were suffering from the lack of freedom, quality of life, and equality. Therefore, preserving the continuity of the Fatherland and maintaining the freedom and its full independence became the dominant issue for Ataturk, his friends, and many citizens (Aydemir, 2006; Kinross, 1994; and Mango, 2000).

Ataturk developed the Fatherland and Freedom Committee in Damascus and expanded it in Macedonia with Omer Naci (writer and speaker), Husrev Sami (artillery officer), Hakki Baha (teacher at the Rustiye), Tahir Bey (director of the Rustiye), and Hodja Mahir (director of military teacher-training school) being the original members. He organized a team and went around the Country including Samsun, Amasya, Erzurum, Sivas, Kayseri and Ankara to communicate the value of freedom and independence to people. He organized them, got their support and gathered all the resources for achieving the freedom and independence (Aydemir, 2006; Sen, 2007).

b) Establishing People's Freedom through Parliament: During the Ottoman Empire, the authoritarian strategies were utilized. The authority of making important decisions and strategies belonged to the Sultan. However, the Sultan's strategies were mainly responsible for the Empire's collapse. Ataturk wanted to establish the people's authority by establishing the Parliament. To him, the People's Parliament was the highest authority of a nation. The people should establish the Parliament, and the Parliament should decide on the important national issues. Only then the National Power will represent the people. All the decisions must be based on the People's Parliament elected by the people. In another words Ataturk wanted to eliminate the autocracy by establishing the Parliament.

Ataturk explained to people the problems of the Sultan's administration and the dangerous situation of the Empire. He told them the decisions of the Erzurum and Sivas Congress for establishing freedom and saving the independence of the Nation. He said to them the following:

...The people must preserve their freedom and independence by themselves.

On March 16, 1920 Ataturk sent a Circular to all the Governors, the Commanders and other administrative leaders for the Committee of Representatives (Heyet-i Temsiliye). The Circular included the followings:

The Central Government of the Empire was occupied by the Allied Forces and the Cabinet was dissolved...It is therefore necessary to establish a new People's Parliament in Ankara by the people to think and take the necessary measures for saving the Independence of the Nation...It was also realized that those members of the dissolved Parliament in Istanbul who can come to Ankara can join to the new People's Parliament.

Ataturk's ideas about the Parliament were similar to those democratic leaders like Thomas Jefferson, George Washington, and other leaders of democratic governments. In fact, Halide Edip Adivar (2007), writer and nationalist, wrote the following about Ataturk's ideas about the people's authority and the government:

I remember him talking just like Jean Jacques Rousseau and George Washington. All the power belongs to people. The people's power can not be divided.

However, there was not much power but a lot of dangerous problems around Ataturk. The terrorists (rebels) encouraged by the Sultan Vahdettin and the British Forces were moving to Ankara from Bolu, Gerede, Beypazari, and Ayas. The Anzavur soldiers, the Army of Caliphate and other terrorist groups were almost ready to attack and take over Ankara by force. Meanwhile, seven of the Nationalists including Ataturk were sentenced to death penalty by the Government and approved by the Sultan Vahdettin on May 24, 1920.

In spite of all these problems and dangers the people's Parliament was established with the big ceremony on April 23, 1920. There were 115 delegates out of 355 that could come to Ankara from the Anatolian Provinces at that time. Ataturk was elected the President of the people's Parliament by the majority vote of the present Representatives. On May 2, 1920, 11 Ministers were elected by the people's Parliament (Aydemir, 2006, Vol. II, p. 255).

The establishments of the people's Parliament and the Cabinet were probably the major activities for achieving the independence and starting the development of the Republic of Turkey under the leadership of Ataturk. On January 20, 1920 the people's Parliament adopted the Constitution (Anayasa). According to the Constitution:

The Independence (Sovereignty) belongs to people without any condition.

The Republic of Turkey and its independence was becoming to exist by accepting the Constitution.

Ataturk's leadership for designing shared vision implies that good leadership skills such as team building, organizing people, communicating with them, and inspiring, motivating and obtaining their support are essential for gaining full freedom and independence.

The Strategy of Defending and Maintaining Freedom and Independence

After establishing the Parliament, Ataturk urged the Representatives to defend the nation's freedom and independence. He said the following about defending freedom and independence:

...It is either freedom or death!

...The people must preserve their independence by themselves.

...I dedicated myself for our independence and will work with people to achieve it.

Ataturk organized military forces and motivated them and fought in Canakkale, Sakarya and Dumlupinar for defending the independence and freedom of the people. He and his fellow Military Officers and soldiers fought very courageously to defend their freedom and independence.

During the Canakkale War, on one occasion, Ataturk ordered his soldiers to put the bayonets on and lay down at Conkbayir when some of the soldiers were running away because they had no more ammunition. Ataturk gave them the following order:

... I am not ordering you to attack; I order you to die... The other troops and the Commanders may take our

places during the time that we die (Aydemir, 2006; and Erickson, 2001).

The soldiers put on their bayonets and lay down on the ground. The enemy who saw them from the close distance did the same thing. During that short time that they gained by lying down, the 57th Regiment arrived for their support.

December 19-20, 1915, the enemy deserted the Anafartalar-Ariburun Fronts on January 3-9 and left Gelibolu. Both sides lost about 500,000 soldiers (about 250,000 Turks, 205,000 British, and 47,000 French).

Winston Churchill explained the Turkish efforts as follows:

The Turks tried to defend the narrow pass stiffly. They were given their life, but not even a piece of their land...

Years later they asked Mustafa Kemal why no great monument marked their victory for independence and freedom. He replied that the greatest monument is the Mehmetcik (Turkish soldier) himself. The Monument is to thank to the soldiers that these lands have remained within the Turkish frontiers.

Ataturk explained his strategy as follow:

There is no Line Defense! There is a Plane Defense! And this Plane is the Anatolia.

He concentrated on the whole plane by integrating the small groups on the right place at the right time of the whole forces. His main strategy was to centralize the whole forces by decentralizing the parts of the Turkish Forces to win the War of Independence.

Ataturk started the preparation right after the Sakarya Fight by grouping the separate parts of the forces into the Army. All of the people were called in to the Army who could hold a weapon. In spite of some members' criticisms of the Parliament for been late, Ataturk made sure to have enough forces and logistics for the Big Attack. He concentrated on training the forces and establishing all the resources before the Big Attack.

The major objective of Ataturk's strategy was to finish the enemy with one "strong punch" on its strong unit and cut off its supply lines with Izmir. On August 26, 1922 at 4:30 am the attack started with artillery bombardments and continued until 5:50 am. At 6:30 am Tinaz Tepe and at 9:00 am Belentepe were captured. A large portion of the enemy forces was destroyed at Ata Tepe. General Trikopis was able to escape from the circle with about 8,000 soldiers and lost the communication with the other units.

After the Dumlupinar defeat, the enemy forces could not hold their positions for a long time. They lost their hope to win the War and they were emotionally down. On September 9, 1922 the Turkish Forces entered Izmir. The Turkish Flag was raised at Kadifekale and on the Governor's building.

Ataturk sent an ultimatum to the Commander of the Battleships of the Allied Forces to leave the Izmir Port within 24 hours. Consequently, they left the Izmir Port in a hurry. Ataturk remembered what he said when he saw these Battleships at the Istanbul Bosphorus:

"They will go back the way they came".

And they went back the way they came with a big salute as Ataturk predicted on November 13, 1918.

The journey for achieving National Independence and Freedom started in Samsun on May 19, 1919. It moved to Erzurum, Sivas, and Ankara and stayed there for a long time and ended in Izmir with a victory on September 9, 1922. The final victory for full independence and freedom gave birth to the Democratic Republic of Turkey.

During the Canakkale War, Ataturk's total quality techniques including just in time, flexibility, and working in a team setting and having values such as courage, love of country and independence played key roles in fighting at Conkbayir. He commanded his troops very bravely, intelligently and motivated them to save their freedom and independence by fighting hard and dying for it (Aydemir, 2006; and Erickson, 2001).

During the Canakkale War, concentration, centralization with decentralization and working in a team setting

played important roles for winning the Independence War. Preparation Forces through training and gathering necessary logistics and moving fast and being flexible to defend the whole plane rather than a line, being in right place at right time were also important techniques of winning the War. Ataturk centralized all the Turkish Forces to generate the Big Punch to divide enemy forces, cut off their supply and communication lines helped to demoralize the enemy forces for winning the War. The values of Ataturk, his comrades and soldiers, such as courage, commitment, dedication, trust and loyalty to each other, and love of country, freedom and independence played the key role for the victory. However, Ataturk's leadership knowledge, skills for motivating his forces, fighting and dying to defend their freedom and independence were the most important factors.

The Strategy of Democratizing Political Activities

The political stability is necessary for protecting a nation's freedom and independence in the short and long terms. The democratic political activities have been the most desirable for the stable political activities (Haggard and Webb, 1994; Haggard and Kaufman, 1995; and Dahl, 1989).

During the twentieth century many organizations and governments have been changing their leadership strategies. Most of these changes are away from authoritarian leadership strategies toward democratic leadership (Haggard and Kaufman, 1995; Fukuyama, 1992; and Dankwart, 1990). Many governments in Latin America, Asia, in Eastern Europe and in the Soviet Union collapsed mainly because of their authoritarian leadership practices. These activities put some pressure on many authoritarian governments of Africa and the Middle East for democratization which is called "global democratization" (Dankwart, 1990; Haggard and Webb, 1994).

Ataturk utilized the democratic ideas and principles decades ago and established the basis of democratization through establishing political parties. Part of his shared vision was:

To develop a nation's political, economical, and social, technological and educational conditions and bring its development to the level of a contemporary nation's development level and beyond.

The democratization of Sultan's autocracy would not be easy. He himself knew it and said the followings about this mission:

My dear friends! The success for development depends on changes. It is the only way for succeeding the in development of social, political, economic life, and science and arts...However, the war for a nations' development will be more difficult than the external war.

The political structure of the Ottoman Empire was authoritarian. Ataturk started to democratize this out dated political structure. But, some of his friends and some conservative religious people lived under the administration of the Sultanate for a long time, and were not ready to support change.

On June 23, 1920 with the establishment of the Parliament, the sovereignty belonged to the people. Consequently, the Representatives of the Parliament were in a situation to accept the people's sovereignty and at the same time show loyalty to the Sultan.

Ataturk made the following speech about this situation at the Parliament:

The independence (sovereignty) and Sultanate can not be given to anybody by law, debate or negotiation. The sovereignty and Sultanate can be taken by force, and power. The Ottomans were captured the sovereignty and Sultanate by force. They used this privilege for six hundred years. Now, the Turkish people took over their sovereignty. The issue is over (Nutuk, 2005).

Upon this speech, the opposing Representatives mostly Hodja's were agreed with the decision for abolishing the Sultanate. On November 1, 1922 the Sultanate was abolished by Law. Following this Law, Sultan Vahdettin left the Country and went to Malta with a battleship of British Forces on November 17, 1922.

Ataturk was thinking to establish the Republic as a form of the government of the new Nation for a long time. On October 4, 1922 Ataturk gave the following speech for this idea:

This Parliament belongs to the people. This Parliament belongs to the Turkish citizens without any conditions (Kayitsiz sartsiz, milli hakimiyet).

After the discussions, all of the members of the Parliament accepted the form of government as Republic and they elected Ataturk as the President of the Republic. This was the continuation of the first Republic which was the foundation of the Democratic Republic.

On January 20, 1922 the Parliament decided to abolish itself and complete the new election within two months. In order to select the member of the second Parliament, Ataturk established the People's Republican Party (Halk Firkasi or Cumhuriyet Halk Partisi/CHP). Ataturk was the leader of the CHP. There were 270 Representatives from CHP. Ataturk was elected Representative from Ankara and Izmir.

The second Parliament was established on August 2, 1923. Ataturk was elected the President of the Parliament on August 13, 1923 and the Cabinet was established on August 14, 1923. Some friends of Ataturk including Fethi Okyar, Kazim Karabekir, Fevzi Cakmak, and Ali Fuat were in the Cabinet (Aydemir, 2006, Vol. III. p. 90).

After abolishing the Sultanate and the Caliphate the Parliament started working on the new Constitution and accepted it on June 20, 1924. The new Constitution was prepared based on the development of individual freedom, justice and the political ideology of the 1789 French Revolution. It was also influenced by political ideas of that time. Some of the laws of the new Constitution are stated below:

1. *The Turkish Nation is a Republic.*
2. *Independence belongs to the People without any conditions.*
3. *The Parliament is the only representative of the people and represents them fully.*

On June 10, 1928 some changes were made in the Constitution by replacing religious words. This Constitution has been used until 1961 with a minor change.

Ataturk wanted to have the multi party system for further democratization of the political activities. He encouraged and advised Fethi Okyar to establish a new party. Fethi left his ambassador position in Paris and established the Free Republican Party on August 12, 1930. Ataturk promised that he would as a President to act fairly and protect the party and its activities with Secularism (Tunaya, 1962). Ataturk explained his thoughts about the democratization of the political activities as follows:

I am in love with democracy since my youth. The free speech should be permitted for the people. The Representatives of the Parliament should search the great interests of the people.

The Free Republic Party developed and grew up fast. But Party was abolished by its founders on December 18, 1930. The reason given for the Party closing was stated as the danger of being against Ataturk and his reforms (Tunaya, 1962).

The Strategy of Education for Developing Knowledge People

The main factor of gaining and maintaining national freedom, independence; and development of a nation's economical, political, technological, and social activities is the education ((Toffler, 1990; Quin, 1992; Drucker, 1993; and Stewart, 1997). Education develops knowledge to formulate the leadership strategies and implement them successfully. Education includes the explicit and tacit knowledge of the people. Explicit knowledge helps leaders to determine the bases of what and how to do things. Tacit knowledge provides values, insights, and vision which in great measure determine moral bases of people for determining mainly why to do things (Nonaka and Takeuchi, 1995). Explicit and tacit knowledge together provide the essential qualities for the leadership strategies. Thus the leaders should have this essential knowledge to develop leadership strategies.

Ataturk knew the value of knowledge for individuals, societies and the nations. He himself gave the first priority to knowledge and tried to educate himself and the people continuously. The following statement explains his thought about knowledge:

Knowledge is the best guide (the best thing) for life...It is a knowledge that makes a nation free, sovereign, and developed and also makes a nation poor, and slave...You never forget that the Republic wants strong

healthy generations with free thoughts, high knowledge, free conscious and free comprehension (Nutuk, 2005).

Ataturk thought that development of a nation politically, economically, socially, technologically, and militarily depends on contemporary knowledge. He also believed that the best way of obtaining knowledge is through education. Therefore, he adopted education strategies and took the necessary measures to prepare qualified teachers for educating people.

Education during the Ottoman Empire was neglected; the literacy of the people was about 10 percent. This was very low compared 60 percent of Western Europe and Japan. Poor education was one of the major reasons for declining Empire at that time. Ataturk wanted to educate people in both explicit and tacit knowledge with their applications.

Ataturk informed Parliament about the importance of education on March 1, 1922 as follow:

...We have to educate our children and youth to understand the importance of learning for our Independence, identity, and the necessity of fighting against those who are the enemy of our national culture (Nutuk, 2005).

Love of country, good intensions and loyalty are important values for those who want to save the Nation and the people...But these values are not enough for the development of our nation according to the needs of contemporary civilization... The knowledge and technology is also necessary. The places that provide these are the schools. Therefore the school is necessary.

The new Faculty of Religion (Ilahiyet Fakultesi) was established to take the places of the Medrese (Eroglu, 1990). On March 2, 1926 the Law about Education was accepted. They organized all the educational activities to unify education. They established new programs for the elementary and secondary schools.; took old courses out of the new programs. In order to maintain unified standards, only the government can open a school (Mumcu, 1996).

There was only Darulfunun University for higher education. But this university was not enough for the Nation's higher education and could not provide contemporary education. On May 31, 1933 Darulfunun was closed with the opening of Istanbul University. Istanbul University was established according the Western universities. The University was also helped by many German scientists who escaped from Germany and came to Turkey. They helped considerably to improve the higher education at Istanbul University.

Ataturk also wanted to educate the Turkish villagers the largest portion of the Nation's population. He realized that in order to make good decisions for selecting good Representatives, citizens should have contemporary knowledge to judge what is right and what is wrong for them and for the Country. In order to educate villagers fast, Ataturk started to educate the Elementary School Teachers (Ilk Okul Egitmeni) with short training courses on June11, 1937. These teacher training schools opened the doors establishing the Village Institutes (Koy Enstituleri). The Village Institutes educated the village children throughout the Country by providing the contemporary knowledge in science, technology, agriculture, and services with the applications that the villagers needed the most.

Contemporary leadership strategies have to be concentrated on educating all the citizens in both explicit and tacit knowledge. The people have to have the knowledge to understand and select the right leaders for their organizations and nations. They should be objective and think long term rather than just short term. Leadership education strategy should consider individual freedom and national independence to educate people.

SOME LESSONS AND CONCLUSION

Contemporary problems related to freedom and independence increased fast during the twentieth century. The evidence indicates that these problems will persist and continue to jeopardize global prosperity, environment and global peace. If organizations and nations do not find effective strategies to alleviate or eliminate the contemporary problems, they will grow to be threat for our civilization. The history attests to this concern (Kennedy, 1989; and Sachs, 2008).

It is clear that, traditional view of leadership strategies will not be able to effectively address our problems

(Toffler, 1990; Drucker, 1993; Ackoff, 1994; Halal, 1996; and Sen, 2003). As a strategy the older view remains dated, biased, and established to satisfy, mainly the interests of stockholders, some privileged class or those with certain political affiliations. Other stakeholders, including employees, and the general public are often neglected and marginalized in present policies. These kinds of strategies increase contemporary problems rather than solve them.

If we look at the recent problems of 9/11 and the wars in Iraq, Afghanistan, and other parts of world we feel hopeless. There are violence and terror. Suicide bombers have been threatening our freedom, independence and national interests. Against all this, the views of the world leaders are too simplistic and do not go beyond the philosophy of “you are either with us or against us”.

In order to solve the common local and global problems, we need to develop strategies based on “we, the united” rather “we and they, the divided”. This is possible by establishing a shared vision for every organization, nation and the world. A shared vision has to develop freedom for every individual and endowed nation with independence. It should grant quality of life (prosperity) and equality (equal opportunities) to people of all geographies. The shared vision should entail a common desire to utilize scientific knowledge and technology in the most efficient, effective and ethical ways. It should facilitate a sustainable sense of freedom and lasting independence. It should facilitate sustainable production, economically viable consumption in full respect for the environment. The shared vision will help people to establish close communications, good relations, cooperation and unity to solve common problems. It is of course very difficult to establish a shared vision for our divided organizations, nations and the world. However, thinking the alternative makes it a must to establish it before it is too late.

Ataturk developed a shared vision and established grand strategies for achieving, and maintaining it successfully. He did it under the guns of the most powerful external and internal opposing forces and with poor economic, social and technological conditions. It took a century for Europe to accomplish similar success. When he was asked how he accomplished it, he replied:

I made you to talk (communicated them the value of freedom and independence), I made you to run (fought for the freedom and independence) and I made it happen (committed my life for the freedom and independence).

This statement was a short explanation of his grand strategies. They played the key role for establishing the Democratic Republic of Turkey and its continuity with freedom and independence. These strategies could provide some lessons for solving the contemporary problems. They are summarized below as “grand strategies tenets in strategy making”:

Lesson 1. The strategy of ensuring freedom and independence is an inevitable goal for every organization and nation. Freedom and independence are birth rights. In order to gain and protect freedom and independence people should adopt them as a common value, as part of a shared vision in every possible social milieu.

Ataturk recognized the significance of freedom and independence. He indicated that freedom is the mother of every progress and independence; humanity, honor, quality, and equality. According to him human life started with freedom and independence. Ataturk always dreamed of freedom and full independence and committed his life achieving them. He often said that freedom and independence were his character.

He established a shared vision as a freedom and independence, quality with equality for the Turkish people. The shared vision united, and energized Turkish people to solve many problems and establish the Democratic Turkish Republic. His shared vision is still followed in Turkey.

Nations who suffer from a lack of freedom and independence have to develop freedom and independence as a shared vision. The shared vision can enable an organization, nation, and the world to solve not only freedom and independence problems but also many other common problems.

Lesson 2. The strategy of defending freedom and independence is necessary for their continuity. Freedom and independence have to be protected for its stability and continuity at any cost. All citizens of a nation have to prepare and defend them internally and externally. Turkish people with the support of their military forces have been played a crucial role for maintaining and defending freedom and independence.

This strategy was inherited from Ataturk. He organized people and the Turkish Military Forces and got the support from every able men and women and defended people's freedom and independence. Ataturk's leadership strategy was the main factor in defeating the opposing external and internal forces for gaining freedom and independence. Without the Turkish Military Forces and Ataturk's leadership strategies the Turkish Nation would not exist now.

Every citizen of a nation has to commit themselves defending their freedom and independence. They should not leave this important duty to some external forces. As Ataturk indicated, "the power that you need for this task is in your blood." People have to defend their freedom and independence like their life.

Lesson 3. The strategy of democratization is necessary for the stability of freedom and independence. Freedom and independence should belong to the people. Many nations have been democratizing their political activities to have people's freedom and national independence through the Representatives of the Parliament elected by the people. Many others have been struggling to democratize their authoritarian political activities.

Ataturk's leadership strategy for this process provides some valuable lessons. Ataturk was thinking and working for the people's freedom and independence for a long time. He strongly believed that freedom and independence must belong to the people. After the Independence War, Ataturk abolished the autocracy of the Sultan and the Caliphate and established the Democratic Turkish Republic and set the basis of people's democracy. He established the Constitution to protect it. His principles of Nationalism, Republicanism, Populism, and Secularism (Laicism) endowed people right to freedom and independence.

His right-hand man Ismet Inonu established the multi-party system democracy after Ataturk passed. His democratization activities helped establish the foundation of democracy in Turkey. Also the Turkish Military has adopted the role of protection of democracy in the Country.

Democracy is the best process to maintain freedom and independence. Political parties should use it according to the Constitution and laws based on science and logic rather than religion or other beliefs. Democracy should belong to everyone, but not one group of people and should work for every individual rather than a group.

Lesson 4. The strategy of having knowledge is the foundation of all the other strategies. Knowledge together with the other strategies constitutes the grand strategies. Knowledge makes people valuable and successful. Designing a shared vision and achieving it requires knowledge. Knowledge, skills, values and talents play key role for leaders to know the past, understand the present, and see the future and beyond, It is essential for designing a shared vision, developing, and implementing grand strategies to achieve it successfully. All successful organizations and nations had a knowledge leaders and followers for achieving stable freedom, independence, and development. Knowledge human resources are the main factors for designing and implementing grand strategies successfully.

Ataturk had great interest in diffusing knowledge and believed that it is the best guide for life. He used every opportunity to educate himself and his followers continuously to obtain knowledge. The combination of his wide knowledge, superior skills and strong universal values provided him numerous competencies and comparative advantages. His natural talent of creating knowledge and skills, wherever and whenever needed, was probably his most exceptional quality. He worked hard and smart for implementing grand strategies tirelessly, but patiently and continuously, in a real team setting to achieve freedom and independence.

His dream has been continuing in Turkey, but unfortunately his strategies have not been implemented with a same dedication and commitment. Leaders have to give the first priority to educate people continuously in explicit and tacit knowledge for gaining and protecting freedom and independence.

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THE CONTENT ANALYSIS OF MISSION AND VISION STATEMENTS OF TURKISH AND EUROPEAN BIG FIRMS : A COMPARISION

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ABSTRACT

The main object of this paper, is to analyse and compare the mission and vision statements of Turkish top 100 firms and European top 100 firms, using a combination of international scales. We reached Turkish top 100 firms from the related list of Istanbul Chamber of Industry (ISO), and European top 100 firms from Fortune Global 500 list.

In the evaluation process we identified 50 mission statements each from both groups and reached results based on that data.

In the research we focused on the questions of, in what extent do the mission and vision statements of big firms consistent to the criteria which the management literature set, and what the differences are between the Turkish and European practices. In the study we also focused on the cultural, economic, and other regional reasons of the differences.

The methodology which we used was a combination of the scales from the international literature on this subject. From this point of view, first of all, we searched whether big firms have mission and vision statements on their web sites. We also searched about the number of shareholders, the number of components, characteristics of components, objectives and mostly repeated statements.

INTRODUCTION

Determining mission statements and vision statements is the most important stage of the strategic management process. Mission and vision of a firm represent the soul of all its activities. Mission statement and vision statement provides the unity of administrators and employees towards the main purpose and future orientation of the firm. Mission and vision also determines the boundaries of all its interactions between the firm and its business environment.

The characteristics of mission statements and vision statements can differentiate across industries, countries and regions. This study presents general knowledge from literature and results of a search which compares Turkish and European practices.

Mission Statements

Koçel (2003; 128) states that mission statement is an explanation about a firm's reason of to exist and business type. Mission statement also declares main objective and methods of its operations. Koçel (2003; 128-129) also states about the general content of a mission statement. According to this explanation a mission statement must include these characteristics : General and operational philosophy of the firm, how firm sees itself, target customer and markets, type and quality of products and services, firm's main technologies, firm's approach about growth and profitability and firm's public image. Davies-Glaister (1997; 595) gives knowledge about a special type mission statement; "Ashridge Mission Model". This model consists of four elements. These are: purpose (why the company exists); strategy (the competitive position and distinctive competence); values (what the company believes in); and behaviour standards (the policies and behaviour patterns which the distinctive competence and value system based on).

Leuthesser and Kohli (1997; 59) argues that mission statements should contain measurable goals, differentiate the firm from others, identify the firms aspirations rather than just it's present business(es), be relevant to all stakeholders, and be inspirational. Company's stated philosophy and mission are instrumental in establishing the kind of relationship it will have with employees, customers, shareholders, suppliers, government, and the public at large.

Noy (1998; 928) presents an extended explanation of components and guides researchers how to search about them :

1. Customers: who are the firms customers?
2. Product or services : what are firms major products and services?
3. Markets: geographically, where does the firm compete?
4. Technology: is the firm technologically current?
5. Concern for survival, growth and financial soundness?
6. Philosophy: what are the basic beliefs, values, aspirations and ethical priorities of the firm?
7. Self-concept: what is the firm's distinctive competence or major competitive advantage?
8. Concern for public image: is the firm responsive social, community and environmental concerns?
9. Concern for employees: are employees a valuable asset of the firm?

According to Davies-Glaister (1997; 594) a mission statement may be single brief (one or two sentences) statement or a hierarchy of statements. Mission statements sometimes focus on aims, objectives, and targets (business strategy) other times focus on values, philosophy and ethics. In style they can be very vague or very specific. In content, mission statements can be aspirational or functional.

Ulgen-Mirze (2004; 178) states that an organizational mission must include shared values and beliefs, a long term purpose. Mission is about all of firm employees. Mission is towards continuous improvement and higher performance.

Eren (2002; 13-14) indicates that a mission statement benefits to firms in many ways:

- It provides manager's and employee's unity towards firm's purpose.
- It provides all organizational forces and motivates them.
- It helps firms to find realistic resources and to distribute them towards strategy.
- It helps firms to understand responsibility and helps managers to understand operational responsibility.
- It makes easier to determine organizational purposes and strategies.

Vision Statements

According to Eren (2002; 11) vision phase is very important for strategic management. Vision is a phase which includes manager's perception, evaluation, definition, explanation, sharing and intellectual processes and efforts about future operations and alternatives. Eren (2002; 12) explains quality of vision:

- It is original for every manager and leader.
- It requires perception and evaluation of all the future operations.
- Vision will gain value when it is shared.
- Vision is a main source for strategy and purposes.
- Vision gives knowledge about manager's and strategist's quality of creativeness, innovation, to accept a risk, to be a participator and to share in.

Ulgen-Mirze (2004; 183-184) explains importance of vision statements : An organizations mission statement consists of organizations purpose, targets and values. Image is also another component of vision statements. Mission reflects the reason for an organizations existence. Mission gives a direction and brings value to organization. Purpose presents the level or point which the organization wants to reach. Purpose must direct growth and development processes and reveal common values. In the process of determining organizational strategy before determining purposes targets must be identified. In a firm values represent the things which are important for managers and employees to reach the target. To identify individual and organizational values and to integrate them with vision will make managers and employees enable to focus target.

METHODOLOGY

In this study, we analysed and compared the mission and vision statements of 50 Turkish and 50 European firms which we get from the sample of top 100 firms and European top 100 firms. We used a combination of international scales. We reached Turkish top 100 firms from the related list of Istanbul Chamber of Industry (ISO), and European top 100 firms from Fortune Global 500 list.

In the research we focused on the questions of, in what extent do the mission and vision statements of big firms consistent to the criteria which the management literature set, and what the differences are between the Turkish and European practices. In the study we also focused on the cultural, economic, and other regional reasons of the differences.

The methodology is a combination of the scales from the international literature on this subject. But the dominant source which we benefited is Bartkus-Glassman-McAfee's (2004) study. From this point of view, first of all, we searched whether big firms have mission and vision statements on their web sites, then we searched in which page these statements exist. We also searched about the number of shareholders, the number of components, characteristics of components, objectives and mostly repeated statements. In the analyse process, first we determined the frequencies.

In this study stakeholders / interactors were analysed in this content : Customers, employees, shareholders, suppliers, society, government, law, competitors, environment and financial actors. We analysed components in this content : industry, target customer, geographical scope, values/philosophy, motivational message of excellence or benefit to society, distinctive competence, future orientation and a financial objective. In the mission statements we searched the objectives in this context: "To communicate the firm's direction to stakeholders", "to keep the firm on track by providing a control mechanism", "to guide non-routine decision-making", "to motivate and inspire employees".

RESULTS

Stakeholders cited in mission statements

Characteristics Of Mission Statements

Table: 1 Number of Stakeholders

Number of stakeholders	Turkey		Europe	
	F	%	F	%
6	2	4	0	0
5	1	2	4	8
4	5	10	5	10
3	4	8	7	14
2	10	20	13	26
1	20	40	17	34
0	8	16	4	8

In Turkish firms average number of stakeholders is 1,9 in their mission statements. In other European firms average number of stakeholders is 2,1. We can say that both Turkish firms and other European firms present low average number of stakeholders in their mission statements. We recognize that Turkish and European firms present almost equal average number of stakeholders in their mission statements.

Table 2: Stakeholders cited in mission statements

Stakeholders cited in mission statements	Turkey		Europe	
	F	%	F	%
"All stakeholders"	4	8	7	14
Customers	27	54	38	76
Employees	13	26	14	28
Shareholders	8	16	12	24
Suppliers	5	10	3	6
Society	22	44	15	30
State-law	1	2	3	6
Competitors	0	0	3	6
Environment	10	20	7	17
Financers	0	0	2	4

We recognize that in both Turkish firms' mission and European firms' mission statements customers is the first group was taken into consideration. 27 of fifty Turkish firms and 38 of fifty European firms statements includes customers. The rates for customers (54%) in Turkish firms and (76%) in European firms. But we can say that European firms have a higher customer focus than Turkish firms. In both mission statements the second group that was taken into consideration is society. Society was mentioned by 22 (44%) of 50 Turkish firms and 15 (30%) of 50 European firms. Third group is employees in both group. Employees was mentioned by 13 (26%) of 50 Turkish firms and by 14 (28%) of European firms. In Turkish firms mission statements the fourth group is environment (20%) and the fifth group is shareholders (16%). In European firms mission statements the fourth group is shareholders (24%) and the fifth group is environment (17%). It attracts attention that Turkish firms gives environment more importance than European firms in a presentation which reflects their soul. In Turkish firms' mission statements suppliers (10%-6%) takes place with a higher rate, in contrast "all stakeholders" (14%-8%), state-law (6%-2%), competitors (6%-0%), financiers (4%-0%), takes place with a higher rate in European firms' mission statements. In terms of main stakeholders we recognize a similarity in priority but difference in rates.. Turkish firms didnt mentioned competitors and financiers.

Characteristics Of Mission Statements

Table: 3 Number of Components

Number of components	Turkish Firms		Other European Countries' Firms	
	F	%	F	%
13	1	2	1	2
11	3	6	2	4
10	5	10	8	16
9	7	14	7	14
8	5	10	6	12
7	4	8	6	12
6	8	16	4	8
5	7	14	3	6
4	4	8	3	6
3	5	10	5	10
2	1	2	1	2
1	0	0	4	8

In Turkish firms' mission statements average number of components is 6,9. In other European firms' mission statements average number of components is 6,8.

Table 4: Number of mission statements containing characteristics

Characteristic of mission statement (component)	Turkey		Europe (Other countries)	
	F	%	F	%
Industry	32	64	32	64
Target customer	24	48	19	38
Products	27	54	32	64
Geographic scope	25	50	23	46
Financial objective	23	46	33	66
Values / Philosophy	28	56	24	48
Public image	44	88	41	82
Motivational message (excellence)	27	54	28	56
Motivational message (societal benefit)	27	54	16	32
Distinctive competence	37	74	35	70
Future orientation	33	66	38	76

Table 4 shows the characteristics of mission statements. First component mentioned by firms with highest rate is "public image". 44 of 50 (88%) Turkish firms and 41 of 50 (82) European firms presented

public image in their statements. Again we recognize similarity in priority and difference in rates. The second component in Turkish firms mission statements is “distinctive competence”. 37 of 50 (74%) Turkish firms mentioned “distinctive competence” in their statements. “Distinctive competence” is in the third place in other European firms statements and 35 of 50 (70%) firms mentioned this component in their statements. The second component in rates in other European firms’ mission statements is “a future orientation”. 38 of 50 (76%) European firms mentioned this component in their statements. “Future orientation” is in third place in Turkish statements in terms of priority with rate of 66%. Financial objective is in the fourth place of European firms with a rate of 66% and tenth place of Turkish statements with a rate of 46%. We found a great difference in terms of priority between groups. “Industry” was mentioned in 32 of 50 (64%) Turkish firms statement and again with a same rate 32 of 50 (64%) European mission statements. Industry is in the fourth place in Turkish statements and fifth place in other European firms’ statements. “Values / Philosophy” is in the fifth place in Turkish firms statements and again fifth place in other European statements. As an important difference, Turkish firms’ mission statements have a higher rate of motivational message in terms societal benefit than European firms (54%-32%).

Objectives of Mission Statement

Table : 5 Number of Objectives met by mission statements

Number of Objectives met by mission statements	Turkish Firms		Other European Countries Firms	
	F	%	F	%
Statements that met all 4 objectives	16	32	14	28
Statements that met 3 objectives	19	38	15	30
Statement that met 2 objectives	10	20	15	30
Satements that met 1 objective	4	8	4	8
Statement that met 0 objective	0	1	2	4

In Turkish firms , average number of objectives met by mission statements is 2,9. In European firms average number of objectives met by mission statements is 2,7. In Turkish firms mission statements; 32% of statements met all 4 objectives, 38% of statements met 3 objectives, 20% of statements met 2 objectives, 8% of statements met 1 objective and 2% of statement met 0 objective. In European firms mission statements; 28% statements met all 4 objectives, 30% of statements met 3 objectives, 30% of statements met 2 objectives, 8% of statements met 1 objective and 4% of statements met 0 objective. The rate of statements that met 4 and 3 objectives in Turkish firms is higher than the rate of statements that met 4 and 3 objectives in European firms. The rate of statements that met 2 objectives and 0 objective in European firms is higher than the rate of statements in that met 2 objectives and 0 objective Turkish firms. The rate of statements that met 1 objective is equal in Turkish and European firms statements. We found these differences and similarities. When we look at the average number of objectives met by mission statements is almost equal in two groups.

Table :6 Number of Firms Whose Mission Statement Meets Given Objective

Objective of mission statement	Turkey		Europe (Other countries)	
	F	%	F	%
“To communicate the firm’s direction to stakeholders.”	42	84	39	78
“To keep the firm on track by providing a control mechanism.”	33	66	34	68
“To guide non-routine decision- making.”	31	62	27	54
“To motivate and inspire employees.”	42	84	37	74

When we analysed Turkish firms’ mission statements we found that; 84% of statements “communicate the firm’s direction to stakeholders”, 84% of statements “motivate and inspire employees”, 66% statements

“keep the firm “on track” by providing a control mechanism”, and 62% of statements “guide non-routine decision-making”. When we analysed European firms’ mission statements we found that; 78% of statements communicate the firm’s direction to stakeholders, 74% of statements motivate and inspire employees, 68% of statements keep the firm “on track” by providing a control mechanism, 54% of statements guide non-routine decision making. In general but especially in this part of search we benefited from Bartkus-Glassman-McAfee’s (2004) study. Turkish mission statements have higher rates in communicating the firm’s direction to stakeholders, in motivating and inspiring employees and in guiding non-routine decision-making than European firms. But European firms have a higher rate in keeping the firm on track by providing a control mechanism. Generally Turkish firms’ mission statements have higher rates, that met objectives, than European firms statements.

Vision Statements

Table : 7 Turkish Firms Vision Statements

Vision statements	Turkey	
	F	%
To reach a global firm position.	18	36
To reach a leader global firm position in it’s industry.	10	20
To become customer focused leader firm of Turkey with it’s products and services (1) / To become leader firm of Turkey in it’s industry (5).	6	12
To become the best firm for favour and approval of its stakeholders / To grow with high ethic standards .	3	6
To provide customer satisfaction with principles of profitability and productivity by motivating customers.	2	4
To become a leader firm which presents products and services in universal quality and standards.	2	4
To provide continous improvement and to focus on particular regions.	1	2
To become the leader firm of the Europe by presenting high quality products and services to the foreign markets.	1	2
To become a firm which always people want to work in.	1	2
Changing firm in changing world.	1	2
By cooperation with local operations, goverments and organizations in the process of to take on global issues, to do our part.	1	2
To lower the production costs into minimum rate.	1	2
To assist in Turkey’s integration process with EU.	1	2
To create value to all stakeholders.	1	2
To create social benefit.	1	2

In Turkish firms vision statements; 36% of firms have a vision “to reach a global firm position”, 20% of firms have a vision of “To reach a leader global firm position in it’s industry”, 12% of firms have a vision of “to become customer focused leader firm of Turkey with it’s products and services / to become leader firm of Turkey in it’s industry”, 6% has a vision of “To become the best firm for favour and approval of its stakeholders”. 4% Turkish firms’ vision statements is “to provide customer satisfaction with principles of profitability and productivity by motivating customers” and again 4% of firms’ is “to become a leader firm which presents products and services in universal quality and standards”. Turkish firms following vision statements have has a rate of 2% each: “to provide continous improvement and to focus on particular regions”, “to become the leader firm of the Europe by presenting high quality products and services to the foreign markets”, “to become a firm which always people want to work in”, “changing firm in changing world”, “by cooperation with local operations, goverments and organizations in the process of to take on global issues, to do our part”, “to lower the production costs into minimum rate”, “to assist in Turkey’s integration process with EU”, “to create value to all stakeholders”, “to create social benefit”.

We recognize that in Turkish firms' vision statements; the major purpose of firms is to reach a global firm position (56%). This rate includes "leader global firm" (36%) and "global firm" purposes. The other main purpose of Turkish firms is to provide customer satisfaction (12%).

Table 8: Other European Country's Firms Vision Statements

Vision statements	Europe (Other count.)	
	F	%
To become a leader global firm.	17	34
To become a global firm.	8	16
To create value for our shareholders and to reward them with higher profits from other equal status firms in the long term.	7	14
To become a leader firm in Europe.	3	6
To become an industrial leader.	3	6
To realize anticipated stable growth.	3	6
To provide customer satisfaction.	3	6
To grow with high ethical standards.	3	6
To improve human life.	2	4
To set strong link which improves internal cooperation.	1	2

Other European firms vision statements includes; 34% "to become a leader global firm", 16% "to become a global firm", 14% "To create value for our shareholders and to reward them with higher profits from other equal status firms in the long term". The following vision statements of European firms has a rate of 6%: "to become a leader firm in Europe", "to become an industrial leader", "to realize anticipated stable growth", "to provide customer satisfaction", "to grow with high ethical standards". The vision statement "to improve human life" has a rate of 4%. And following vision statements of European firms have a rate of 2%: "to set strong link which improves internal cooperation", "to improve human life".

We found differences. European firms focus on reaching a leader global firm level at a rate of 34%. But in Turkish firms vision statements to focus on global leadership is just at a rate of 20%. But in contrast; Turkish firms "global firm" vision (56%) is higher than European firms "global firm" vision (50%). To focus on customer satisfaction is higher in European firms. Statements of "To create value for our shareholders and to reward them with higher profits from other equal status firms in the long term", "to improve human life" and "to set strong link which improves internal cooperation" are other differences which are included in European statements.

CONCLUSION

The results of this study indicated that the mission statements and vision statements practices have too many similarities and again too many differences across Turkish firms and other European firms. In mission statements in terms of main stakeholders we noticed that priorities are similar. And in terms of main components we recognized similarities and differences. The main reason for the similarities is the influences of the global competitive system and economic equilibrium. The other reason is the sources of managerial knowledge which influences the process, depends on.

In vision statements Turkish has a vision of to be a global firm, but other European firms has a vision of to be a leader global firm. This again shows the influence of global industrial equilibrium.

In the research process, for us, the main issue is whether the mission statements should be searched in a narrow context or not. Generally in Turkish literature we recognized that mission statements are searched in narrow context. So from this point of view, researchers can search only the term "mission statement". But according to other point of view, researcher must analyse mission statements in a wide context. In their opinion; values, philosophy, purpose, goal, creed can be evaluated in the context of mission statement (Bartkus, -Glassman Macafee, 2000; Davies-Glaister, 1997). But in our opinion this can create problems like which we experienced in the research process of this study. If a researcher looks for a component he can find it anywhere in the wide context of statement. So the question becomes how can we limit this?

We recognized that wide context may reflect the European practice. Because only in 27 of 100 European top 100 firms web sites we found the presentatoin as “our firms mission statement”. So we extended this to 50 of 100 firms with using “wide mission statement” view.

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THE INTERACTION BETWEEN ORGANIZATIONAL CYNICISM AND PSYCHOLOGICAL CONTRACT VIOLATION IN TERMS OF STRATEGIC HUMAN RESOURCE MANAGEMENT

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ABSTRACT

Due to increasing competitive agility, changing customer preferences, transforming nature of workforce and anxieties associated with service quality in hotel enterprises, the relationship between organizational cynicism as a new paradigm of employee–employer relations and psychological contract violation should be examined in terms of various dimensions. The purpose of this study is to elaborate the interaction between organizational cynicism and psychological contract violation in terms of strategic human resource management. The findings of the research indicate that psychological contract violation increases organizational cynicism. The results prove that the managers when compared to non-managers exhibit less cynical behavior. In contrast to previous studies, it has been stated that the employees receiving training in tourism and hotel management have shown more cynical behavior than the ones not receiving training in the same field. Nevertheless, it has been determined that the employees at the level of elementary education have demonstrated more cynical behavior considering the ones who are educated at the level of vocational high school. Moreover, it is observed that when the age of the employee is low, there is an increase in cynical behavior. On the other hand, it is shown that organizational tenure increases, if there is a decrease of cynical behavior. Finally, the implications for middle managers and employees in hotels and the alternative fields for future research are discussed in the light of research findings.

Keywords: *Human Resource Management Policy, Organizational Cynicism, Psychological Contract Violation, Strategic Human Resources Management, Hotel Business*

INTRODUCTION

Despite the prominence of the behavioral approach in strategic human resource management (SHRM) thinking, the relationship based on the trust in the frame of global competition is vital for the organization as well as the employees-suppliers. As the organizations determine the politics of the SHRM, they have to focus on some concepts such as organizational trust, perceived organizational support and organizational cynicism at the same time.

For the present study, the difficulty of the adaptation to new relations both inside and outside of the organization, long-term commitment, the strategic integration of welfare, skill development practices with team-based problem solving practices, the changing organization structures and the forms of new relations among the organizations require to discuss the organizational cynicism and psychological contract breach in terms of empirical and theoretical facts. In this context, organizational cynicism as a new paradigm of employee–employer relations, is no longer restricted to particular groups of philosophers or schools of thought, but also is widespread among organizations. Despite its extensive history, organizational cynicism has only recently emerged as a focal topic in the organizational psychology and human resource management literature.

Traditional human resource management emphasize solely on physical skills; training covering only specific tasks; functional and sub-functional specialization; and concern for individual efficiency. The traditional perspective did not place the emphasis on ‘people’ and therefore paid more attention to ‘task’ at the expense of people and their development (Karami et al., 2004: 52). That is, this approach pays a limited role in strategies for competitive advantage (Horwitz, 1999: 188–189). However, Strategic Human Resource Management (SHRM) focuses on the total contribution of the firm; innovative and creative behavior; overall effectiveness and cross-functional integration (Karami et al., 2004: 52). It requires a holistic approach, with not only an internal integration between personnel systems (recruitment, selection, rewards mechanisms and appraisal performance management), but also an integration between those systems and the organization’s strategy overall (Baker, 1999: 51).

SHRM contributes to organizational effectiveness in all types of industries, but particularly so in highly competitive and labor-intensive ones, such as tourism. Particularly, the success of organization is largely dependent on customer satisfaction and employee behavior in this industry (Jolliffe and Farnsworth, 2003: 313). In this context, SHRM gives more recognition to the needs of employees and the importance of their commitment to the organization (Reid et al., 2002: 245). Employee commitment is seen as an important way of securing SHRM. But this is a difficult challenge, given the increasing job insecurity in many countries and industries. It requires the development of new psychological contracts (Baker, 1999: 51).

In light of trends toward global organizational strategies, restructuring, and downsizing, psychological contracts are playing an increasingly important role in contemporary employment relationships (Pate and Malone, 2000: 158). Particularly, downsizings have extremely negative effects on downsizing victims and their communities. Downsizings also have significant negative repercussions for survivors. Downsizings negatively influence survivors’ behaviors by lowering productivity and increasing absenteeism. Unfortunately, unwritten psychological contracts between employees and their employers are usually violated when downsizings or other organizational changes occur. They also negatively affect survivors’ attitudes by reducing organizational commitment, morale, job satisfaction, while increasing turnover intention, cynicism and job stress (Erickson and Roloff, 2007: 37).

Whereas studies have begun to show the effect that increased cynicism can have on some organizational outcomes, few empirical work has focused on the relationship between organizational cynicism and psychological contract violation. Therefore, the goal of this study is to investigate the relationship between organizational cynicism and psychological contract violation for Strategic Human Resource Management in hotel businesses licensed by the Ministry of Culture and Tourism in the Cappadocia Region of Turkey.

LITERATURE REVIEW

Dean et al. (1998) have defined **organizational cynicism** as a negative attitude toward one’s employing organization, comprising three dimensions: (a) a *belief* that the organization lacks integrity; (b) negative *affect* toward the organization; and (c) tendencies to disparaging and critical *behaviors* toward the organization that are consistent with these beliefs and affect. Organizational cynicism is emerging as a result of ineffective leadership, insensitive downsizing and delayering strategies, the loss of faith in the leaders of change, mismanaged change efforts, poor organizational performance, layoffs, bureaucratic structure, distrust of management and its motives in many organizations.

It is a fact that the emotional state of survivors is profoundly affected after layoffs, especially when communication is inadequate and when, until the downsizing actually takes place, the old psychological contract is still believed to be in effect. Survivors are likely to feel increasingly less confident in their ability to manage their own careers and feel great insecurity about their future. When this feeling of helplessness is coupled with pessimism and a bleak vision of the future, a common response is cynicism.

Particularly, **psychological contract violation** is the emotional precursor to the onset of organizational cynicism (Delken, 2004: 1). The psychological contract is defined as an individual’s expectations regarding the obligations that exist between an employee and an organization. When an employee perceives that the organization has failed to meet its obligations, the psychological contract is violated (Andersson, 1996: 1403). Psychological contract violation is a subjective experience, referring to one’s perception that another has failed to fulfill adequately the promised obligations of the psychological contract (Robinson, 1996: 576). Cartwright and Holmes (2006) demonstrate that various factors such as poor communication, lack of alignment between policies and practices, perceptions of managerial incompetence, limited voice in managerial decisions, role ambiguity, and person-role conflict lead to the psychological contract violation.

In the 1980s, the globalization of the economy and the rise of multinational corporations have led to considerable interest in **Strategic Human Resource Management** (SHRM). In fact, SHRM is not a completely new and revolutionary field – rather its roots can be traced back to the mid-1950s. In this respect, SHRM is defined as the pattern of planned human resource developments and activities intended to enable an organization to achieve its goals (Jain, 2005: 167). In other words, SHRM is perceived as the means whereby the strategic goals of the firm are maximized by increasing the more efficient use of its human capital (Williams, 1994: 7).

As pointed out in the beginning of this study, the relationship between the organization and employees has weakened, often resulting in distrust and cynicism towards the organization. This negative attitude can more increase if employees do not receive consistent messages through formal or informal channels (O'Neill and Adya, 2007: 418). Especially callousness, cynicism, hypocrisy and malpractice often spread like a cancer within organizations and these negative attitudes have major influences on the ethical behavior of HR managers in organizations (Van Gramberg and Menzies, 2006: 8).

The relationship between HR managers and their subordinates appeared to be important in relation to the generation of perceptions of fairness (Searle and Ball, 2004: 717). When expectations were positive but currently not being met, the disappointment may begin to breed resentment and loss of respect for 'the management'. Cynicism grows rapidly under this kind of circumstances (Keith, 2006: 8-7). The consequences of cynicism include poor performance, low morale, high absenteeism, and turnover, disillusionment, distrust, and job dissatisfaction and fewer citizenship behaviors.

Employees respond to an environment positively in which there is mutual trust. HR manager should relate positively to trust; therefore a manager's credibility forms a crucial component of trustworthiness. Accordingly, developing an ethical approach is an important way of achieving positive performance. Especially, effective managerial communication and organizational support can lessen some of the negative effects of downsizings (Baker, 1999: 53). However, for cynics, organizational support can be perceived as manipulation rather than behavior undertaken to cultivate an acceptable social exchange relationship (Byrne and Hochwarter, 2008: 58). Thus, HR managers should inspire and motivate employees toward change in an organization and performance beyond expectations. In such a context where the manager is continuously challenging the status quo, the follower should be less cynical about organization change in the future (Avey et al., 2008: 115).

Several studies have examined the relationship between organizational cynicism and psychological contract violation. Mirvis and Kanter (1991) focused on the relationship between cynicism and psychographic profile of the workforce. They suggested that an individual's level of cynicism is determined by a combination of past experience, personality, and current circumstances, but they provided no evidence for the relevance of personality traits. Similarly, Robinson (1996) investigated the relations between employees' trust in their employers and their experiences of psychological contract violation by their employers. The results showed that the relationship between trust and psychological contract violation was strong and multifaceted. Initial trust in one's employer at time of hire was negatively related to psychological contract violation after 18 months on the job. Consistent with previous studies, Cheung and Chiu (2004) examined the process by which the fulfillment of the psychological contract influenced work outcomes through perceived organizational support and leader-member exchanges. The findings suggested that the extent of psychological contract fulfillment was positively related to employee attitudinal (affective commitment and attachment to supervisor) and behavioral outcomes. Both perceived organizational support and leader-member exchanges were found to fully mediate the relationship between perceived contract fulfillment and task performances. Moreover, Chrobot-Mason (2003) examined the psychological contract held by minority employees as it relates to diversity, and the implications of violating the contract on minority employee job satisfaction, commitment to the organization and organizational cynicism. Results supported that organizational cynicism was found to be positively related to perceptions of contract violation. Finally, James (2005) elaborates the antecedents and consequences of cynicism in organizations. Findings indicated that four workplace perceptions (perceptions of organizational politics, organizational justice, psychological contract violations, and perceived organizational support) significantly influenced organizational cynicism.

Kelly and Kelly (1991) identified that the major factors such as lack of real choice, lack of trust, unequal power and shares, lack of genuine institutional support caused cynicism among members in low-status groups. Furthermore, O'Brien et al. (2004) investigated cynicism and disengagement among devalued

employee groups. The results of study have indicated a high level of cynicism among the members in the groups who are in a low status.

Pate and Malone (2000) observed the psychological contract violation in terms of the durability and transferability of employee perceptions. The findings indicated that the relationship between officer cynicism and years of service was slightly stronger. They suggested that a negative experience with one employer led to negative perceptions of employers in terms of trust, loyalty and commitment. Further, the study showed that outcomes as a result of perceived violation were durable. On the other hand, Albrecht (2002) investigated the perceptions of integrity, competence and trust in senior management as determinants of cynicism toward change in two public sector organizations. The results suggested that perceptions of integrity and trust in senior management influenced cynicism toward change. Contrary to expectations, employee perceptions of the competence of senior management did have a direct influence on neither trust nor cynicism toward change. Furthermore, Pugh et al (2003) examined the relationship between an individual's psychological contract violation by a former employer and his or her attitudes toward a new employer. According to the findings, violation was negatively related to trust in the new employer, and positively related to employee cynicism. Lastly, it might also be argued that organizational tenure influences the interpretation of a perceived psychological contract violation.

METHODOLOGY

A questionnaire was structured to gather primary data from middle managers and employees in hotel businesses. Two measures consisted of a 5-point Likert-type scale ranging from (1) 'strongly disagree' to (5) 'strongly agree'. Organizational cynicism was measured with 14 items adapted from Dean, Brandes, and Dharwadkar's (1998) organizational cynicism measure. The items were classified in terms of the three general attitudinal dimensions of negative beliefs, negative affect, and negative behaviors. The 14-items organizational cynicism instrument had reliability (Cronbach's alpha) of 0.954. Usually, a value of 0.70 in the Cronbach's alpha is considered adequate in order to ensure reliability of the internal consistency of a questionnaire (Nunnally, 1978). On the other hand, psychological contract violation was measured with five items developed by Robinson and Morrison's (2000) psychological contract violation measure. The 5-items psychological contract violation instrument had reliability (Cronbach's alpha) of 0.949.

The sampling is from middle managers and employees in hotel businesses licensed by the Tourism Ministry in the Cappadocia Region. Participants work in storey services, front-offices, and food and beverage departments of these hotels. Interviewers were recruited to distribute questionnaires to 250 subjects. In total, 132 employees responded to the survey. Of middle manager and the employees who responded, 114 provided useable questionnaires on all study variables for a response rate of 45.6 per cent. This rate is an acceptable response rate for this kind of study (Lewin et al., 1995; Pierce and Henry, 1996).

The sample consisted of 46 (40.4 percent) females and 68 (59.6 percent) males. The mean age of the respondents was 28.81 years (S.D. = 7.75). 47.4 percent of the respondents married and 52.6 percent was single. In terms of education levels, 15.8% of the respondents had graduated from primary school, 54.4 % from secondary school, 14.0 % from high school, 14.0 % held Bachelor of Science degrees, and 1.8 % had Master's degrees. Furthermore, nearly half of the participants completed the tourism and hotel management training (48.2%).

Respondents held a variety of status in businesses. They included top administrative status (36.0 percent) and employee status (64.0 percent). Respondents' average organization tenure was 5 years in the present hotels. When worked departments are taken into consideration, it is seen that the participants to the survey are more employed in front-offices (37.7 percent), storey services (28.9 percent), and food and beverage departments (33.3 percent) in these hotels.

RESEARCH FINDINGS

Table 1 reports means, standard deviations and correlations among variables. As predicted, psychological contract violation was found to be positively related to organizational cynicism ($r = 0.738$, $p < 0.01$). Moreover, there was also a positively significant relation between job status and organizational cynicism

($r=0.465$, $p<0.01$). On the other hand, organizational tenure, education and age were negatively related to organizational cynicism at the 0.01 level.

-TABLE 1-

Furthermore, hierarchical regression was used to analyze the relationships among variables. The block of control variables (demographic variables) and psychological contract violation were introduced into the model. The variance inflation factors (VIFs) associated with each regression coefficient (ranging from 1.34 to 1.65) was all smaller than the suggested threshold of ten indicating that multi-collinearity is not a problem (Morrow-Howell, 1994). Furthermore, correlations between variables ranged from 0.738 to -0.325 and were significant at a minimum level of 0.01. Given that none of the bivariate correlations was greater than 0.80, we can assume that multi-collinearity is not a problem in data (Grewal et al., 2004).

In step 1, psychological contract violation was entered in the analysis. The results from regression analyses in Table 2 suggest that the overall model was significant ($R^2=0.544$; $F(1-112) = 33.648$; $p<0.001$). That means that 54.4% of the variance in organizational cynicism was significantly explained by the independent variable. The results showed that psychological contract violation made significant effect on organizational cynicism ($\beta= 0.738$; $p<0.05$). In step two, demographic variables were added to the model and after controlling for the demographic variables, psychological contract violation explained additional 4.2 percent of the variance in organizational cynicism.

-TABLE 2-

The Independent t Test and the One-Way ANOVA Analysis have been conducted to determine whether to display the differences of the approaches related to the cynicism case of the employees and the middle managers employing in the hotel businesses in terms of demographic features.

When the results of t test are observed in terms of the employee position, it can be stated there is a significant difference between the managers and non-managers regarding to the cynical behavior [$t_{(112)} = -5,557$; $p= 0,000 < 0,05$]. The results apparently indicate that the managers (Mean=2,10; S.E= 0,49) when compared to non-managers (Mean= 2,98; S.E= 0,91) exhibit less cynical behavior. When taking into consideration the t test results relating to professional education, it has been determined a significant difference between the employees receiving training in tourism and hotel management and employees not receiving training in tourism and hotel management [$t_{(112)} = -5,186$; $p= 0,019 < 0,05$]. It is interesting that the employees receiving training in tourism and hotel management (Mean= 3,01) have shown more cynical behavior compared to the employees not receiving training in tourism and hotel management (Mean= 3,79).

According to the results of ANOVA Analysis, a significant difference relevant to cynicism has been determined between the employees existing in the group of under the age of 25 and the employees who are 30 and above the age of 30 [$F_{(4-109)} = 7,162$; $p= 0,009 < 0,05$]. It can be said that the employees who are 30 and above the age of 30 (Mean= 2,11; Std. Error= 0,59) have shown less cynical behavior when compared to those who are at the age of 21-30 (Mean= 3,02; Std. Error= 0,88). In general, as the employees' age in hotel businesses decreases, it has been established an increase of the cynicism fact.

When the cynical behavior is evaluated in terms of education, it has been observed a significant difference between the employees graduating from the elementary education and those who have vocational high school [$F_{(4-109)} = 2,874$; $p= 0,019 < 0,05$]. The employees at the level of elementary education (Mean= 3,11; Std. Error= 0,85) have shown more cynical behavior than the employees who are educated at the level of vocational high school (Mean= 2,17; Std. Error= 0,82). On the other hand, when the results of the ANOVA analysis of the respondents are observed in terms of their organizational tenure, a significant difference has been established [$F_{(4-105)} = 3,304$; $p= 0,014 < 0,05$] among the employees having the tenure of 2-5 years (Mean= 3,03; Std. Error= 0,84), the employees having the tenure of 6-9 years (Mean= 2,23; Std. Error= 0,83) and those having the tenure of 10 and above 10 years (Mean= 2,16; Std. Error= 0,72). In other words, in this study, as organization tenure (years) increases, it has been observed a decrease of the cynical behavior.

CONCLUSION

Human resources need to be managed strategically for businesses to enjoy sustainable competitive advantage in the global marketplaces. Businesses overrate the employees' commitment to the organization in order to attract, satisfy and motivate well-qualified workforce. In this context, the HR managers endeavour to overcome the organizational cynicism by adopting applications of SHRM practices which cover the components such as the employee commitment, career satisfaction, life satisfaction, and social support. In this respect, the main aim of this study was to investigate the interaction between organizational cynicism and psychological contract violation in terms of strategic human resource management. In line with the cynicism literature, the present study analyzed that psychological contract violation would influence on organizational cynicism. At this juncture, it can be stated that the present findings are partially consistent with previous studies (Andersson, 1996; Chrobot-Mason, 2003 and O'Brien et al. 2004) in identifying effects of psychological contract violation on organizational cynicism. The results indicate that psychological contract violation increase organizational cynicism, which is consistent with the findings of Chrobot-Mason (2003).

When the approaches relating to the cynicism case of the middle managers working and the employees in the hotel businesses are evaluated in terms of demographic features, the results indicate that the managers have shown less cynical behavior than non-managers. This finding is similar to the results of studies conducted by Kelly and Kelly (1991), and O'Brien et al. (2004).

In contrast to previous studies, it has been stated that the employees receiving training in tourism and hotel management have shown more cynical behavior than the employees not receiving training in tourism and hotel management. It can be concluded that this situation reflects the indicator of the people receiving professional education in the sector are not satisfied with the work atmosphere and the indicator of not being created job opportunities considering the qualified workforce. On the other hand, as the employees' age in hotel businesses decreases, it has been determined an increase of the cynicism fact. But, it has been established that the employees at the level of elementary education have shown more cynical behavior than the employees who are educated at the level of vocational high school. Finally, it has been determined that there is a decrease in cynical behavior as organizational tenure increases. This situation indicates that the employees having stable career life incline to the cynical behavior in a lower level. This result resembles the results of the study conducted by Pate and Malone (2000).

The findings of this study need to be interpreted with the following limitations in mind. First limitation is that the results cannot be strictly construed to be representative of all middle managers and employees in hotel businesses around the world due to the highly limited nature of the sample. Therefore, the study needs to be replicated in different industrial settings. Also, because these findings may be subject to cultural and economics factors, there is also a need to replicate the study in cultural and economic contexts that differ from the present one. Second, participants may have been biased to present positive aspects of their businesses.

There are several potential areas for future research. First, the relationships between social-identity functions and cynicism are in need of investigation. Second, it would be interesting to establish the specific reasons of organizational cynicism for different industries or organizations.

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Table 1: Descriptive statistics and intercorrelations among study variables

	Mean	Std. Dev.	1	2	3	4	5	6	7	8	9
1. Cynicism	2,68	0,89									
2. Psychological contract violation	2,71	0,82	0,738**								
3. Gender	1,41	0,49	0,109	0,142							
4. Marital status	1,48	0,50	-0,202*	-0,277**	-0,274**						
5. Age	2,94	1,15	-0,436**	-0,455**	-0,164	0,550**					
6. Education	2,31	0,96	-0,248**	-0,178	0,003	0,030	0,167				
7. Tenure (years)	2,31	0,92	-0,320**	-0,412**	-0,152	0,527**	0,581**	0,066			
8. Professional education	1,51	0,50	0,440**	0,307**	-0,083	-0,192*	-0,244**	-0,470**	-0,203*		
9. Worked Department	1,95	0,84	0,188*	0,045	-0,232*	0,155	0,052	-0,440**	-0,005	0,137	
10. Job Status	1,65	0,47	0,465**	0,520**	0,041	-0,377**	-0,533**	-0,187*	-0,456**	0,303**	0,006

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

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

Table 2: Summary of hierarchical regression results of organizational cynicism

Independent variables entered	St. β	S.E.	R ²	t	Sig.
Step 1 $F(1, 112) = 133.648$					
Psychological contract violation	0.738	0.070	0.544	11.561	0.000
Step 2 $F(6, 101) = 33.701$					
Psychological contract violation	0.672	0.075		9.703	0.000
Gender	0.035	0.121		0.528	0.598
Marital status	0.042	0.133		0.573	0.568
Age	-0.139	0.009		-1.856	0.066
Education	-0.067	0.066		-0.944	0.347
Worked department	0.139	0.077		1.930	0.056

Notes: R²= 0, 544 for step 1; $\Delta R^2= 0.042$ for step 2 ($p < 0.05$)

Dependent variables: Organizational cynicism

THE IMPACT OF PSYCHOLOGICAL CONTRACTS DIMENSIONS ON ORGANIZATIONAL COMMITMENT: A FIELD STUDY OF ACADEMICIANS

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ABSTRACT

The main object of this paper is to examine the impact of psychological contracts dimensions (tangibility, scope and time) on organizational commitment in the foundation universities. The concept of the psychological contract has recently become very popular as a way of examining and exploring a series of mutual expectations and satisfaction of needs arising from the people-organization relationship. According to Herriot, Manning and Kidd (1997;51) a psychological contract refers to the perceptions of mutual obligations to each other held by the two parties in the employment relationship, the organization and the employee. McDonald and Makin (2000;86) note that there are obvious links between the nature of the psychological contract and the individual's commitment to the organization. In this study, it will be used a feature-oriented assessment of psychological contracts. Sels, Janssens and Brande (2004;461-62) defined the feature-oriented assessment as 'to compare the contract to some attribute or dimension, such as the degree to which the contract is implicit/explicit or stable/unstable over time. Sels, Janssens and Brande(2004) identify six dimensions: Tangibility, scope, stability, time frame, exchange symmetry, and contract level. In this study, only three dimensions (tangibility, time frame and scope) will be used for assessing the psychological contracts. Consistent with the definition of psychological contracts, we focus on both employer and employee obligations. The original population of this study consisted of all academicians in the foundation universities in Turkey. It has been reveal no differences of statistical significance between mean scores of demographic factors and both organizational commitment and perceived psychological contracts. The second part of survey the items for perceived psychological contracts and organizational commitment. In participants' psychological contracts, it is revealed that perceived employee obligations are more important than perceived employer obligations. As a result, while organization commitment is not associated with three dimensions of psychological contract regarding employee obligations, organizational commitment is positively associated with more tangible, long term and broad scope contracts regarding employee obligations.

INTRODUCTION

The concept of the psychological contract has recently become very popular as a way of examining and exploring a series of mutual expectations and satisfaction of needs arising from the people-organization relationship.

Rousseau (1989;24) indicate that "When an individual perceives that contributions he or she makes obligate the organization to reciprocity (or vice versa), a psychological contract emerges." According to Herriot, Manning and Kidd (1997;51) a psychological contract refers to the perceptions of mutual obligations to each other held by the two parties in the employment relationship, the organization and the employee. Such perceptions may be the result of formal contracts, or they may be implied by the expectations which each holds of the other and which are communicated in a multitude of subtle or not so subtle ways.

Coyle-Shapiro (2002;927) argues that perceived contract breach results in a sense of discrepancy between what is promised and what is fulfilled. This perceived discrepancy between what is promised and what is fulfilled. This perceived discrepancy leads to unmet expectations, a loss of trust and job dissatisfaction,

which in turn negatively affects employee contributions. Hui, Lee and Rousseau (2004; 312-313) note that with few exceptions, there has been little examination of how different psychological contract forms impact employee attitudes and behavior. Employees' beliefs regarding the psychological contract have been found to predict their responses on the job. In a series of the studies, it is reported that the psychological contract and its fulfillment were related to several employee responses, including in-role and extra-role performance, trust, satisfaction, and intention to remain with the organization.

McDonald and Makin (2000;85) indicate that Rousseau found two distinct sets of employee obligations. These she referred to as relational, and transactional. According to Janssens, Sels and Brande (2003;1351) transactional psychological contracts are characterized by a short-term employment relationship in which the performance requirements or mutual obligations can be unambiguously specified. They are fairly specific and economic in nature. In contrast, relational contracts are characterized by long-term employment relationships in which mutual obligations cannot be unambiguously specified. They are both economic and social/emotional in nature, less clearly specified and to a degree open-ended.

Psychological Contracts and Organizational Commitment

McDonald and Makin (2000;86) note that there are obvious links between the nature of the psychological contract and the individual's commitment to the organization. Those with contracts that are predominantly transactional in nature are unlikely to have high levels of commitment to the organization. Those with relational contracts, on the other hand, may show much higher levels of commitment.

According to Cook and Wall (1980;40) the concept of the organizational commitment refers to a person's affective reactions to characteristics of his employing organization. It is concerned with feelings of attachment to the goals and values of the organization, one's role in relation to this, and attachment to the organization for its own sake rather than for its strictly instrumental value. Cook and Wall (1980;40) note that Buchanan, in a study on the development of organizational commitment, distinguishes three components: Identification (pride in the organization; the internalization of the organization's goals and values), involvement (psychological absorption in the activities of one's role) and loyalty (affection for and attachment to the organization; a sense of belongingness manifesting as 'a wish to stay').

Psychological contracts have three forms of measurement: Content-oriented – examining the specific terms of the contract; feature-oriented – comparing the contract to some attribute or dimension; and evaluation-oriented – assessing the degree of fulfillment, change, or violation. While content-oriented and evaluation-oriented measurements are well-known approaches to understand psychological contracts, feature measures are rather underdeveloped. In this study, it will be used a feature-oriented assessment of psychological contracts.

Sels, Janssens and Brande (2004;461-62) defined the feature-oriented assessment as 'to compare the contract to some attribute or dimension, such as the degree to which the contract is implicit/explicit or stable/unstable over time. Its features are adjectives that characterize summary features of the contract and the ways in which it was conveyed or interpreted.

Following the theoretical frameworks of MacNeil (1985) and Rousseau and McLean Parks (1993), industrial relations studies, and a cross-national study on psychological contracts (Rousseau & Schalk, 2000), Sels, Janssens and Brande(2004) identify six dimensions: Tangibility, scope, stability, time frame, exchange symmetry, and contract level. In this study, only three dimensions (tangibility, time frame and scope) will be used for assessing the psychological contracts. Originating from MacNeil's (1985) contractual continuum, Sels, Janssens and Brande (2004;466-467) indicate that tangibility is defined as the degree to which the employee perceives the terms of the contract as unambiguously defined, explicitly specified and clearly observable for third parties. The dimension of 'scope' refers to the extent to which the boundary between one's employment relationship and other aspects of one's life is seen as permeable distinguishing between contracts with a narrow or broad scope. Time frame as psychological contract dimension refers to the perceived duration of the employment relationship.

Consistent with the definition of psychological contracts, we focus on both employer and employee obligations. Although most researchers tend to agree with the reciprocal nature of psychological contracts, only a few studies (Rousseau, 1990; Robinson et al., 1994; Flood, Turner, Ramamoorthy & Pearson,2001) have assessed the individual's perception regarding the mutual obligations of both parties to the relationship.

METHOD

This study will examine the contribution of the psychological contract framework to understanding organizational commitment using survey data gathered from foundation universities academicians in İstanbul, Turkey. There are some hypotheses below:

Hypothesis 1: Organizational commitment will be positively associated with the scope dimension of psychological contract regarding employee obligations.

Hypothesis 2: Organizational commitment will be positively associated with the scope dimension of psychological contract regarding employer obligations.

Hypothesis 3: Organizational commitment will be positively associated with the time dimension of psychological contract regarding employee obligations.

Hypothesis 4: Organizational commitment will be positively associated with the time dimension of psychological contract regarding employer obligations.

Hypothesis 5: Organizational commitment will be positively associated with the tangibility dimension of psychological contract regarding employee obligations.

Hypothesis 6: Organizational commitment will be positively associated with the tangibility dimension of psychological contract regarding employer obligations.

The original population of this study consisted of all academicians in the foundation universities in Turkey. With new 5 universities there are 30 foundation universities in Turkey. 27 of these were established after 1996 and 18 of these are in İstanbul. There are ten foundation universities operating in İstanbul for ten years at least and 3887 academicians. The data used in this study are gathered from 5 universities. There are 1468 academicians in these universities. For this study, this is an obligation that these academicians is working in the current organization for 1 year at least. Upon evaluating these boundaries it has been sent 500 survey form and only 202 of these have been responded. For this study, 200 survey form have been evaluated.

ANALYSIS AND RESULTS

The first part of survey consists of demographic features such as gender, age, job status, job experience, working time in the current organization. Participants' mean of age is 34.47 year, mean of job experience is 7.15 year and working time in the current organization is 3.38 year. Participants' 51 percent is lecturer or teaching associate, 27 percent is research assistant, 15 percent is assistant professor, 4 percent is associate professor and 3 percent is professor.

It has been reveal no differences of statistical significance between mean scores of demographic factors and both organizational commitment and perceived psychological contracts.

The second part of survey the items for perceived psychological contracts and organizational commitment. Respondents indicated on a 5 point scale. (1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=agree, 5=strongly agree) to what extent they agreed with the item. In both scale it has been anticipated that perceived psychological contracts and organizational commitment of participants will be increased. As mentioned before, psychological contract scale of Jansens, Sels and Brande approached as a feature-oriented and organizational commitment scale of Cook and Wall aimed to see reflection of activated perception are used.

Psychological contracts evaluated regarding both employee obligations and employer obligations. These obligations were also evaluated scope, tangibility and time-frame dimensions of psychological contracts and measured if these obligations have any relationship with organizational commitment.

In this study, mean score of organizational commitment is 3.290. Therefore, it can be said that the academicians worked in these foundation universities haven't got high commitment to their organizations. As the result of three dimensions of perceived employer obligations, the mean score of scope dimension is

4.468, tangibility dimension is 4.408 and time dimension is 3.874. On the other hand, the result of three dimensions of perceived employee obligations the mean score of scope dimension is 3.846, tangibility dimension is 3.552 and time dimension is 2.963.

Scope dimension of employer obligations is not associated with organizational commitment ($r=0.024$ and $p>0,01$) This means that although academicians perceive that employer obligations must be broad scope, this situation doesn't affect the level of organizational commitment. Time and tangibility dimensions of employer obligations are not associated with organizational commitment either. In spite of perceived long term working in the current organization there is no relationship with organizational commitment. ($r=0.063$ and $p>0,01$) In addition, perceptions about tangibility dimension doesn't affect organizational commitment regarding employer obligations. ($r=0.133$ and $p>0,01$) As a result, the dimensions of psychological contract regarding employer obligations is not associated with organizational commitment. Therefore, hypothesis 2, hypothesis 4 and hypothesis 6 are not supported.

On the other hand, organizational commitment is positively associated with scope, tangibility and time dimensions of psychological contract regarding employee obligations. In fact, perceptions of employee related to their obligations are more important than employer obligations regarding organizational commitment. Academicians, in their psychological contracts the more they perceive their obligations broad scope the more they commit their organizations. ($r=0.346$ and $p< 0,01$) When academicians perceive that their employers want them to work long term, their organizational commitment increase. ($r=0.487$ and $p< 0,01$) In addition, academicians who make psychological contract with perceiving that their employers' demand clearly their commitment is affected positively. ($r=0.317$ and $p< 0,01$) Therefore, hypothesis 1, 3 and 5 are supported.

CONCLUSION

In this study, mean score of organizational commitment is 3.290. As mentioned in Turkey's High Education Strategy, (YOK Publication, p.168) the main problem of the foundation universities in Turkey is not being institutional organizations. Although the management staff have experience in public universities, that is founders of these universities see these organizations like a company affect negatively the process of institutionalization. In addition, some foundation universities which have no strong foundation supported them can not pay high income to academicians, increase their duties and reduce supporting academic studies. In participants' psychological contracts, it is revealed that perceived employee obligations are more important than perceived employer obligations.

As a result, while organization commitment is not associated with three dimensions of psychological contract regarding employee obligations, organizational commitment is positively associated with more tangible, long term and broad scope contracts regarding employee obligations. As seen in this study, the academicians' attitude and behaviour about the impact of psychological contracts dimensions on organizational commitment is related to only their perception not to reality.

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“VALUE WHAT YOU DO, DO WHAT YOU VALUE” A CONTENT ANALYSIS OF CORPORATE VALUES OF TURKEY'S TOP 500 INDUSTRIAL ENTERPRISES

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ABSTRACT

Increasingly companies around the world have adopted formal statements of corporate value and managers of today's fast paced and technology driven organizations identify values as a top issue on their companies' agendas. In the past decade, strategic management research has focused on the investigation of the impact of non-market factors on competitive advantage and corporate performance (Husted, Allen, 2007; 345). In contrast to traditional strategic management approaches, social strategy focuses on the relationship of non-value chain related activities, such as corporate philanthropy, corporate values, to the creation of competitive advantage (Hillman, Keim, 2001; 125). Personal and ethical values constitute the basis of corporate strategy formulation, together with the market environment and corporate resources. In fact, all decisions include an element of values. Therefore values are sources of competitive advantage and affects financial performance. This paper focuses on the companies listed in “Turkey's Top 500 Industrial Enterprises” (prepared by the Istanbul Chamber of Industry). The corporate value statements of these companies are then analyzed to determine their components and the differences between the corporate values of the local companies and the companies with foreign investments are investigated in this research.

INTRODUCTION

In the last few years there has been a growing interest generated among managers and organization development professionals on the use of organization values as a tool for driving increased organization performance. It has been indicated in the related literature that the presence of identifiable “corporate values” or “common values” is a characteristic of successful organizations (Collins, Porras, 1994; 20) and the overall consensus seems to be that organization values are an important factor in the successful management of large organizations (Buchko, 2007; 1). As a result organizations started to integrate social aspects into their strategies with the aim of achieving sustainable development. This process originates from the belief that a social strategy or corporate social responsibility which is mainly based on values, provides an increase in social performance and brings with it an improvement in the financial performance of the company, thus forming the central paradigm of the social responsibility (Sanchez, Sotomo, 2007; 335).

The impact of corporate values occurs on various realm of the organization. At a strategic level, the theory indicates that corporate value is created by addressing three basic imperatives such as investing to achieve a return in excess of the cost of capital (Return), growing the business (Growth), managing risk (Risk) (Dowling, 2006; 136). It has been suggested that having shared corporate values by organizations will lead to an increase in these three imperatives. In addition to the impact of corporate values on financial aspects, corporate values have an important influence on organizational behavior including organizational ethics (Grojean et.al., 2004; 31).

Recognizing the importance of values in shaping behaviors, it is not surprising that many management theorists, consultants, and writers have centered on the importance of core organization values as a basis for achieving high performance (Blanchard, 1997; 20).

As it has been mentioned above, the corporate values have become an important issue in strategic management. Therefore the aim of this study is to asses the corporate values of the companies listed in the Turkey's Top 500 Industrial Enterprises (www.iso.org.tr) and to compare the value statements of the local companies and companies with foreign investments. The value statements of these companies have been

investigated via internet which has changed the way companies present themselves. In today's world, virtually all companies have their own website that can be easily found and explored with search engines, and this resource has provided new opportunities for the communication of corporate values (Wenstop, Myrmel, 2006; 673). Therefore the corporate value statements of these 500 companies are firstly investigated in official company websites. The companies which have not manifested their corporate values have been contacted by e-mail and telephone.

DEFINITION OF VALUE

“Organizations do not make decisions - individuals do. Yet Organizations do have values. “As stated by Selznick and Schein, these values take the form of guiding principles and beliefs perceived to exist by organizational members as a whole. Corporate values play an important role in shaping decision making process (Liedtka, 1991; 543). In business the right thing to do in other words making right decisions isn't always clear. But creating a system for managing values is a major step in right direction. In order to manage a value system, the first thing to do is to clarify values and principles. Then these values and principles should be communicated and a system should be designed to support these values. As a next step values should be applied to decisions at all entry level. If necessary values should be finally renewed after investigation (Kirrane, 1990; 54). As Sunderland puts it, "Managing for value is 20% about the numbers and 80% about the people...because people create value." Getting value systems and value based management right demands that everyone in the company be convinced that managing for value is the right thing to do (Haspeslagh et.al., 2001; 68). So as to achieve this aim training the employees play a vital role.

The concept of values as central to organizations and organized societies has a long history in the sociology of organizations. Values have long been considered as the principles that guide societies, institutions, organizations, and individuals (Buchko, 2007; 37). Within the field of organization management, early writers such as Chester Barnard (1939) suggested that shared values were useful in addressing the problem of creating and managing complex organizations. Others have noted the importance of shared values as central in building a strong organization culture (Deal and Kennedy, 1982; Ouchi, 1980 cited in Buchko, 2007; 37) and in the practice of management and leadership in organizations (Blanchard and O'Connor, 1997; Peters and Waterman, 1982 cited in Buchko, 2007; 37).

Values can be defined as “the principles or moral standards of a person or social group; the generally accepted or personally held judgment of what is valuable and important in life” (Shorter Oxford English Dictionary, SOED). We thus can define corporate values to be “those qualities which a company holds to be most important in doing business”. Top priority values for organizations are people, competitiveness, customers, quality and productivity. These values tend to define what drives an organization and the way it does. For instance, if a company values people then it attaches importance to human resource management and develop good internal procedures for career development. This observation indicates that values are closely linked to business ethics. Business ethics may be defined as the “rules of conduct according to which business decisions are made.” If a company has a particular set of values then it should have a set of rules of conduct which reflect its values. Thus when we speak of 'putting values into action' we are in the realm of business ethics. Poor values might imply poor business ethics. For instance, an organization which only had a value of short term profitability' would be under pressure to behave unethically to act consistently with its value (Jones, Pollitt, 1999; 162)

Values also have an important influence on organizational behavior. First of all values are cognitive structures which support the interests of some element of the social environment. Behaviors are motivated by values that provide direction and emotional intensity to action. Additionally values are standards to judge and justify action. And finally values are acquired both through socialization activities and an individual's unique experiences. Regarding these aspects of values it is possible to say that values of the organization, its leaders and its members play an important role in shaping the organization's climate. (Grojean et.al., 2004; 226)

Corporate values can be simply defined as “corporation's institutional standards of behavior” (Kelly et.al, 2005; 20). Within the field of organization management, early writers such as Chester Barnard suggested that shared values were useful in addressing the problem of creating and managing complex organizations (Buchko, 2007; 37). Others have also emphasized the importance of shared values in building a strong organization culture in the practice of management and leadership in organizations (Blanchard, 1997; 20). The perceived corporate values have also become common factors in the personals behavior. It is important to indicate that organizational values consist of Values, Mission, Vision, Policies and Objectives (Filho S.C.,

2007; 38). Just like the mission statements, corporate value statements can be also recognized as marketing tools, because internal stakeholders, managers and other employees need a reference point to explain the purpose and the philosophy of the organization. (Bakoğlu, Aşkun, 2005; 25). For instance a salesperson might take the decision to refund a product without the authorization of his superior due to the communicated and accepted corporate values, which shows that the values form a basis of the firms' culture and become important factors to generate good long term performance.

It is still important to indicate that corporate values and organization culture are not one and the same thing. The values are the beliefs; the culture is the outward representation or manifestation of certain key underlying beliefs. Culture consists of the myths and legends, stories, rites and rituals, symbols, and unique language that defines a social group. As such, the culture reflects the underlying values. Culture demonstrates the values to members of the organization and to outsiders in very visible ways. From a management perspective, core values are seen as the underlying attitudes and beliefs that help determine individual behavior. This view explains why managers attach importance to shared corporate values. Additionally these shared values provide managers with a means of directing the organization in a desired way without having to resort to authoritarianism (Buchko, 2007; 38).

In the organizations values can be either unknown, posted, known or embraced, lived and embedded in daily decisions and practices assessing the degree of values integration in the organization (Rosenthal, Masarech, 2003; 9). As values are vital to organizations success, values should be clarified and infused through every system in the organization so as to fulfill the adopted mission. However organizations often fail to take the advantage of their most important resource – committed staff. So as to have commitment and consensus the state of affairs should be so arranged that the staff's values come into adjustment with the organizations (Smergut, 2005; 22). Therefore if the corporate values really take hold in the organization they need to be integrated in every employee related process, hiring methods, performance management systems, criteria for promotion and rewards and even dismissal policies. From the first interview to the last day of the work employees should be constantly reminded that the core values constantly form the every decision the companies make (Lencioni, 2002; 117).

LITERATURE REVIEW

Since the importance of corporate values has been taken into consideration by managers and management academicians and developing a corporate culture has been accepted as a competitive advantage, there are several prominent researches on the corporate values that has effects on various realm of the organizations. In each research the corporate values have been defined from different perspectives as indicated above and the influence of the corporate values on financial and non-financial factors have been analyzed from various point of views. As the related literature on corporate values has been investigated it has been found out that Simon Webley (1999; 173) has made research on the sources of corporate values. In his research he summarizes the way larger businesses in the UK are reacting to the challenge of determining their corporate values and setting standards for the way they operate. It also examines the external sources of values, what values are most commonly espoused and the necessity of integrating values into corporate activity for them to be truly effective.

Davies et. al (2005; 646) have documented the linear relationship between corporate value and managerial ownership. This has been attributed to the onset of managerial entrenchment, which results in a decrease of corporate value for increasing levels of managerial holdings. They proposed a new structure for this relationship that accounts for the effect of conflicting managerial incentives, and external and internal disciplinary monitoring mechanisms.

Nystrom (1990; 971) has presented the differences in moral values between companies. The research compares the importance of moral values for corporations management as reported by 97 knowledgeable employees in eight corporations.

Filho (2007; 36) has defined the components of organizational values. Kelly et. al (2005; 16) have made a research on deriving value from corporate values. They have emphasized the variation of value practices significantly by regions such as Asian, European and North American companies.

Newcomb (2006; 40) has analyzed the impact of values on organizations from leadership perspective. He concentrated on value driven leadership and choosing the proper course between two conflicting values as one of the hardest decision a leader can make.

Hultman (2005; 34) argued that establishing objective criteria for corporate values is imperative if a healthy and successful future for people and organizations is planned. As criteria he proposed viability, balance, alignment authenticity. Additionally he made suggestions for how leaders can use these criteria to move toward vision.

Rosenthal and Masarech (2003; 9) have concentrated on value driven value driven cultures and how values can drive business results. They have identified the steps for shaping high performance cultures. Additionally they have assessed the degree of value integration in the organization. They have manifested the corporate values as unknown, posted, known, embraced, lived and embedded in daily decisions and practices.

Argenti (2006; 29) has investigated and measured the link between communication and business values. The evolution of communication management at the end of which the value is created has been defined. Sherman and Gurwitz (2005; 29) have made a research on core values and defined four core value categories such as competence, integrity, consistency and customer focus.

Dolan et al. (2003; 23) have emphasized the importance of values in understanding and managing the chaos in organizations. He also made a value classification and its relation to chaos. Wenstop and Myrmel (2006; 674) have structured organizational value statements on corporate websites with a main approach of theoretical development of value categories. It is followed up by an empirical investigation of value statements on corporate web pages to see if the proposed principles are applicable. In this study the value statements of approximately 300 American and Norwegian stock listed companies are investigated and the general finding is that statements concerning value are found in different places, difficult to sort out, and confusing with regard to value categories, mixing such things as ends and means, conduct and consequence. In particular, value statements do not provide a sound basis for strategic decision-making that aims at achieving objectives, with focus on consequence. Thus, typical value statements are not compatible with what is known as value focused thinking in multi-criteria decision-making. The research answered the question how value statements can be organized to communicate better and at the same time provide a basis for strategic decision-making?

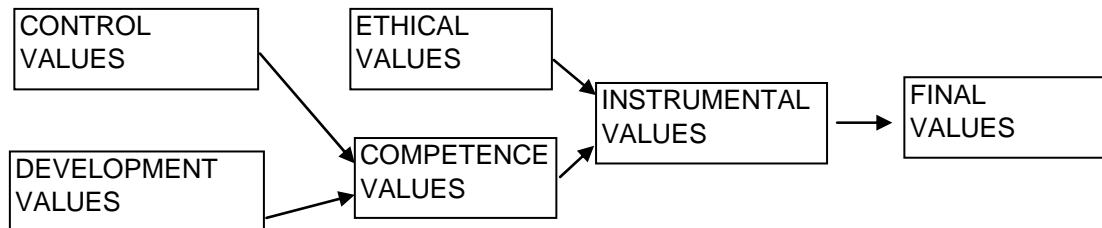
WHY BOTHER WITH CORPORATE VALUES AND VALUE CATEGORIES?

In order to make clear corporate value statements it is necessary to establish criteria for values. It is crucial for the organizations to have corporate values serving the mutual interest of human beings and organizations. In today's world organizations are under intense pressure to increase productivity, efficiency and short term profit at all costs with little regard to other values. It is necessary for the organizations to answer the question whether it is possible to help today's fast paced and technology driven organizations to achieve their goals, while continuing to advocate the humanistic, democratic and developmental corporate values. This is indeed possible, if we can articulate objective criteria that align the energies of individuals, teams and organizations. In the related literature there are several different types of value categorization. For instance Rokeach distinguished between terminal values and instrumental values. Terminal values define the overall goal we want to achieve and have two components. Our purpose and personal mission defines why we exist and our dreams for the future or personal vision defines what we want to be. We have a current self image (who we are now) and an idealized self image (who we want to become). Terminal values inspire us to move toward the latter. Instrumental values are preferred codes of conduct defining how we plan to fulfill our purpose and dreams. These values focus on competence which focuses on abilities and integrity which focuses on character. Competence and character have both a personal and social dimension allowing us to distinguish four sub-needs such as personal competence, social competence, personal character, social character. Terminal values reflect corporate vision and mission while instrumental values are standards for attaining these ends (Hultman, 2005; 34).

In Dolan et al's research values can also be categorized into two main groups; final and instrumental values. This value classification mainly bases on the Rokeach's classification but instead of terminal values, the term "final values" is used. Final values can be explained as existential objectives or the answer to the question what do you or your organization intend to be or to achieve in the future. The answer is embodied in the corporate mission statements can be economic benefits, excellence in products and services, customer or employee satisfaction, personal fulfillment, happiness and so on. To achieve these final values one must define the instrumental ones. Actually it is necessary to clarify the set of instrumental values that will be used to shape the future. Instrumental values can be organized in two groups; ethical and competence values. The ethical values are mainly based on conduct, the means that are justified to achieve the final values. Usually

these are associated with social values such as honesty, integrity, sincerity and loyalty. Competence values are more individualistic and have to do with the personal impression of what is necessary to achieve final values (Dolan et.al., 2003, 32).

Table 1: Value Classification



There is also another value classification according to Friedman. In this classification, there is only one value to be maximized, namely profit. Other values are protected by the rules of society. Thus, Friedman acknowledges implicitly that there are several stakeholders in a firm, but decision makers need only pay attention to one – the preferred stakeholder: the owner, the underlying belief being that the mechanisms of the free market will automatically maximize the welfare of the others (Wenstop, Myrmel, 2006; 675).

In Wenstop and Myrmel’s research, which also investigates the value statements of organizations the below mentioned value classification is taken as basis.

- (1) Created values: These are the values the stakeholders have come together to produce and are the *raison d’être* for the organization. The distribution of such values is subject to trade-off by decision makers or bargaining processes.
- (2) Protected values: These values are not supposed to suffer infringement. Tradeoff against other values is considered unethical, and management protects them through rules, standards and regulations.
- (3) Core values: These values prescribe behavior, and tell the character and attitude of the organization.

RESEARCH DESIGN, METHODOLOGY AND FINDINGS

Objectives of the Research

The main objective of this research is to analyze the corporate values of the companies listed in the “Turkey's Top 500 Industrial Enterprises (ISO 500)” (prepared by the Istanbul Chamber of Industry. Additionally, the corporate values of the local and foreign invested companies in Turkey are compared.

As the literature has been reviewed it has been found out that the existing studies mainly focus on the vision and mission statements of the companies, but not on the corporate value statements. There are some similar studies concerning corporate values of the European and American companies. Therefore this study aims also to fill the lack in this field.

In order to make an analysis and comparison of corporate values it is necessary to group the corporate values. Consequently we have proposed a new categorization of corporate values that is mainly grouped as financial and non financial values which have also sub categories as indicated in Figure.1 as a contribution to the literature.

Limitations of the Study

We have mainly two limitations in this study. Firstly we have only taken the corporate values of the companies into consideration. We haven’t focused on vision or mission statements and we haven’t derived any corporate values from these statements. Secondly we have analyzed only the companies listed in “Turkey's Top 500 Industrial Enterprises” (prepared by the Istanbul Chamber of Industry). This may limit the generalization of the study.

Validity of the Research

To ensure the validity of the research “semantic validity” has been taken into account. Weber (1990) noted “to make valid inferences from the text, it is important that the classification procedure be reliable in the sense of being consistent: different people should code the same text in the same way” (Ross, 2008). “Semantic validity exists when people familiar with the texts examine lists of themes placed in the same category and agrees that these words have similar meanings” (Weber, 1990 cited in Bakoğlu, Aşkun, 2005; 26).

During the content analysis process each researcher and two academicians independently and individually categorized the values manifested by corporate values of the companies, and the independent sorter examined the values, made discussions and the values have been placed under same categories with an agreement on a final categorization.

Sampling Method and Sample Size

The population of this study is composed of the companies listed in Turkey's Top 500 Industrial Enterprises” (prepared by the Istanbul Chamber of Industry). In this research, all companies having partial or wholly foreign investments (140) and 140 randomly chosen companies having none (local), total 280 companies, are considered as samples.

First of all the corporate values of the companies were investigated on the companies’ official websites. The companies that have not manifested their corporate values on their official websites were contacted via e-mail and telephone. We have reached corporate values of 170 companies out of 280 (response rate 60.71%).

Type of the Research

By this exploratory qualitative research and content analysis is chosen as a research method considering the objectives. Content analysis is a necessary tool in the study as purpose of the research is to explore and observe the patterns that may emerge in the corporate value statements of the sampled “Turkey's Top 500 Industrial Enterprises”, by collecting data from their corporate web sites, via e-mail and phone calls. Secondly, the manifested values by the collected corporate value statements need to be systematically categorized in order to make valid presumptions on them.

Content analysis is a “set of methods for analyzing the symbolic content of any [written] communication. The basic idea is to reduce the total content of a communication (Norton, 2008; 433). Since the central idea of content analysis is to classify many words in texts into much fewer content categories; it is the most suitable technique for drawing a model out of rich texts. Content analysis technique requires an objective, systematic and quantitative description of the manifest contents of communication. During the implementation of this evaluation process, a set of procedures must be developed, in order to make valid inferences from the text that is being analyzed (Rivere, Upchurch, 2008; Bakoğlu, Aşkun, 2005; 27).

In order to conduct a thorough content analysis, these rules have been cautiously respected and applied in this research. The objectivity is supplied when the researcher and the independent sorter obtained the same results from the same data. A systematic analysis is obtained when the inclusion or exclusion of categories are done in a consistent manner in order to avoid biases of the researchers.

In the research, human-coded content analyses is done; rather than using predetermined coding sheet, researchers created a coding sheet for the analysis, a new list of items observed in the corporate value statements. Afterwards researchers create broader categories using the list of items.

The content analysis of the research consists of five stages:

- Step.1. Each researcher analyzed the content of the corporate value statements of 170 companies individually. At this stage, corporate value statements components are divided according to theoretical background part of this paper and added to the coding sheet.
- Step.2. The researcher grouped the values into mutually exclusive and exhaustive categories.
- Step.3. An independent sorter, a professor specialized in this area and has previous experience with the content analysis technique, also grouped the values into mutually exclusive and exhaustive categories.

Step.4. The researchers and the independent sorter discussed the reasons behind their classification and agreed on final 2 main categories, their sub-categories and sub-items.

Step.5. One professor, familiar with this subject, of management is asked to be the judge for the analysis.

As a valuable output of the content analysis we have proposed a new categorization of corporate values that is mainly grouped as financial and non financial values which have also sub categories as indicated in Figure.1.

Research Model

In our research we have proposed a new value classification and this newly proposed value classification is mainly based on two categories such as **financial** and **non-financial** values. The **financial values** consist of “productivity”, “cost” minimization, “sustainable growth” and “profitability”. However the **non-financial values** have three sub categories namely “ethics”, “relationship management”, and “innovation and development”. These subcategories are defined with different values. For instance **ethics** consists of the values such as “treating environment with care”, “integrity”, “social responsibility”, “obedience to law”, “responsibility”, “justice” and “transparency”. The subcategory **relationship management** is defined with the values such as “employee”, customer, and “stakeholder” orientation, “trust” and “communication”. However it is necessary to indicate that “employee” orientation is mainly based on “teamwork”, “respect”, “education”, “satisfaction” and “safety”. The third subcategory is named as **innovation and development** which is defined with the values such as “quality”, “innovation”, “continuous development”, “absolutes of excellence”, “openness to change”, “determination and passion”, “entrepreneurship” and “speed” (Figure.1).

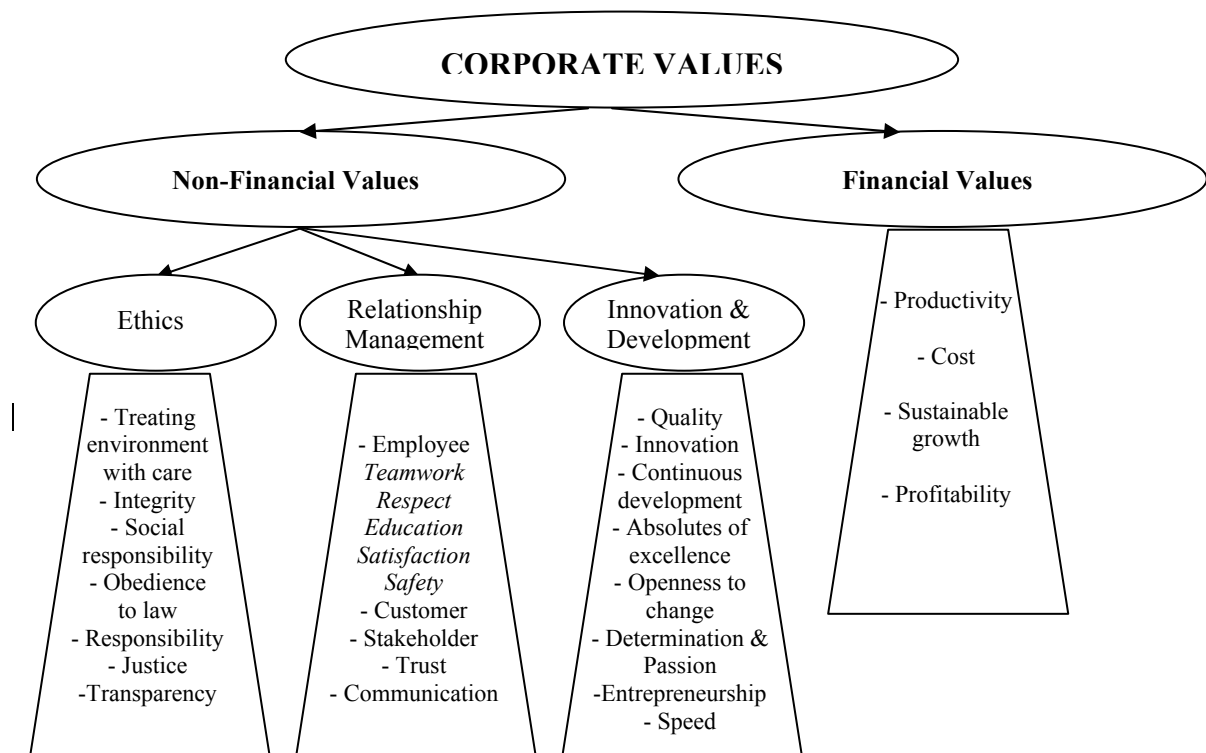


Figure.1. Value Categories

In our research the analysis of the corporate values of the companies listed in “Turkey's Top 500 Industrial Enterprises” is made according to the mentioned value categorization.

The companies were also classified into 5 categories according to their capital share such as local companies with no foreign investment (0%), companies with foreign investment till with a share of 50%, companies with capital share of exactly 50% foreign investment, companies with a capital share of more than 50% foreign investment till 100% and companies with capital share of 100% foreign investment. The corporate values of the companies were analyzed and the differences between the value statements were indicated

according to the categorization of companies with respect to capital share of foreign investment. Subsequently companies were also categorized according to their ranking in the list of “Turkey's Top 500 Industrial Enterprises” (prepared by the Istanbul Chamber of Industry) such as companies ranked in the first 100, 200 300, 400 and 500. The corporate values of 170 companies were also investigated whether there are differences according to their ranking in this mentioned list.

Research Findings

The distributions of the companies regarding their capital share with foreign investment and their ranking in the list of “Turkey's Top 500 Industrial Enterprises (ISO500)” are demonstrated in Table 2.

Table 2: Distribution of companies according to their ratio of foreign investment

Foreign Investment %	ISO500		Sample	
	n	%	N	%
0,00	360	72,00	98	57,65
0,01 – 49,99	44	8,80	24	14,12
50,00	7	1,40	4	2,35
50,01 – 99,99	50	10,00	24	14,12
100,00	39	7,80	20	11,76
Total	500	100,00	170	100,00

In this research our sample consists of 170 companies 98 of which have no foreign investment. Only 4 companies out of this 170 have a share of 50% foreign investment that makes 2.35% in total 500 companies. Out of total 500 companies there are 39 companies with 100% capital share of foreign investment and we have reached and analyzed the corporate values of 20 companies out of these 39 companies.

As it has been demonstrated above our sample of 170 companies are listed according to their ranking in the top 500 list (Table 3).

Table 3: Distribution of companies according to their ranking in the list of “Turkey's Top 500 Industrial Enterprises (ISO500)”

Rank	n	%
1-100	44	25,88
101-200	31	18,24
201-300	31	18,24
301-400	32	18,82
401-500	32	18,82
Total	170	100,00

With respect to categorization of ranking, 44 companies out of 170 are located within the first 100 companies. In each ranking category approximately 30 companies are located in the list.

Corporations were investigated with respect to the number of manifested corporate values. Companies having the most are listed in Table 4. Siemens is at the top of the list with 17 manifested corporate values, followed by Areva T&D and Shell&Turcas with 15 values.

Table 4: Companies with the highest number of corporate values

		Values	ISO 500	Foreign Invest. %
1	SIEMENS SANAYİ VE TİCARET A.Ş.	17	72	99,79
2	AREVA T&D ENERJİ ENDÜSTRİSİ A.Ş.	15	91	99,90
	SHELL&TURCAS PETROL A.Ş.	15	358	70,00
4	BOSCH SANAYİ VE TİCARET A.Ş.	14	30	100,00
	AYTAÇ GIDA YATIRIM SAN. VE TİC. A.Ş.	14	229	8,00
	ALTINAPA DEĞİRMENCİLİK TİC. VE SAN. A.Ş.	14	452	0,00
	PHİLSA PHİLİP MORRİS SABANCI SİGARA VE			
7	TÜTÜNCÜLÜK SAN. VE TİC. A.Ş.	13	26	75,00
	ENERJİSA ENERJİ ÜRETİM A.Ş.	13	142	0,00
	SANDOZ İLAÇ SANAYİ VE TİC. A.Ş.	13	233	99,00
10	BOSCH SANAYİ VE TİCARET A.Ş.	12	30	100,00
	KORTEKS MENSUCAT SANAYİ VE TİCARET A.Ş.	12	50	0,00
	OLMUKSA INTERNATIONAL PAPER-SABANCI	12	187	43,73
	DOĞU ÇAY İŞLETMESİ SAN. VE TİC. A.Ş.	12	325	0,00
	HİSAR ÇELİK DÖKÜM SAN. VE TİC. A.Ş.	12	473	0,00
	BOSCH FREN SİSTEMLERİ SAN. VE TİC. A.Ş.	12	487	84,50

The frequencies of the corporate values by the companies' value statements have been indicated in Table 5. According to this analysis the most iterated value statement in the value category of **ethics** is "treating the environment with care (77)". The least iterated corporate value in this value category is "transparency (22)". Likewise "quality (89)" is the at most manifested corporate value in the value category of **innovation and development**". In this value category only 12 companies have considered "speed" as a corporate value. In the value category of **relationship management** "employee orientation (146)" is the most manifested corporate value. However "teamwork (86)" which is the sub-corporate value category of **employee orientation** is the most dominant corporate value among companies. Additionally among **financial values** "productivity (34)" is the most common corporate value.

Table 5: Frequencies of the corporate values manifested by the enterprises

	n	%		n	%
Ethics	143	0,84	Innovation and Development	155	0,91
Treating environment with care	77	0,45	Quality	89	0,52
Integrity	65	0,38	Innovation	81	0,48
Social responsibility	50	0,29	Continuous development	53	0,31
Obedience to law	32	0,19	Absolutes of excellence	33	0,19
Responsibility	30	0,18	Openness to change	16	0,09
Justice	24	0,14	Determination & Passion	15	0,09
Transparency	22	0,13	Entrepreneurship	14	0,08
			Speed	12	0,07
Total	300		Total	313	
Relationship Management	164	0,96	Financial Values	71	0,42
Employee	146*	0,86	Productivity	34	0,20
Customer	113	0,66	Cost	28	0,16
Stakeholder	50	0,29	Sustainable growth	24	0,14
Trust	25	0,15	Profitability	23	0,14
Communication	16	0,09			
Total	350		Total	109	

Table 5: Frequencies of the corporate values manifested by the enterprises (cont.)

Employee	146*	0,86
Teamwork	86	0,51
Respect	65	0,38
Education	48	0,28
Satisfaction	45	0,26
Safety	30	0,18
Total	274	

Frequencies of the companies due to the number of the manifested corporate values for each corporate value category on our model are given in the following cross table (Table 6).

99 among 170 companies mentioned no statements for **financial** values, where 41 companies manifested only 1 value, followed by 23 companies with 2 values.

By **non-financial** corporate values categories only 1 company declared 4 values, 52 companies manifested 1, 49 companies 2, 24 companies 3, 12 companies 4, and 6 companies 5 corporate values by the **ethics** corporate value category, where 27 companies manifested none. By the **innovation & development** category 15 companies stated no values, where 50 companies manifested 1, 69 companies 2, 26 companies 3, 6 companies 4, 2 companies 5, and 1 company 6 corporate values. Finally, 41 companies manifested 1, 72 companies 2, 39 companies 3, and 12 companies 4 corporate values by the **relationship management** category, where 6 companies manifested none.

Table 6: “Corporate value categories– number of manifested corporate values” frequencies of the companies cross table

	Mean	Std.Dev.	none		1		2		3		4		5		6		7	
			n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%
Financial Values	0,64	0,89	99	58,24	41	24,12	23	13,53	6	3,53	1	0,59	-	-	-	-	-	-
Non-Financial Val.																		
Ethics	1,76	1,28	27	15,88	52	30,59	49	28,82	24	14,12	12	7,06	6	3,53	-	-	-	-
Innovation & Dev.	1,84	1,13	15	9,04	50	30,12	69	41,57	26	15,66	6	3,61	2	1,20	1	0,60	1	0,60
Relationship Mng.	2,06	0,95	6	3,53	41	24,12	72	42,35	39	22,94	12	7,06	-	-	-	-	-	-
Employee	1,61	1,09	24	14,12	59	34,71	52	30,59	29	17,06	6	3,53	-	-	-	-	-	-

To discover the possible differences among corporate value categories mean and standard deviation of the corporate financial and non-financial value categories due to ranking in the Top 500 Enterprises list are determined (Table 7).

Table 7: Mean and standard deviation of the corporate value categories due to ISO 500 ranking

	Non-Financial Values													
			Ethics		Relationship Management		Employee		Innovation & Development		Financial Values		VALUES	
	n	%	Mean	Std.D.	Mean	Std.D.	Mean	Std.D.	Mean	Std.D.	Mean	Std.D.	Mean	Std.D.
1-100	44	25,88	1,91	1,33	2,02	0,85	1,75	1,10	2,00	1,45	0,82	1,08	7,61	3,04
101-200	31	18,24	1,74	1,24	1,97	0,87	1,68	0,98	1,84	1,13	0,58	0,76	6,87	2,51
201-300	31	18,24	1,97	1,43	1,90	1,11	1,35	1,08	1,84	1,19	0,52	0,72	6,87	2,42
301-400	32	18,82	1,41	0,95	2,03	0,90	1,69	1,03	1,69	0,78	0,56	0,91	6,50	2,11
401-500	32	18,82	1,75	1,39	2,38	1,01	1,53	0,98	1,78	0,87	0,66	0,83	7,22	2,68
Total	170	100,00	1,76	1,28	2,06	0,95	1,61	1,04	1,84	1,13	0,64	0,89	7,06	2,61

The companies having the highest mean in the value category of **ethics** (1,97) are in 201-300 rank. For the value category of **relationship management** companies in 400-500 rank have the highest mean value (2,38). For the remaining value categories companies in 1-100 rank have the highest mean values; **employee** (1,75), **innovation and development** (2,00), **financial** (0,82) and over all values (7,61).

To discover the possible differences among corporate values categories mean and standard deviation of the corporate financial and non-financial value categories of the companies in the Top 500 Enterprises list are determined due to their foreign investment ratio (Table 8). The companies having the highest mean in the value category of **employee** (1,56) have exactly 50% foreign investment. For the remaining value categories companies having more than 50% and less than 100% foreign investment have the highest mean values; **ethics** (2,38), relationship management (2,25), **innovation and development** (2,38), **financial** (1,04) and over all values (9,00).

Table 8: Mean and standard deviation of the corporate value categories due to foreign investment ratio

	Non-Financial Values										Financial Values		VALUES	
			Ethics		Relationship Management		Employee		Innovation & Development		Mean	Std.D.	Mean	Std.D.
	n	%	Mean	Std.D.	Mean	Std.D.	Mean	Std.D.	Mean	Std.D.				
0,00	98	57,65	1,60	1,30	1,99	0,91	1,56	1,06	1,65	0,92	0,48	0,80	6,45	2,25
0,01 – 49,99	24	14,12	1,71	1,08	2,08	0,93	1,38	1,01	1,96	1,12	0,79	0,78	7,08	2,55
50,00	4	2,35	1,75	0,50	2,00	0,82	2,00	0,82	2,25	1,71	0,50	0,58	7,50	2,38
50,01 – 99,99	24	14,12	2,38	1,35	2,25	1,11	1,83	1,09	2,38	1,53	1,04	1,16	9,00	3,18
100,00	20	11,76	1,90	1,29	2,15	0,99	1,80	0,95	1,90	1,25	0,80	0,95	7,60	2,56
Total	170	100,00	1,76	1,28	2,06	0,95	1,61	1,04	1,84	1,13	0,64	0,89	7,06	2,61

RESULTS AND DISCUSSIONS

According to the results of the research we have found out that the companies with foreign investments, especially by the companies between 50,01 – 99,99 % foreign investment ratio, have manifested more corporate values compared to local companies on average. Further researches need to explore and discuss the reasons of these.

The corporate values that are mostly accepted by the companies have been also explored in this research. The mostly manifested corporate values are employee orientation (85,88%), customer orientation (66,47%), quality (52,35%) and teamwork (50,58%),

Corporate values manifested by the companies corporate values statements are mainly concentrated on non-financial values sub-categories; relationship management (96,47%), innovation & development (91,18%) and ethics (84,12%) rather than financial values category (41,74%).

The main contribution of this study to academic literature is the proposal of a new corporate value categorization. Although there are some value classifications in literature we have proposed a new classification based on financial and non financial aspects of the corporate values.

As indicated in the literature review the companies were investigated according to their vision and mission statements and in our research we have focused only on the corporate values of the companies. For the further research it is necessary to investigate the corporate values of the companies that are listed in “Turkey's the second 500 Industrial Enterprises” list and the content of this research can be extended with the mission and vision statement of these companies.

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***STRATEGIC
HOSPITALITY AND
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THE MIDDLE AND SENIOR MANAGERS' TENDENCIES TO DEVELOPING INNOVATION IN HOTEL FIRMS: AN EMPIRICAL RESEARCH

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ABSTRACT

Applying a new service development is an important matter for the hotel industry. However, developing innovations in service firms is much harder than one in manufacturing firms because the service concept consists of an intangible characteristic and also the producing and consuming occur simultaneously in service firms. In other words, it is very difficult to develop and implement service innovation in the hotel firms because of their own specific characteristics. On the other hand, customers' needs and expectations are changing in the hospitality industry more and more. In this respect hotels have to develop new services appropriate for customers' expectations in today's progressive conditions.

The purpose of this study is to try to determine the middle and top-level managers' tendencies towards developing innovation in hotel firms. The technique of questionnaire has been used as a method in this research. The questionnaire has been applied to the city and resort hotels in Balikesir region. In the research the factor analysis, t-test and variance analysis have been made as well as the descriptive statistics. According to the findings of the research, it has been determined that the managers' tendencies towards innovation have appeared differently depending on the sizes of hotels, the location of hotel (city or resort) and some demographic features of hotel managers.

Keywords: *Innovation, Service industries, Hospitality services, Hotel firms.*

THE CONCEPT OF INNOVATION

A General Perspective

Business environment is not seen as constant and predictable any longer as a result of economic globalization, market maturity, technological change, the need to respond to the customers' increasing demands and fiercer competition. In another meaning, predicting is more difficult in the new competitive environment and it makes business management more complex (Espino-Rodriguez, Pardon-Robaina, 2004). Therefore, new ways of managing organizational performances have to be discovered by companies. In this process, innovation has been accepted as a means of helping to the firms and increasing the competition power.

There have been different definitions of innovation proposed in previous years (e.g. Sundbo, Fuglsang, 2002; Van Riel, 2005; Terziovski, 2004; Guile, Quinn, 1988). But, we meet mostly the same definition as the development and application of 'some new things'. Schumpeter was the first person to improve a theory of innovation. He makes definition of innovation as 'new ways of doing things, or (as) better, unique combinations of the factors of production' (Ottenbacher, Gnoth, 2005).

Innovation is simply defined as ‘the process which consists of using the information related to creating the new and useful products and offering them to the market’ (İrmiş, Akça, 2003). In other words, from the points of technology, products, services, methods and policies, innovation expresses a creative process consisting of changes that are made to meet successfully any kinds of pressures, threats, desires and possibilities originated from inner and outer environments (Sarıkaya, 2002).

On the other hand, the concepts of invention and innovation are sometimes confusing each other and are stated to have the same meaning (Başer, 2002). However, these two concepts consist of different meanings from each other. Invention means that a product is created scientifically and technically for the first time. But, most of the inventions cannot get innovation. Nevertheless, innovation includes the product to be offered for sale commercially. In other words, a firm can make innovation by commercializing an invention created by others before. It could be possible to explain the difference between invention and innovation with a simple example in the following (Oğuztürk, 2003):

‘On the contrary it is guessed, Isaac Singer was not the person who invented the sewing machine and consequently who gave it his name. It was invented in 1846 by Elias Howe, an inventor from Boston. However, Howe could not get his invention to innovation and so he could neither give his name to his machine nor earn billions of dollars from it. Singer managed to do it, so his name was begun to be used as sewing machine’.

As a result, small and incremental changes are mostly needed for innovation in services, and to imitate them is easier (Jong, Vermeulen, 2003). Innovation improves the organizational performance strategically and makes the organization more competitive (Montes et al., 2005). In other words, innovation is also important for competition in addition that the organizations produce the proper goods and services for the market and customers. Among five factors which Porter (1992) determined to get a competitive superiority and keep it on, he emphasized on the importance of innovation in the following (Porter, 1992):

‘The competitive superiority, fundamentally, originates from development, making innovation, and variation. For most firms, the challenge is to increase their skills of developing and making innovation’.

The innovation is explained in detail by being defined in several ways. One of the simple ones: innovation is a creativeness which is applicable to a better and useful result (such as a product, service, thought or behaviour). There have been many dimensions of innovation. Some of them are presented in table 1 (Bakkalbaş, 2003):

TABLE 1. DIMENSIONS OF INNOVATIONS

Type of innovations	Mean
Product or service innovation	This innovation generally comes from a technologic invention, and replies a client’s necessity or creates a new satisfaction factor. (Colored televisions after the black and whites ones)
Production process innovation	This type of innovation generally comes from a changing on the management rapprochement. (Re-engineering, benchmarking)
Purpose innovation	This innovation means to create a new purpose for an old product/service or technology.
Market innovation	Market innovation is the changing concerns the market sourced from the population changes, purpose innovations.

Source: Adapted from Bakkalcıbaşı, 2003, p. 60.

Montes et al. (2005) defined the innovations in the introduction of new ideas, products, services, systems, policies, programs and processes earlier than other firms in the environment. In other words Ottenbacher, Gnoth (2005) defined them in an idea, practice, process or product. However, in this study, innovations have been defined mostly in new products and services in hospitality firms. Also, this study has focused service innovations in hotel enterprises.

Hotel Perspective

The rivalry in the hotel industry is getting more and more intense because of the globalization process occurring over the past few decades (Sin et al., 2005). Brown and McDonnell suggest that hotel organizations must make progresses in both their present services and their activities and processes as well as developing and introducing new ones if they want to be successful. It can be provided only by this continual process of progresses and innovations that companies can develop (Brown, McDonnell, 1995).

The ability of satisfying customers' demands in an efficient and effective way enables a hotel firm to survive for a long-term in such an increasingly competitive environment (Sin et al., 2005). Sigala (2005) also suggests that this ability enables a hotel to have performance and competitiveness (Sigala, 2005). Su (2004) also states that customer satisfaction is one of the biggest contemporary challenges of the managements in hospitality industries. It has also been a key factor for competitive distinction and customer retention (Su, 2004). A systematic approach is essential for the understanding of customer requirements with the aim of new effective products and services (Bennett, O'Kane, 2006). Therefore, it is obligatory for hotel managers to develop service innovations focused on customer expectations. The innovation would clearly help managers to improve the performance by identifying the specific expectations of customers.

The literature on the effects of new services is still not adequate in spite of the researches revealing that innovation was a key method of getting and keeping competitive advantage (Pittaway, 2001). Recent researches have usually been related to manufacturing. It was partly caused by the lack of innovation statistics in services. Besides, tracing the impact of service innovations is harder than manufacturing because of its intangible and simultaneous nature. Innovations in services change the state of customers in a typical manner (Jong, Vermeulen, 2003). However, the accomplishment of service innovation could contribute to a market and this market is an ideal example for hospitality firms, such as hotels. Firstly, according to a customer, the hospitality market is constantly covered by many similar and exchangeable service offerings. This can mean the difficulties for hotel managers because they individually try to develop different characteristics from their rivals in the hotel. For this difficulty, it should be offered new and innovative features to customers. Secondly, there have been rapid changes in the hospitality industry caused by current progresses in information technology. In an active environment, managers will need to make some strict changes especially on customer preferences, quality and technological connections in order to keep competition. Thirdly, today's travellers' behaviours do not exhibit a complete loyalty just as in past decades. Instead of that, they prefer the hotels which do not force their budgets but offer the best suggestion. From that point, hotel managers and marketers must meet the guests' expectations with their services by determining which ones are preferred by the guests in order to increase the value of hospitality (Victorino et al., 2005).

In spite of the challenges stated in above, hotel firms must develop new products/services and produce new ideas in order not to lose their existing customers and to gain new ones. In this frame, the hotels in different type and size have been developing new service understandings. For example, Cruz (1998) states that the holiday packets prepared for the tourists, who prefer resort hotels, consist of the features for the people who like adventure, rather than "a drink by the pool" or "tennis courses" unlike in the past. In this frame, the Hilton Hawaiian Village firm made a big change on its physical structure. They built an artificial lake, which inhabits more than twenty thousand species of fish, artificial waterfalls, routes for walking and undersea caves in the hotel. This firm provided an important evidence that today's resorts would remain standing with not only the views to watch but also interactive activities (Cruz, 1998). Daytona Beach Hilton, Florida, also chose a different way to develop a new service. Randy Newby, the firm manager, created an interesting packet related to his personal hobby which was to drive dodgem cars. In a weekend packet of the hotel, visitors are given the opportunity to be a crew in the dodgem cars of New Symrna track near the hotel. If the hotel manager comes the first or second in the race, the visitor contesting as a crew in the cabin will get his/her money back or get a prize of one free-night accommodation (Cruz, 1998).

In the hospitality industry, the understanding of new product/service developing does not include only these limits. For example, the Four Seasons Hotels, Istanbul, personal possessions of constant customers (pillow, bathrobe, dresses, ... etc.) are kept in the hotel and they are prepared in the customer's room before he/she comes to the hotel (Seçer, 2003). The Ritz-Carlton Hotels, Istanbul, go beyond this. All personal information about a visitor is saved on database in detail and some arrangements are done when he/she comes again. For example, a guest can see his/her daughter's or son's photo at the head of the bed on his/her arriving room (Güngör, 2003). The system of "Guest History" has been used in Hyatt Regency, Istanbul, to

realize new service understanding. This system includes saving on the computer how many times a guest stayed in the hotel, how much he/she spent, in which room he/she last stayed, and what materials he/she used during visiting. Because of this system, the same room, which the guests stayed before, can be given for preferences and also special materials are put into the room of disabled guests such as an orthopaedic pillow to the room of a guest having a physical problem on his/her neck. Even before the guests arrive in this firm, their perfume, cigarette, newspaper are prepared in their room by considering their personal preferences (Savaş, 2003). The above samples are supported by a research made by Bowen and Shoemaker (1998). In this research, ‘to create proper services using the information acquired from previous visits (57,7%)’ and ‘to carry out preferences of guests’ particular rooms (44,7%)’ determine to represent an important percentage to develop customer loyalty (Hançer, 2003). Doubtless, these samples require that the hospitality firms estimate the guests’ expectations and prepare for what they really want. It could be said that this situation depends on the capability of management’s new product and service developing.

However, the service expected from a hotel could change depending on market segments. It could be different for distinct market segment. Also, expectations could change for the same market segment (e.g. business travelers) as the time is passing. Table-2 indicates the findings of the research on Intercontinental Hotels and Resorts. For this purpose, hotels are expected to determine what the customers want and what their expectations will be in the future.

TABLE 2. IMPORTANT FACTORS WHEN CHOOSING A HOTEL FOR BUSINESS

Ranking TODAY	Factors
1	Quiet room
2	Spotlessly clean/hygienic
3	Control over temperature/humidity
4	High safety standarts
5	Safe location
6	Highly efficient messaging service
7	Availability of “no smoking” rooms
8	Location near the city center
9	Inclusive hotel package
10	Rapid turnaround cleaning
IN THE FUTURE	
1	High-tech business/communications facilities
2	Safe location
3	Availability of “no smoking” rooms
4	High safety standarts
5	Highly efficient messaging service
6	Spotlessly clean/hygienic
7	Quiet room
8	Ability to earn airline mileage
9	Control over temperature/humidity
10	Environmentally friendly room

Search: Inter-Continental Hotels and Resort (1998), adapted from: Fache, 2000, p. 358.

Nevertheless, these samples are not sufficient to describe innovations in hotels. There are also other studies revealing the relationship between technology and performance in hotel firms (Guan et al., 2006; OConnor, Murphy, 2004; Chung, Law, 2003; Piccoli et al., 2001). Arnall et al. (2001) suggest that introducing a new technology is not merely sufficient to support a better performance without organizational innovation (Mazzanti et al., 2006). Furthermore, Ham et al. (2005) state that the main purpose of information technology in the lodging industry is to improve performance while information studies have an important role in conducting successful lodging operations (Ham et al., 2005). It is well known that technological innovations are beneficial. However, it is not clearly known on which technological innovations should be implemented by managers. The implementation of technological innovations is not only a desire by customers but also is an economical benefit for the firm (Victorino et al., 2005). Compared to other sectors, the structural features of hospitality firms (especially their labour-dense feature) cause a difficulty in adopting information technology to these firms. However, in recent years there have been many samples of technological innovations in hotel firms. These following examples can be given for technological innovations in hotel firms:

“The Ritz-Carlton Chicago was trying to maintain its leadership in offering technological services. High-speed internet access is available in all guest rooms, and all suites also have printers. When staying in guest rooms without printers, guest may still obtain hard copies of their documents by using a program called Please Print Me. This program, which is available through the internet connection, allows a guest’s documents to be sent to the printer in the hotel’s business center, and then a staff member delivers the print out to the guest’s room by hand” (Enz Siguaw, 2003).

Internet is commonly one of the technological innovations in hotel firms. The guest used to reserve hotel room by phone, letter or facsimile to agents or hotels in the past. This kind of reservation is time consuming, indirect and inefficient. By the way of internet, the guest can reserve hotel rooms directly at any time, anywhere with a quick confirmation. Nowadays the demand for hotel e-business has severely increased; thus, many hotels began to utilize their websites to develop their services and products. They eventually obtain a new online market (Chung, Law, 2003). Hospitality operators can communicate directly with customers because of the internet. All kinds of business get the opportunity to enjoy competitive advantage on their rivals due to widespread connection of internet (Piccoli et al., 2001).

The other most beneficial technological innovations can be arranged like this: a wake up system, electronic door locks, in-room pay-per-view, video cassette players, multiple phone lines, video library, personal computers, voice mail, computer modem connections, video check out, electronic in-room safes and a software library (Victorino et al., 2005).

Furthermore, especially the international chain hotels have a system of club membership in order to create a loyal customer group to their firm. This practice is evaluated as one of the innovations and creativeness used in a different service providing to customers. Some of these practices can be summarized in the following (Hotel Journey, 1996):

The Best Western International, one of the biggest chain hotels in the world, owns a loyal customer club called as ‘Gold Crown’. The members of this club, because of this membership, are offered a free newspaper delivery service and have a right of checking out their room at a late hour as well as being a privileged customer.

The Hilton Hotels also provide a service of ‘Fidelity Card’ membership. The guarantee for room is given in the reservations made in 24 hours to the customers who stayed at five nights. The other advantages of the card are aperitifs, iron service, shoe-polishing service and free newspaper/magazine delivery service.

Besides, the membership of ‘Six Continent Club’ from the Intercontinental Chain Hotels provides its members the priority in reservation, improving in room category (e.g. the possibility to stay in a suit-room instead of a standard-room) and flexible hours for check-in and check-out. Also the membership of ‘Sheraton Club’ from the Sheraton Hotel Series gives its member a particular point for per staying in the hotel. The number of points is increased according to the hotel’s and room’s categories and the possibilities of improving in room category, staying in the hotel free of charge, and leaving the room at a late hour are provided for the members according to the level of their points.

METHODOLOGY

The Importance and Purpose of the Research

In the process of today's globalization, the development of new product/service has been one of the biggest challenges in hotel firms. The firms in hotel industry must meet some opportunities and threats because of the increasing rivalry in this industry and changing environmental conditions. In such an environment, customers' satisfaction and rivalry superiority depend on the products and innovations in services offered by the hotel firms.

The purpose of this study is to try to determine the middle and senior hotel managers' tendencies to developing innovations. Propositions are aimed to develop in the framework of the findings from this research.

Methodology and Developing the Research Scale

The technique of questionnaire was used as a collecting data method in the study. The questionnaire had two main parts. The first included questions about determining some demographic properties of the hotels managers, who responded the questionnaire, main purpose of the firms in developing new product/service and what means in hotel industry utilized by the firms on their following innovations. The second included 10 propositions about determining the level of middle and senior managers' agreeing for developing innovations in hotel firms. In the study, it was mostly utilized from Alpkan et al.'s study to arrange a scale for developing innovation (Alpkan et. al., 2005).

The questionnaire was applied to the middle and senior managers of 2 five-star hotels, 5 four-star hotels, 9 three-star hotels, 7 two-star, 3 one-star hotels and 1 holiday village in Balikesir center and its towns on April, 2008. At the end of application, 27 usable questionnaires were reached. The techniques of ANOVA and factor analyse were applied in the analyses as well as descriptive statistics.

The Assessment of Research Findings

The middle and senior managers of 27 firms were participated in this study. 33,3% of participating firms are 3-star and 25,9% are 2-star hotel firms. At the point of ownership of the firms, 81,5% of the firms are 'independent', 18,5% are 'chain' firms were determined. For the questions about determining the firms' activity period, it was concluded that most of the firms (88,9%) were 'full-year' period (Table 3).

TABLE 3. SOME CHARACTERISTICS OF THE FIRMS OF PARTICIPATING MANAGERS (N: 27)

	frequency (N)	Percentage (%)
Hotel category		
5-star hotel	2	7,4
4-star hotel	5	18,5
3-star hotel	9	33,3
2-star hotel	7	25,9
1-star hotel	3	11,1
Holiday Village	1	3,7
Hotel type		
Independent	22	81,5
Chain	5	18,5
Hotel working period		
Seasonal	3	11,1
Full-year	24	88,9

For the duties of participating managers in their firms, it was concluded that 40,7% of them are department manager, 33,3% deputy manager and 22,2% general manager. For the working period of participating managers, more than half of them (55,6) have been working in this sector for over 10 years. For the working

period of current duties of managers, the answer of “between 1 and 5 years” had highest percentage (55,6%) (Table 4).

The responses to determine some demographic characteristics of participating managers indicated that (Table 4):

- Most of the managers graduated from high schools (48,1%) and universities (44,4%).
- The managers were between ages of “35-44” (37%), “25-34” (33,3%) and “45-55” (29,6%).
- 92,6 percent of participating managers were male.

TABLE 4. SOME CHARACTERISTICS OF PARTICIPANTS (N: 27)

	frequency (N)	percentage (%)
Management rank		
General Manager	6	22,2
Deputy Manager	9	33,3
Department Manager	11	40,7
Others	1	3,7
Working period in sector		
1-5 years	4	14,8
6-10 years	8	29,6
More than 10 years	15	55,6
Working period in current duty		
1-5 years	15	55,6
6-10 years	8	29,6
More than 10 years	4	14,8
Education		
Secondary	1	3,7
High school	13	48,1
University	12	44,4
Master/doctorate	1	3,7
Age		
25-34	9	33,3
35-44	10	37,0
45-55	8	29,6
Gender		
Female	2	7,4
Male	25	92,6

According to the responses of participating managers, it was concluded that the main purpose of firms in developing new product/service was “Obtaining Customer Satisfaction and Loyalty” (55,6%). The second percentage (29,6%) was determined in “Increasing Profitability” (Table 5).

TABLE 5. MAIN PURPOSES OF FIRMS IN DEVELOPING NEW PRODUCT/SERVICE (N: 27)

Variance	frequency (N)	percentage (%)
Main Purpose in Developing New Product/Service		
Obtaining Customer Satisfaction and Loyalty	15	55,6
Getting Rivalry Superiority	2	7,4
Increasing profitability	8	29,6
Following Current Progresses in Sector	2	7,4

It was also concluded that 92,6% of participating managers utilized from “the Means of Visual and Printed Press”, 44,4% of them utilized by “Participating to Tourism Fairs” to follow the innovations in hotel industry (Table 6).

TABLE 6. THE MEANS UTILIZED BY THE FIRMS TO FOLLOW THE INNOVATIONS IN HOTEL INDUSTRY

Variance	frequency (N)	percentage (%)
The Means Utilized by the Firms to Follow the Innovations in Hotel Industry		
By Participating in Tourism Fairs	12	44,4
By Utilizing the Visual and Printed Press	25	92,6
By Being Supported by Professional Firms	3	11,1
Others	-	-

Arithmetic Mean and Standard Deviation Values Belonging to the Scale of Innovation Developing in Firm

Arithmetic mean and standard deviation values occur in the following table about the middle and senior participating managers' assessments related to "developing innovation in the firm".

TABLE 7. ARITHMETIC MEAN VE STANDARD DEVIATION VALUES RELATED TO DEVELOPING INNOVATION ASSESSED BY THE MIDDLE AND SENIOR PARTICIPATING MANAGERS

(10 item)	Arithmetic Mean	Standard Deviation
1. In current rivalry environment, the main requirement to remain standing in the hotel industry is to develop new product/service.	3,18	1,68
2. Our firm constantly look for new ways in the process of running businesses.	3,07	1,51
3. It is really difficult for hotel firms to develop innovations.	2,62	1,33
4. Sufficient expenditure is made in our firm to develop new product/service.	4,25	,44
5. The senior executives in our firm play an active role in efforts of developing new product/service/process.	4,44	,64
6. Our firm is the leader in the sector on developing new product/service.	2,92	1,38
7. All employees in our firm always struggle to develop new ideas.	4,14	,81
8. The senior executives encourage the efforts of developing new product/service/process and support them with financial and moral awards.	3,92	1,03
9. Our firm always try to invest in the latest technologies.	3,62	1,21
10. The employees' opinions and suggestions are often applied in the process of developing new product/service in our firm.	4,00	,96

As presented in Table 7, the average of respondents' agreeing to the propositions subjected to determine the middle and senior managers' general opinions about developing innovation in the firm is between 2,62 and 4,44. The general average of the scale is 3,61 and standard deviation is 1,09. Based on the general average of the scale, nearly four-point on a five-point Likert type scale was rated the propositions about innovation developing by the participating managers. This result revealed that the middle and senior managers working in hotel firms tended to respond as "I agree" to the statement of innovation developing.

Factor Analysis

TABLE 8. THE FINDINGS OF FACTOR ANALYSIS ON THE SCALE OF INNOVATION DEVELOPING IN HOTEL FIRMS

	Load	Variance %	Mean	Standard Deviation	Reliability	p-value
(9 item)		40,558	3,61	1,09	.81,68	.0000
The Senior Executives in our firm encourage efforts of developing new product and support them with financial and moral awards.	,816					
It is really difficult for hotel firms to develop innovations.	,785					
The employees' opinions and suggestions are often applied in the process of developing new product/service in our firm.	,771					
In current rivalry environment, the main requirement to remain standing in the hotel industry is to develop new product/service.	,741					
Our firm is the leader in the sector on developing new product/service.	,688					
Our firm always try to invest in the latest technologies.	,593					
Our firm constantly look for new ways in the process of running businesses.	,567					
All employees in our firm always struggle to develop new ideas.	,548					
Sufficient expenditure is made in our firm to develop new product/service.	,425					

Analysis of principal components. Explained total variable: 40,558%. Kaiser-Meyer-Olkin measure of sampling adequacy: 0,606 ; Bartlett test of sphericity: 191,746, $p < 0,001$; general average: 3,61; Alpha for whole-scale: 81,68; Options for responses: 1: I strongly disagree, 2: I disagree, 3: somewhat agree/disagree, 4: I agree, 5: I strongly agree.

As presented in Table 8, in the result of factor analysis, only one statement of 10 statements placed in the scale were rated below ,4 and this statement was removed from the scale. It was noted that the other 9 statements were rated higher than ,4 . This case revealed that the findings of factor analysis related to "innovation developing in hotel firms" were in acceptable limitations. Based on these findings, the factor load values of the 9 item were changeable between ,425 and ,816. This finding revealed that the scale consisted of highly interrelated items and evaluated the structure defined in the factor of innovation developing. Total variable supplied by the factor is 40,558%. Alpha value revealed as reliability coefficient is 81,68. It can be noted that this scale is an effective and reliable data collecting means when these findings are evaluated together.

Analysis of Variance (ANOVA)

In the research, a one-way analysis of variance (ANOVA) test was used to determine whether the participation levels of the middle and senior managers in the scale of innovation developing indicate differences according to their ages, education, management ranks and working periods in tourism sector. The results are in the following:

TABLE 9. ANALYSIS OF VARIANCE RELATING TO THE RELATIONSHIP BETWEEN THE MIDDLE AND SENIOR MANAGERS' AGES AND THEIR PARTICIPATION LEVELS IN INNOVATION DEVELOPING SCALE.

	Sum of Squares	df	Mean Square	F	Sig. (p)
Between Groups	81,211	2	40,606	,784	,468
Within Groups	1243,456	24	51,811		
Total	1324,667	26			

p<0,05

As presented in the table 9, no significant differences in p<0,05 level were found between the middle and senior managers' ages and their tendencies to innovation developing in the firm. Accordingly, the practices on innovation developing do not indicate any differences according to the managers' ages.

TABLE 10. ANALYSIS OF VARIANCE RELATING TO THE RELATIONSHIP BETWEEN THE MIDDLE AND SENIOR MANAGERS' EDUCATION AND THEIR PARTICIPATION LEVELS IN INNOVATION DEVELOPING SCALE.

	Sum of Squares	df	Mean Square	F	Sig. (p)
Between Groups	292,897	3	97,632	2,176	,118
Within Groups	1031,769	23	44,860		
Total	1324,667	26			

p<0,05

As presented in the table 10, no significant differences in p<0,05 level were also found between the middle and senior managers' education and their tendencies to innovation developing in the firm. Accordingly, the practices on innovation developing do not indicate any differences according to the managers' education.

TABLE 11. ANALYSIS OF VARIANCE RELATING TO THE RELATIONSHIP BETWEEN THE MIDDLE AND SENIOR MANAGERS' MANAGEMENT RANKS AND THEIR PARTICIPATION LEVELS IN INNOVATION DEVELOPING SCALE.

	Sum of Squares	df	Mean Square	F	Sig. (p)
Between Groups	659,530	3	219,843	7,602	,001*
Within Groups	665,136	23	28,919		
Total	1324,667	26			

• p<0,05
•

As presented in the table 11, a significant difference in p<0,05 level was found between the middle and senior managers' management ranks in the firm and their participation level in innovation developing scale in the firms (F=7,602, p=0,001). Related to the scale, a Scheffe comparison test was used to determine for this occurring difference took place in what management rank of the middle and senior managers. This difference being between "General Manager Deputy" and "Department Managers" as management rank was in favour of Department Managers. Accordingly, the managers' tendencies to innovation developing in the firm indicate differences according to the management rank.

TABLE 12. ANALYSIS OF VARIANCE RELATING TO THE RELATIONSHIP BETWEEN THE MIDDLE AND SENIOR MANAGERS' WORKING PERIODS IN TOURISM AND THEIR PARTICIPATION LEVELS IN INNOVATION DEVELOPING SCALE.

	Sum of Squares	df	Mean Square	F	Sig. (p)
Between Groups	338,683	2	169,342	4,122	,029
Within Groups	985,983	24	41,083		
Total	1324,667	26			

* p<0,05

As presented in the table 12, a significant difference in p<0,05 level was found between the middle and senior managers' working periods in tourism and their participation level in innovation developing scale in the firms (F=4,122, p=0,029). Related to the scale, a Scheffe comparison test was used to determine for this occurring difference took place how long they work in tourism. This difference being between "6-10 years" and "1-5 years" as the managers' working period in tourism was in favour of the managers who have worked for 6-10 years. Accordingly, the longer period managers work the more positive opinions for innovation developing in the firms they have.

CONCLUSION AND RECOMMENDATIONS

In today's world, developing innovation has played an important role in increasing the rivalry power of firms. Innovation is generally accepted as a significant means of meeting customer's wishes and changing environmental conditions. The firms, which serve in a dynamic environment filled with ambiguities, can utilize from advantages of developing innovation in keeping with the changes.

In a particular environment, which customer's wishes are getting changeable and their expectations from hotel firms differentiate, the main necessity to increase the rivalry power is to create new, different products/services and ideas and also to get an ability of practising them efficiently. Consequently the firm managers should have an ability of following the changes occurred in hotel industry and in customer expectations.

This study has sought to determine the tendencies of middle and senior managers of the hotel firms serving in Balikesir region to innovation developing. Based on the research findings, it was revealed that the hotel managers' main purpose was to "obtain a customer loyalty" and "to enhance profitability". On the other hand, the managers were expressed to follow the innovations in hotel industry from visual and printed press. The other findings of the research can be summarized in the following:

- The middle and senior managers of the firms rated the four-point level (I agree) in a five-point Likert scale relating to innovation developing.
- In the factor analysis, the scale was gathered in unique factor as expected. The factor load value of 9 item in 10 propositions to the managers was revealed over ,4. Alpha value as reliability coefficient was ranked in ,81,68.
- In variance analysis, no significant difference was found between the managers' demographic characteristics such as age and education and their opinions relating to the scale of innovation developing. However, some significant differences were found between the managers' management ranks , working periods in tourism sector and their opinions relating to the scale of innovation developing. These differences being between general manager deputy and department managers were in favour of department managers. The difference being between 6-10 years and 1-5 years as their working periods in tourism was in favour of 6-10 years.

Primarily senior executives, then all organizational staffs should make a collective effort to develop innovations. All employees in the firm should be encouraged to develop new product/service and thus supported an appropriate environment to enhance their creativity. This encouragement should be supported with financial and moral awards.

This study was limited for only the firms in Balikesir region. We were not able to pass this limitation within present possibilities. Future studies can specifically investigate also the firms in other regions of Turkey.

Finally, it can be noted that the capability of hotel firms for developing innovation has an important effect on customer satisfaction and therefore on general performance of the firm. A successful hotel manager should acquire his/her continual customers' admiration and should be in favour of innovation to gain new customers.

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AN APPLICATION CONCERNING EVALUATION OF MIDDLE LEVEL MANAGERS' PERFORMANCE IN FIVE STARS HOTELS IN ANTALYA

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ABSTRACT

The main aim of this study is to reveal the current situation in the hotels under consideration, within the framework of strategic decisions of the enterprise, concerning the middle managers' educational and developmental needs, improvement of their current performance, revision of their performance history, evaluation of their prospective potentials and promotion status, contribution to their career planning process, identification of performance goals and adjustment of payment regulations. These strategic decisions require an in-depth analysis of possible incidents in the competitive environment. Because these strategic decisions are intended so as to realize the goals of the enterprise, it is necessary that the extent to which the employees are able to meet these goals be evaluated.

In the study, firstly, a description of performance concept is given and then the obtained results, which are related to strategic decision making, are statistically evaluated. According to these evaluations, the KMO value of the performance evaluation scale is 0,941, the result of the Bartlett test is 9271,311 and is significant by 0,00 ($p < 0,05$). No significant relationship between the performance of the middle managers and their gender and marital status has been found. It has been found that the relation of the performance of middle managers to age is 0,00, to educational status is 0,014 and to income status is 0,004 (0,05). Moreover, no significant relation has been found between the middle managers' performance, and the time period they have worked in the sector and the department they work in; however, the relation between the performance of middle managers and the duration they have been working for the enterprise has been found to be significant by 0,00 (0,05).

INTRODUCTION

According to Akal (1992;1), the performance of an enterprise refers to the output obtained as a result of a certain period or the target that has been achieved. This result should be considered as the degree to which the goals or tasks of the enterprise have been met. Performance evaluation, on the other hand, comprises all the studies concerning the scientific and systematical observation of employees in terms of personality, success at work and potential for development and concerning the identification of the results through concrete and objective indicators.

According to Timur (1983;3), performance is an attempt to come to a conclusion about the employees' performance degree at work. In this sense, it provides means for an over all systematic measurement of studies and abilities of employees according to a given scale and a revelation and recognition of their future development potentials.

Hellriegel (2002; 360), stated that performance evaluation activities are planned so as to assess the work-related behaviors and features of the employees. Since the focus is mainly on finding about whether the performance of the employees will improve in the future and how they can be more productive, one of the fundamental responsibilities of administrators is to evaluate the performance of employees.

Can et al.(2001;171) suggested that the evaluation process possess certain qualities in order to adequately benefit from the outcomes and to obtain efficient outcomes as a result of performance evaluation activities. Performance evaluation activities are required to be fair, promoting improvement, motivating, appropriate, valid, reliable, detailed, continuous and to allow employee participation at its fullest.

Mescon et al. (1988;628) stated that performance evaluation serves for three main aims: administrative functions, informational functions and motivational functions. Administrative functions include promotion, de-promotion, transfer and redundancy. When the performance evaluation is intended for informational functions, it should provide information about the performance level of the employee. When applied accurately, it will ensure that the employee will not only be informed about the acceptability of his performance but also about his/her weaknesses and strengths in terms of his/her performance, which will motivate them to increase their performance. Motivational factors, on the other hand, have a great role in motivating the employee. A high-performance-based behavior is supposed to lead to the same behavior in the future.

The application of performance evaluation activities, which contributes to enterprises to act in accordance with global conditions and which paves the way for the performance improvement of employees, is also indispensable for hotel enterprises which try to develop in tourism sector. To establish a regular performance evaluation process in an enterprise improves the activities of the enterprise and results in a more efficient use of resources. As performance evaluation is a prerequisite for development, it is crucial that both employers and employees benefit from the evaluation process. In order for the middle managers working in hotel enterprises to fulfill their tasks effectively, they should be fully equipped with the necessary financial and human resources. All these factors together serve to improve the performances of managers and the enterprise, helping the enterprise to move forward in the increasing competitive conditions.

Strategic Decision Making

According to Dinçer (2004;19), strategy refers to activities that would provide a balance between the internal resources and abilities of an enterprise and external opportunities and threats. Strategy is a combination of targets and tasks defining the kind of work that the enterprise undertakes or would like to undertake and the kind of enterprise they are now or would like to be and the necessary methods to realize these targets and tasks.

Eren (2005;5) suggested that analytically, strategic management should be analyzed in three parts: 1- To make decisions and plans that will define the long-term success of the organization (strategic planning), 2- To apply processes concerning the organization, program, budget and activities in order to put the strategy into effect, 3- To continuously check whether the results suggested through aims and missions for the success are achieved and to take precautions for improvement. It is especially crucial in the second phase that strategic plans be related to the marketing, production, financing, and human resources of the application plans and programs be balanced.

According to Thompson (2002; 90), generally strategic decision-making suggests a target definition, providing answers to questions such as “What are the principles or fundamentals of our job?” and “What final goal do we try to achieve?”. Although the manager has little effect on the strategic decision, it is necessary that he/she know what the strategic plan is and transfer this knowledge to his/her employees.

Şimşek (2002; 283) stated that the most significant and identifying quality of the strategic decision-making process is the length of time suggested in the decision and the fact that it considers the enterprise as a whole. Strategic decision-making starts with an analysis of the environmental factors and goes on with the analysis of external factors that are likely to affect the enterprise. Both analyses aim at identifying the future opportunities and the difficulties that the enterprise can come across. Considering all these aspects and factors, the long-term goals of the enterprise are defined.

Identification of the goals of the enterprise is an important phase of strategic decision-making. Once the goals are clearly defined, it is necessary that the necessary activities that will pave the way for the desired goals to be identified and the available resources be distributed and used optimally so as to reach the desired goals. Eren (2005;35)

Among the available resources are human resources. It is necessary that the staff are employed, directed and inspected in accordance with the goals because only if the resources are controlled, will the process of hiring, training and directing the staff be considered important. One of these control processes is the performance evaluation activities, conducted at certain intervals.

Uyargil (1994;5) stated that in some enterprises the general goals defined by senior managers constitute a formal performance evaluation system to be conveyed to managers and astlar that would contribute to the realization of these goals. After the strategic decision-making process is over, the general aim is distributed among every organizational unit singly and these units define and realize these goals by arranging the necessary task distribution and by contributing to the strategic decision-making process in accordance with their goals. As a result of this, the strategic decisions of the organization turn out to be individual decisions and they are attempted to be met in accordance with general goals. In addition, when the performance evaluation system, including objective and mathematical values, is applied to the whole enterprise, it ensures that the strategic decisions are conducted in accordance with the structure and activities of the enterprise.

Dinçer (2004; 158) explained that one of the intra-organizational superiorities in the application of strategic decisions is a strong and qualified managerial staff and employees. It is necessary that the performance of this staff be inspected at certain periods, that the possible deficiencies be prevented and the necessary measurements be taken. Otherwise, low work performance, as one of intra-organizational weakness factor, will negatively contribute to the strategic decisions and applications.

This study is conducted within the scope of middle managers working in 5-star hotel enterprises which are of similar qualities in terms of organizational structure, organizational schema and size. Griffin (2002; 14) stated that the most important task of middle managers is to put the decisions and plans developed by senior mangers into effect, and to control and coordinate the activities of junior managers. In recent years, several enterprises have restricted the authorities of middle managers so as to lower the costs and to eliminate red tape. Middle managers are of special status in terms of acting as a bridge between senior and junior managers and applying the strategies developed by their seniors.

THE AIM OF THE STUDY

The aim of this study is to find about the performances of middle managers in 5-star hotel enterprises. The study has evaluated the performance of middle managers working in 5-star hotel enterprises settled in Antalya.

THE POPULATION AND SAMPLING OF THE STUDY

The scope of this study is limited to a total of 1356 middle managers working in 5-star hotel enterprises in Antalya, which is one of the significant tourism centers in Turkey. The sampling unit of the study, which has been calculated based on Yamane (2001), has been found to be 299 and analyzable questionnaires have been obtained from 312 middle managers.

The reliability level of the study has been found to be Cronbach Alpha 0,97 as a result of reliability analysis of the employed performance evaluation scale.

HYPOTHESIS

H1: There is a relationship between the performances and genders of middle managers.

H2: There is a relationship between the performances and marital status of middle managers.

H3: There is a relationship between the performances and ages of middle managers.

H4: There is a relationship between the performances and educational status of middle managers.

H5: There is a relationship between the performances and income levels of middle managers.

H6: There is a relationship between the performances of middle managers and the length of time they work for the sector.

H7: There is a relationship between the performances of middle managers and the length of time they work for the enterprise they are currently working for.

H8: There is a relationship between the performances of middle managers and the department they work in.

Exhibits And Appendices

EXIHIBIT 1 FACTOR ANALYSIS (KMO AND BARTLETT'S TEST)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			,941
Bartlett's Test of Sphericity	Approx. Chi-Square	9271,311	
	df	496	
	Sig.		,000

EXIHIBIT 2 PERFORMANCE EVALUATION FACTOR LOADINGS

Statements	Factor Loadings
1 My performance is effective in terms of the tolerance I have towards employees.	.542
2 My performance is effective in terms of the improvement of my organizational skills.	.584
3 My performance is effective in terms of positive influence on the employees.	.772
4 It is effective in terms of my capacity to develop new ideas for the success of the enterprise.	.736
5 It is adequate in that I conduct planning activities efficiently.	.650
6 It is effective in terms of the development of my skills in management.	.589
7 It is effective in terms of the development of my problem solving skills.	.684
8 It is effective in terms of providing adaptation to the environment and to the conditions of the enterprise.	.711
9 It is effective in that I can realize changes in advance.	.678
10 It is effective in that I can produce brand new ideas.	.588
11 It is effective in that I can easily adapt to new studies.	.483
12 It is effective in that I can clearly express my opinions.	.606
13 It is effective in that I listen to other people.	.595
14 It is effective in that I can get information about the activities and work done in other departments.	.755
15 It is effective in that I take the opinions of employees into consideration.	.619
16 It is effective in that it provides the development of cooperation between employees.	.413
17 It is effective in that I encourage and orient team members for success.	.722
18 It is effective in that it develops my skills to take initiatives and work independently. .	.438
19 It is effective in that it contributes to obtaining successful outcomes from the activities and work.	.574
20 It is effective in terms of my ability to follow up the activities and matters.	.687
21 It is effective in terms of evaluating the outcomes of the activities in the enterprise.	.588
22 It is effective in terms of my using the devolution of authority.	.529
23 My performance is effective in terms of the tolerance I have towards employees.	.587

When the load values of the items in Exhibit 2 analyzed, it can be seen that these values are higher than 0,45. This result is an indicator of the fact that the scale is valid and reliable. The scale employed in the study is composed of 23 items and a factor analysis has been conducted using these items.

EXIHIBIT 3
THE RELATION BETWEEN MIDDLE-LEVEL MANAGERS
AND GENDER AND MARITAL STATUS

GENDER		Frequency	Percent	Mean	Std. Deviation	t	Sig.
Female		82	26,3	3,9194	,87276		
Male		230	73,7	4,1146	,82098	-1,817	,070
Total		312	100,0				
Marital Status		Frequency	Percent	Mean	Std. Deviation	t	Sig.
Married		256	82,1	4,1063	,85356		
Single		56	17,9	3,8665	,73756	1,949	,052
Total		312	100,0				

The distribution of the performances of participant middle managers according to gender is given in Exhibit 3. According to this, 26,3% of the participant middle managers is female and 73,7% is male. The study has attempted to find out whether there is a statistical relationship between the performance and gender of the middle managers and the result of the T-test has turned out to be not significant at 0,05 significance level.

The distribution of the performances of participant middle managers according to marital status is given in Exhibit 3. According to this, 82,1% of the participants is married and 17,9% is single. The study has attempted to find out whether there is a statistical relationship between the performance and marital status of the middle managers and the result of the T-test has turned out to be not significant at 0,05 significance level.

EXIHIBIT 4
THE RELATION BETWEEN PERFORMANCES OF MIDDLE LEVEL
MANAGERS AGE, EDUCATION AND INCOME LEVEL

Age	Frequency	Percent	Mean	Std. Deviation	F	Sig.
25 and below	16	5,1	3,9402	,75438		
26-35	108	34,6	3,7464	,82852		
36-45	152	48,7	4,2431	,78781	9,326	,000
46 and above	36	11,5	4,3092	,83598		
Total	312	100,0	4,0633	,83790		
Education Level	Frequency	Percent	Mean	Std. Deviation	F	Sig.
Primary	16	5,1	4,7283	,21739		
High School	114	36,5	4,0915	,86268		
Pre Bachelor's	84	26,9	4,0383	,91630	3,182	,014
Bachelor	88	28,2	3,9348	,76370		
Graduate	10	3,2	4,0174	,70083		
Total	312	100,0	4,0633	,83790		
Income	Frequency	Percent	Mean	Std. Deviation	F	Sig.
Between 500-1500	86	27,6	4,0475	,79986		
Between 1501-2500	178	57,1	4,1744	,84862		
Between 2501-3500	36	11,5	3,6884	,77488	4,571	,004
Between 3501 and above	12	3,8	3,6522	,74941		
Total	312	100,0	4,0633	,83790		

The distribution of the performances of participant middle managers according to age is given in Exhibit 4. According to this, 5,1% of the participants is 25 and younger, 34,6% is between 26 and 35, 48,7% is between 36 and 46 and 11,5% is 46 and older. The study has attempted to find out whether there is a statistical relationship between the performance and ages of the middle managers and the result of the ANOVA test has turned out to be significant at 0,05 significance level. This suggests that the middle managers which are in 46 and older age group has a higher level of performance.

The distribution of the performances of participant middle managers according to educational status is given in Exhibit 4. According to this, 5,1% of the participants is primary school graduates, 36,5% is high school graduates, 26,9 % of the participants holds a two-year degree, 28,2% a bachelor's degree and 3,2%

holds a master's degree. The study has attempted to find out whether there is a statistical relationship between the performance and educational status of the middle managers and the result of the ANOVA test has turned out to be significant at 0,05 significance level. This suggests that the performance of the middle managers in the primary school graduates group is higher.

The distribution of the performances of participant middle managers according to financial status is given in Exhibit 4. According to this, the percentages according to income-level groups are as follows: 27,6% of the participants is in 500-1500YTL income-level group, 57,1% is 1501-2500 YTL, 11,5% is 2501-3500 YTL and 3,8% is 3501 YTL. The study has attempted to find out whether there is a statistical relationship between the performance and financial status of the middle managers and the result of the ANOVA test has turned out to be significant at 0,05 significance level. This suggests that the performance of the middle managers in 2501-3500 income-level group is higher.

EXIHIBIT 5
THE RELATIONSHIP BETWEEN THE MIDDLE MANAGERS' PERFORMANCE AND THE LENGTH OF EMPLOYEMENT TIME IN THE SECTOR AND THE LENGTH OF EMPLOYEMENT TIME IN THE CURRENT ENTERPRISE AND THE DEPARTMENT THEY ARE WORKING IN

Duration of employment in the sector	Frequency	Percent	Mean	Std. Deviation	F	Sig.
2 and/or less	14	4,5	4,1615	,62738	1,697	,150
3-5 years	26	8,3	3,8227	,82411		
6-8 years	72	23,1	4,2089	,79173		
9-11 years	84	26,9	4,1335	,75496		
12 years and above	116	37,2	3,9640	,93117		
Total	312	100,0	4,0633	,83790		
Duration of present employment	Frequency	Percent	Mean	Std. Deviation	F	Sig.
2 and/or less	98	31,4	3,6708	,84961	9,973	,000
3-5 years	92	29,5	4,2439	,67137		
6-8 years	70	22,4	4,3640	,82820		
9-11 years	32	10,3	4,1685	,83199		
12 years and above	20	6,4	3,9348	,84030		
Total	312	100,0	4,0633	,83790		
Department	Frequency	Percent	Mean	Std. Deviation	F	Sig.
Front Office	34	10,9	4,1228	,76037	1,732	,066
Housekeeping	36	11,5	4,2633	,78447		
Accounting	34	10,9	4,1330	,77192		
Laundry	28	9,0	4,0932	,85950		
Security	32	10,3	4,2310	,70119		
Food	32	10,3	4,1386	,75180		
Personnel	34	10,9	3,7775	1,03840		
Technical	28	9,0	4,1429	,89628		
Sales	20	6,4	4,0174	1,06204		
Public relations	4	1,3	3,6522	,35143		
Procurement	4	1,3	4,5435	,52715		
Others	26	8,3	3,5987	,70454		
Total	312	100,0	4,0633	,83790		

The distribution of the performances of participant middle managers according to the length of time they work in the sector is given in Exhibit 5. According to this, 4,5% of the participants have been working in the sector for 2 and/or less years, 8,3% for 3-5 years, 23,1% for 6-8 years, 26,9% for 9-11 years, and 37,2% for 12 and more years. The study has attempted to find out whether there is a statistical relationship between the performance and the length of time they work in the sector and the result of the ANOVA test has turned out to be not significant at 0,05 significance level.

The distribution of the performances of participant middle managers according to the length of time they work for the current enterprise is given in Exhibit 5. According to this, 31,4% of the participants have been working for the enterprise for 2 or less years, 29,5% for 3-5 years, 22,4% for 6-8 years, 10,3% for 9-11

years and 6,4% for 12 and more years. The study has attempted to find out whether there is a statistical relationship between the performance and the length of time middle managers work for the current enterprise and the result of the ANOVA test has turned out to be significant at 0,05 significance level. This suggests that middle managers who have been working for the enterprise for 6-8 years have a higher level of performance.

The distribution of the performances of participant middle managers according to the department they work in is given in Exhibit 5. According to this, 10,9% of the participants work in the Front Office, 11,5% in Floor Services, 10,9% in Accountancy, 9,0% in Laundry, 10,3% in Security, 10,3% in Food and Drinks (Catering), 10,9% in Personnel, 9,0% in Technical Affairs, 6,4% in Sales, 1,3% in Public Relations, 1,3% in Purchasing and 8,3% in other (Information) departments. The study has attempted to find out whether there is a statistical relationship between the performance and the department they work in and the result of the ANOVA test has turned out to be not significant at 0,05 significance level.

CONCLUSION

Once the strategies have been identified and developed, they are required to be organized so as to be applied. The strategies are applied with the contribution of middle managers and the application depends of the performances of middle managers. Particularly, acquiring a high level of performance for managers and administrators is both the most difficult and most significant phase of strategic management. Acquiring a high level of performance depends on various factors and of all the factors, personal discipline, commitment, sacrifice, motivation and organizational culture are the significant ones.

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TOURISM AS A STRATEGIC MANAGEMENT TOOL IN HOSPITALITY: A CASE FROM 4&5 STAR HOTELS IN IZMIR REGION

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ABSTRACT

E-tourism is used as is a term used to describe applications of Information Technology (IT), or Information and Communications Technology (ICT), in travel, tourism and hospitality industry. The data shows that its development had been at an increasing speed and the potential of growth is still very high. For countries like Turkey which are named “developing countries” tourism is top-priority issue for its economic prosperity and welfare generation potential. In order to attract more tourists and foreign investments, e-tourism represents a great value for its low setup costs and ability to reach an audience worldwide. Main objective of the study is to determine the role of electronic commerce in the field of hospitality, namely accommodation, as a strategic management tool, why and how it is applied. Study will consist of two parts, first part being literature review highlighting the usage of e-tourism as a strategic management tool where as the second part will consist of qualitative research – interview method covering the 4 and 5 star hotels in Izmir and the neighbor regions. The key objective of this research has been to examine the e-tourism applications in hospitality industry, as a sector that is highly adapting e-trade as a strategic management and marketing tool. In particular the research examines the level of information technology diffusion in hospitality organizations, namely 4 and 5 star hotels in Izmir. The reason for 4 and 5 star selection is because they are the hotels which are more open to adapt new technology as a strategic management tool. Results indicate that Izmir hotels are very open to e-tourism and many of them have high increase rates in registration. Also, it appears that there is a great potential for further e-tourism applications in hospitality in strategic manners.

INTRODUCTION

E-trade, process of payment, insurance, sale, promotion, production and distribution of goods and services via computer networks (DTM, 2008), is becoming more popular and effective in hospitality industry as in many other industries and is changing the traditional marketing and sales techniques used and deliver different user benefits to customers and sales people. But as in strategic implementation of every technological advance, it brings itself the disadvantages as well as advantages, though the establishments that cannot adapt could not constitute their lives in the industry. Online travel sales increased by 24% from 2006 to 2007 and reached EUR 49.4 billion in the European market in 2007 - or 19.4% of the market (up from EUR 39.7 bn. or 16% in 2006). The direct sellers accounted for 65% of online sales in the European market in 2007, intermediaries 35%. In 2007 the breakdown of the market by type of service was as follows: Air travel 57%; Hotels (and other accommodations) 17%; Package tours 14%; Rail 7%; Rental cars (and car ferries) 4% (Marcussen, 2008). A recent market research showed that by the year 2008, online travel market share will rise to 40% of the total travel sales worldwide. In Europe online sales are expected to cover %42 of the travel market which means a 30% increase when compared to the numbers in 2006. In the U.S.A numbers are more significant; 60% of the total sales is estimated to be achieved through online channels. In the U.K online sales represents a %35 market share followed by %21 in Germany and %16 in France (Resort, 2007a;20). Being aware of the potentials and advantages of the online world the European Union supports usage of information technologies in its tourism policies. The Union approved programs like “Impact II” and “Telematics” because of their strategic effects on tourism industry’s competitiveness (Avcikurt, 2004:280). Given the numbers and information above it can be concluded that the rise in the worldwide travelers will provide new frontiers for e-tourism. Tourism industry as a whole can benefit from the advantages conducting online business (Chu, 2001).

E-tourism in Hospitality Industry

Information communication technologies (ICT) have had a huge impact on the management and marketing strategies applied in tourism and travel industry in the last decade. The term “e-trade” has been used as marketing and management tool almost simultaneously in hospitality enterprises as it is used in travel agencies. Central reservation systems were widely used throughout the world even in the first era of the Internet which helped hotels to reach potential customers. Hospitality industry namely hotels, try to increase their market potential either by establishing their online shops or through a well-known travel portal or by advertisement banners in various websites. E-tourism reflects the digitalization of all processes and value chains in the tourism, travel, hospitality and catering industries. It emerges as a term describing the entire range of applications of ICTs on tourism and the implications for the tourism value chain. E-tourism revolutionizes all business processes, the entire value chain as well as the strategic relationships of tourism organizations with all their stakeholders. As the strategy report (Ministry of Culture and Tourism, 2007) called “**Tourism Strategy Of Turkey – 2023**” prepared by Ministry of Culture and Tourism Of Turkish Republic indicate, electronic technology like CD-Rom Atlas, internet, web pages etc. will increasingly take place in destination and hotel selection processes as well as in-house strategic tools of tourism organizations. At this point it would be better to build a framework of tourism and its product characteristics. World Tourism Organization estimates there will be 1 billion international arrivals in the year 2010 and tourism is growing faster than the other economic sectors which can be followed in Figure 1. Hospitality industry is a cross-sector industry that comprises many related economic sectors, such as culture, sports, and agriculture. There are 48 different industrial components have been identified that serve travelers (Resort, 2007b; 6). The supply and demand sides form a worldwide network in which production and distribution are based on cooperation. The products which offered by hospitality industry are perishable, complex, and emotional. A hotel bed not sold for one night represents lost income. The risk faced by suppliers can be alleviated if access to information is available. The tourism product is a bundle of basic products aggregated by an intermediary. To support the rather complex bundling process, products must have well-defined interfaces with respect to consumer needs, prices, and distribution channels. Vacations are emotional-experience structures that involve cognitive and sensory stimulations as well as affective responses to certain events (Fodor and Werthner, 2004; 12).

Figure 1: Growth Rate of Worldwide and Regional Tourist Flows

	Base Year	Forecasts		Market share (%)		Average annual growth rate (%)
	1995	2010	2020	1995	2020	1995-2020
	(Million)					
World	565	1006	1561	100	100	4.1
Africa	20	47	77	3.6	5.0	5.5
Americas	110	190	282	19.3	18.1	3.8
East Asia and the Pacific	81	195	397	14.4	25.4	6.5
Europe	336	527	717	59.8	45.9	3.1
Middle East	14	36	69	2.2	4.4	6.7
South Asia	4	11	19	0.7	1.2	6.2

Source: World Tourism Organization: Tourism 2020 Vision, <http://unwto.org/facts/eng/vision.htm>, Retrieved 25 March 2008.

The effects of the electronic tourism in the tourism market can be discussed from two perspectives. First one is in terms of customer’s purchasing decision and purchasing efficiency. From this perspective, it’s necessary for tourism enterprises to build and manage the electronic infrastructure that enables customers to make choices. But enterprises can derive benefit from the internet also in the market in which they are, at the same time, consumers. Especially they can have an internet infrastructure that activates the purchasing activities. Furthermore, they can arrange the internal efficiency with internet channel. These are the second way for the enterprise to derive benefit from internet. While the first field is concerned with internet use of enterprises in marketing environment, the second one states the sustenance of management activities in electronic platform. From first perspective, it can be seen that internet has crucial functions for tourism-purpose marketing of tourism regions and also countries, as well as for the enterprise marketing.

In terms of tourism, the advantages those will be gained by e-tourism can be listed in order as follows:

- a) **Easy access to information:** This case states especially potential tourists’ ease of access to the information about the destination they want to go and the tourism product they want to purchase.
- b) **Low-cost communication:** It is the possibility of communicating with tourism product sellers at the lowest cost.

- c) **Decrease in customer's tourism product purchase costs:** Connected with the first two effects it means reducing the costs, those are faced in purchasing the tourism product, to minimum.
- d) **Facilitating the customer's comparison of different product choices:** It means to access to sufficient information about every product in a short time and to make comparison between them.
- e) **It enables to unforeseen information and regulations:** Sites those are used for purchasing a tourism product, also provide suggestions about by-products and actually they enable the selection of complementary elements of the tourism product.

According to Garces et al. (2005), who detailed the effect of e-tourism on enterprises providing tourism service, these domains are as follows (pp. 604-605):

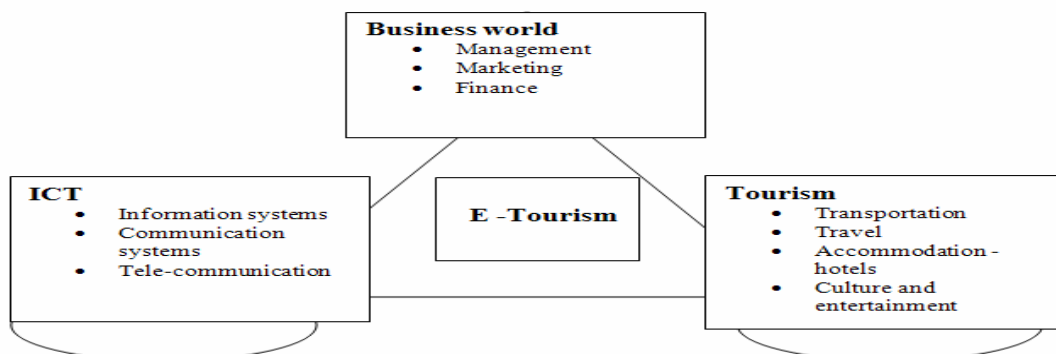
- Changing distribution channel structure,
- Changing marketing practices,
- High quality design,
- Changing and more customer-oriented production structure,
- Emergence of new tourism enterprises those are making direct selling and mediating to online selling,
- Changing HRM structure with subjects such as online education and personnel selection.

Internet use offers very wide opportunities also for the enterprises. On one side new enterprise types offering different service choices are emerging, and on the other side existing tourism enterprises' operations are changing and especially the forms of their product introduction are differentiating dramatically. This case puts the internet and information technologies to a strategically important place (Buhalis, 1998). The intangible and unstorable characteristics of the tourism product highlight the urgency of selling the product. Therefore, facilitation of access to the product brings about important competitive advantage in terms of enterprises. Also as a customer-oriented industry, information transfer can be done about the product that is now open to access of large customer masses by the use of internet (Cao & Schniederjans, 2006). It is possible to list in order the advantages of e-tourism in terms of enterprise:

- a) Possibility of entering the market easily without bearing any cost,
- b) Possibility of transferring large volume of information by reaching customer directly,
- c) Making advertisement and publicity on the internet,
- d) Making promotion,
- e) Learning from customers and receiving feedback,
- f) Making purchasing (supply) on the internet,
- g) Activating the internal operation.

The relations of partners of e-Tourism which is constructed upon relations between three disciplines (Buhalis, 2003:77) are shown in Figure 2 below. As it indicates there are many partners with differing interests and specialized e-tourism capabilities. The information flow between these partners is also running simultaneously and continuously not consecutively and interrupted (Çöklü, 2004:142). For this strategic management tool to be used effectively, the pros and cons and the different applications styles should be understood in detail by all partners who are in relation in the system. For a hotel to be successful in e-trade it has to understand all the transactions within the system as well as the different communications with other partners.

Figure 2: E-tourism concept and its Related Fields



Source: Çöklü Ece (2004), Adapted by: Recep Özgür Yakupoğlu, Turizmde E-İş, World Tourism Organization (WTO), İstanbul.

E-trade is very popular in hospitality and tourism due to its suitability as a strategic management tool in the industry. Research shows that e-tourism firms, gain advantages on; increase customer convenience, time efficiency, possibility of purchasing anywhere, convenience of purchasing any time, direct access to information and customer service. These are the factors which increase customer convenience in e-tourism comparing with the traditional tourism companies. Research conducted among travel agencies show that among these factors convenience of purchasing any time in e-tourism comparing with the limited working hours of traditional travel agencies has satisfied tourists the most. For hotels, it seems that the ease in registration as time efficiency is very important. Bui et. Al (2006) mentioned the possible gains and losses for countries like Turkey which can be followed in the table below, it can be seen that e-tourism comes into prominence especially with marketing and advantage of information transfer to the target audience. In this regard, construction of European Union’s legal infrastructure that will draw the regulatory framework of this kind of applications is expected. Turkey’s accordance to this infrastructure is foreseen. In this respect, it is necessary to train the industry members those take advantage of e-tourism applications especially in subjects on information security and credibility, institutionalization of rights and obligations in the face of laws. This framework puts forth the handling of the subject in the last two-period development plans (DPT, 2006; 2001).

Table 1: Opportunities and Challenges of E-tourism in Developing Countries

	Opportunities	Challenges
Global Market	Ability to capture potential foreign visitors through e-channels. Ability to pursue global economy real-time and develop strategies for fluctuations.	Language barriers. Adaptation to foreign cultures. Bad shape of local economy. Inadequate ICT infrastructure. Government support.
International Partnership	Extended cross-border value-chain network with foreign travel agencies/wholesalers. Wider access to foreign customers via partnerships using them as a reference. Seamless knowledge transfer in travel industry management that helps quality improvement.	Weak bargaining potential against foreign partners. Poor understanding of international marketing. Slow banking system.
E-marketing	Manage foreign visitors more cost-effectively-offer services tailored to their individual needs. More aggressive marketing via information “push” to deal with increased competition. Reduce miscommunication problems and communication costs using information “pull” websites.	Not well-designed marketing strategies. Lack of synchronization between marketing and e-marketing strategies. Inability to analyze data. Competing for scarce resources (traditional media and marketing channels against e-marketing).

Source: Bui et.al, (2006:385), “An Exploratory Case Study of Hotel E-marketing in Ho Chi Minh City”, Thunderbird International Business Review, 48(3), pp. 369-388.

METHODOLOGY

Qualitative Research Method

Historically, quantitative research methods became popular since it was believed that it proves to be a method providing tangible and hard data. There are many reasons for conducting qualitative research. One reason is conviction of the researcher based upon experience. Another one is the nature of the problem. It can be used gain new ideas on topics which quite a bit of knowledge is already known. In contrast the research which is less quantitative such as social sciences is referred to as soft to underline the lack of dependability (Milliken, 2001: 71-77).

Today, the researchers claim that qualitative research may be certainly used in every field as well as in social sciences (Burton, 2007; Vaivio, 2008; Northcott and Doolin, 2008).

Stainback and Stainback (1988) identified the “qualitative paradigm” as one where “reality changes with changes in people’s perceptions”; where “reality is what people perceive it to be” and where “values will impact on the understanding the phenomena” (Lawrence and Ul-Haq, 1988:15-24).

In this study, since social sciences are proved to be a confident field for qualitative research methods, interview technique is preferred. The interviews were semi-structured and the population was consisted of 7 people who are the members of the management functions of Izmir's leading 4 and 5 hotels

The data gathered through qualitative techniques may be analyzed in various ways such as descriptive analysis and content analysis. If requested the findings may be numerically summarized and the process lasts with reporting.

In this research the content analysis is used. The steps of the content analysis are summarized as following;

- Coding: The data gathered is coded by the researcher and there are various ways of coding such as;
 - Coding according to previously identified concepts,
 - Coding according to the concepts identified through the data being analyzed,
 - Coding in a general framework.

In this research the second coding type is preferred since there is no previously defined conceptual structure guiding the analysis of the data.

- Definition of the theme: Coding and classifying the data should be supported with another step as defining general themes which collects the codes under specific categories and explains the data in general.
- Setting and Describing the Data According to the codes and themes.
- Commenting on the Findings.

Content Analysis and Coding

Coding is done to the data which is gathered from each of the interviewees. The codes derived from the interviewees were defined under 3 broader topics. The broader themes that contain the codes are listed below;

- General overview of e-trade in tourism.
- Use of e-trade applications in tourism.
- Strategic use of e-trade applications in management functions.

Setting and Describing the Data According to the Codes and Themes

General overview of e-trade in tourism

The interviewees were asked to comment on the current situation as well as the future of the e-tourism applications in the industry. Nearly all respondents agreed upon the fact that electronic trade is crucial for the sustainability of the accommodation operations. Hotels that were members of an international chain are more likely to benefit from e-trade activities since their management functions mostly rely on international communication and sales activities. Online reservations help management to plan their planning activities as they usually contribute in forecasts by an embedded reporting system. Interviewees also indicated that while usage rates among hotels in Izmir seem to be relatively low, they observe an increasing trend in electronic transactions. For business people who are usually over busy to book a room over the phone, online reservations mean less time spent on minor details, such as payment, room specifications and special requests. Travel agencies also began to prefer online methods because of their relatively low cost setup and operating costs.

Trust as indicated by the interviewees, is a very important issue for a consumer in the purchase decision process. With regard to e-commerce activities, trust is multidimensional and has different subconstructs such as consistency, fairness, discreteness and integrity. Customers until now preferred a human instead of electronic tools in their purchase decisions. As the concerns over credit card safety, fraud and online shopping habits are cleared people enjoyed the comfort of shopping online. As computer ownership rates increase and insufficient use of Internet problem is solved in Turkey, all of the respondents agreed upon the fact that an increase in sales volume is likely.

E-trade applications also means less workload burden on employees as they avoid loss of time and help share the workload. Shorter time to shop and more options offered by a well-designed e-trade application will help

accommodation facilities to lower their operational costs related to sales and marketing. Direct sale possibilities will also mean less commissions paid to intermediaries. The participants also mentioned their ideas on future of e-tourism indicating that “while online reservations are not widely used at the present, it will surely become widespread in the future.”

Use of e-trade applications in tourism

In order to obtain information on the use of e-trade applications in tourism participants were asked to express their ideas on how e-tourism affects online reservation rates, customer satisfaction and sales. While the participants were reluctant to express exact figures on online transaction rates their estimates varied from %2 to %40 of total sales. One of the respondents was unable to contribute to this phase because he was a member of a hotel that began its operations in 2008. All the participants expressed that their hotel has a central reservation system but the numbers they gave means that it is not effectively used. The answers also revealed that electronic transactions are usually proffered by foreign guests.

The interviewees shared the common idea that e-trade application would positively contribute to customer satisfaction. Turkish guests usually prefer talking to a human representative and expect continuance in relations. Purchase habits are usually hard to change and consumers are reluctant to give up their old habits. There are concerns over trust; one respondent gave an example “even a frequent Internet user guest asks us to check his/her reservation in order to avoid double charging to his/her credit card”. Another concern over trust is related to guests; “Guests make their reservations expressing the number of guests. When they arrive at reception desk it is a big surprise for the clerk, the person indicated as a child is a person who is well over 18 years old”. Electronic applications also help employees in following up-to-date information as well as keeping track of current price and promotion information. More visual options and ability to tailor reservations is an opportunity for a guest because they are able to filter the rooms that fit into their needs and wants; whether it will be a single or double, smoking or non-smoking, with city view or sea view and especially price. This also helps housekeeping department because they can follow the reservation through the system and prepare the room accordingly. On the contrary transactions made over telephone may face obstacles when they are compared to online ones. Inability to offer all options, lack of time, misunderstandings may result in guests’ expectations not to be met. With the help of electronic means guests are able to transmit their either positive or negative opinions almost anytime and anywhere which help companies to take corrective actions or improve their service quality. Another side-effect of e-trade actions that may be seen as a pressure for companies is the worldwide network of dissatisfied guests distributing word-of-mouth experiences easily and without moderation by the help of Internet. In order to avoid such an issue accommodation facilities should make use of proactive measures.

From the point of sales performance all of the respondents expressed that e-trade applications would positively contribute to their sales. Lower marketing and associated costs and lower commissions paid to intermediaries would contribute to overall yield management actions. One point agreed upon is the visual strength would be core competence in competition. One respondent pointed out the benefits by giving an example “We offer discounts for reservations that are made early. These kinds of reservations may have different rules and have different validity times. Therefore it may be difficult to handle them over telephone or fax but when we publish them online the guest can easily see the details and choose among the options. Especially preferred by foreign guests, these types of reservations mean positive sales contribution”.

Strategic use of e-trade applications in management functions

Competitive environments have their own threats as well as opportunities. Companies that are able to cope with competition are likely the ones that will continue their operations. Technological advances can be seen in every phase of our daily lives and accommodation industry is not an exception. Consumers are well informed and want to plan every step of their purchase decisions. A hotel that has a very simple website which is constructed by just the pictures of the facility is perceived incompetent by the consumer and is sure to be left behind in competition. Among the room options offered by two different hotels, assuming their price is indifferent, the one which is marketed online in a proper manner has the chance. Online services also offer the consumer to evaluate all options (hotels, rooms, facilities etc.) at once. Managers who can offer fast, easy to reach, clear and easy to understand online services would greatly contribute to the overall success of the hotel. Multilingual nature of the industry is also strength for the managers. With well-designed multilingual online services they are able to reach vast audiences. Sales channels are differentiated which is perceived positively by the participants of the study. Online services are seen as tools for low cost and easy

advertisement and are for the benefit of companies which have strong technical infrastructure and professional yield management.

E-trade applications help to ease the managers' as well as employees' burden. They help to decrease workload and stress. Planning and reporting functions are also affected positively; managers are able to see forecasts and detailed reports with the help of a single click. While initial setup phase may give headaches (hardware or software costs, technical skills needed, difficulties in the adaptation process etc.) an overall benefit is expected. Participants also expressed that "resistance to change is futile".

CONCLUSION

With the technological advances penetrating every phase of our lives, it is inevitable that tourism industry will also be affected by electronic trade applications. To survive in a jungle of competition, every member of the industry whether an airline company, travel agency, tour operator or a hotel should make use of this constantly developing type of marketing. Hotels' management should adopt a strategy that really uses information technology's power as a key element to optimize their organization's competitiveness. It should be also noted that e-trade practices in developing countries like Turkey are in their very stages. However it is also a great opportunity for tourism industry, particularly hotels since it represents a market niche. Companies should not ignore the role of information technologies in their marketing efforts.

Trends in the industry, constantly changing needs and expectations of the customers, increasing number of global competitors, increase in customers' expectations for conformance in services, value and quality, the need for automation in the industry and increased awareness of customers through different information channels such as Internet leads to the need for widespread use of e-trade applications in the tourism industry. From what the participants told and also previous research information, it is a widely accepted fact that tourism industry is very suitable for electronic form of commerce. E-trade will offer companies as well as customers opportunities in lowering costs and avoiding loss of time. Customization, interactivity, flexibility, detailed reporting possibilities, effective use of human resources, ease of collecting market information are all side benefits of e-trade. However there also drawbacks that should be noted; unethical behaviors, confidentiality of data, security concerns and legislative loopholes are important subjects for the industry.

This study has drawn a particular framework of how e-tourism activities in the city of Izmir are perceived by tourism professionals. Nearly all of the participating interviewees noted that electronic transactions have a great potential to add value to their current business models. However there are certain points to be noted in making effective use of e-tourism which are;

- The need for a strong technological infrastructure.
- Web page design and navigation
- Usability
- Integration of e-business applications with internal information systems and business partners
- Scalability
- Hardware and software security
- Trust (assuring confidentiality of customer data, credit card safety etc.)
- Keeping track of customer data (data mining, customer relationship management)
- Multilingual structure

As this is only an exploratory study, there remain many topics that require further investigation, such as the effectiveness of professional Web site designs, the efficiency of e-trade techniques used in accommodation facilities, electronic sale and pricing tactics as well as ways of overcoming resistance to change in transformation into digital era. This study aims to help hotel industry professionals in helping them to better benefit from e-commerce technology.

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FACTORS LEADING TO INTERCULTURAL COMMUNICATION PROBLEMS: A SURVEY IN A GROUP OF INTERNATIONAL HOTELS

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ABSTRACT

A rapid advance in communication and transportation technologies, an ongoing shift in the world economy, the growth of international commerce and tourism are among developments that make international and inter-cultural communication indispensable. Many organizations are operating across national borders and conduct businesses that involve different nations and cultures. Because of this processes intercultural communication problems are abound.

The aim of this research is to identify communication problems that assumed to be the results of cultural differences in a group of international hotels, which employs different nationalities in the southern region of Turkey.

The analysis of research data measure the impacts of factors that lead to communication problems between individuals who belonged to different cultures. Following the statistical analyses, the findings are interpreted.

Our findings suggest that socio-cultural, organizational and linguistic factors are all important factors respectively on intercultural communication problems. Nevertheless, people who are older than 30 years old, with high organizational position, and with high educational levels consider these factors less important than people who are younger than 30 years old, with low organizational position, and with low educational levels.

Key Words: *Communication, intercultural communication, intercultural communication problems.*

LITERATURE REVIEW

Problems That Stem from Differences in Religions and Beliefs

Every society always had a religion throughout history. The religion, which is an important institution in the development of common emotion and beliefs in the society, is one of the essential elements of the social culture. Belief is a continuous organization of perception and information pertaining to one aspect of individual's world. People can have certain beliefs in certain subjects. As far as the level of similarity among beliefs is higher, common cultural beliefs of that society become more powerful (Köse, Tetik, Ercan, 2001:224). Rawwas (2001) found significant differences in ethical beliefs between individuals from countries with relatively high power distance and high uncertainty avoidance (e.g., Eastern and Mediterranean

countries such as Turkey) and individuals from countries with low power distance and relatively low uncertainty avoidance (e.g., Germanic countries such as Austria) (Srnlka et al., 2008: 101).

Religion comprises information pertaining to spiritual area that a society shares. A religion keeps its specialty of being a religion as long as it is shared and perceived among its members (Susar:7). Culture affects the religious beliefs, understandings, and practices in the society's life. It is the reason of that Islam is perceived differently in Indonesia, India, Iran and Algeria and Christianity is perceived differently in China, Egypt and America. These differences can be attributed to the cultural differences among the societies (Parekh, 2002:189).

Prejudices about religion are one of the essential elements causing intercultural problems in communication. For instance, Muslims in Arabic countries have some kind of prejudices about western societies such as, "the West is morally weak", "family is not important in the USA", "Western people abandon their elderly people to the asylums", etc (Jandt, 1998:238-251).

Problems That Stem from Differences in Values, and Norms

Principles and standards, attitudes and feelings that are adopted by the individuals of a culture form the concept called value. Every society has a value system (Susar:7). To understand various communication patterns in a society, it is necessary to understand cultural values which give meaning to these patterns and which have fundamental origins (Ting-Toomey, 1999:66). Norms comprise conventions (laws), habits and social customs (Kartarı, 2001:180). A society's culture comprises norms in a great extent. Cultural norms base on cultural values (Köse, Tetik, Ercan, 2001:226). For instance, in the Turkish business world, generally words are more important than written documents and because of that trust is the number one qualification being a business partner (Koçel and Tekarslan, 1994).

A behavior regarded as courtesy in a culture may be perceived as rudeness in another culture. While an Asian man who is a member of Confucianism's culture perceives giving gift to people with whom work relations are established and providing job for his own relatives as virtuousness, this behavior is regarded as a crime clearly in American laws. Americans perceive this kind of behaviors as bribe and advantage to relatives. Consequently, the behaviors varying according to cultures can be stated one of problems caused by cultural differences (Jandt, 1998:47).

Problems That Stem from Differences in Languages

No one culture can be able exist without a common language. Each human being is a member of a community peculiar to people who speak a common language (Uygur, 1996:19). Language is an element of a culture. Language determines how we think and how we give meanings to the words, objects and events (Samovar, Porter, 1981: 40). Culture influences language and also it is influenced by language. Individuals perceive the world to the extent that their language allows them to do so.

Language is an element, which exposes cultural difference at the most and which causes big problems in the mediums where the same language is not used (Susar:6). The meanings that a language attributes to symbols are sometimes not the same meaning even among the people speaking the same language. Therefore, communication problems are inevitable among the people who speak different languages (Jandt, 2004:146).

The same language may have some difference when it is spoken in different societies, such as "American English", and "British English". Although none of the languages can be translated completely into another one, it is very important to make translation truly as possible. The individuals' proficiency level of a language is an important factor for the effective communication. This level varies from second language speakers to the native speakers.

Problems That Stem from Differences in Non-Verbal Communication

In non-verbal communication, it's benefited from certain symbols like it is in verbal communication. In non-verbal communication, instead of verbal symbols, there are gests and mimics, colors, postures and movements, outside appearance and looking. In verbal communication, while individuals hold control in their

hands, control of sent messages is not always possible. The symbols of non-verbal communication behaviors are elements which can change from one culture to another one. While suicide symbol is the forefinger showing the temple in the USA, it is a hand pressed into the stomach in Japan and clutching of throat in New Guinea (Samovar, Porter, 1981:41).

Body and Face Statement Differences

In every culture, external appearances of individuals give certain messages to the people around them. If the receiver and transmitter of these messages are from the same culture, the ratio of misunderstanding will be less and they will be evaluated according to that culture's patterns. But the external appearance, which is appropriate to the patterns of a certain culture, of people interacting with different cultures can be accepted abnormal by other culture. In every culture, dressing, hair style, beard and moustache, headscarf, cap, hat and particles such as ring, bracelet and necklace bear various messages. These objects give messages, for example, whether or not a woman is married or engaged can be understood by looking at her ring that put on different fingers. In Turkish culture, while a young person with a gold-covered tooth in Gaziantep means that he is engaged, it can be perceived as an indicator of economical situation of a young person in Kars (Kartarı, 2001:161).

Some behaviors like calling, showing direction or hand movements used in greeting are universal but some can bear different meanings in different cultures. For instance, uniting forefinger with thumb circularly is used in the USA to convey a message as "so beautiful, okay", in France as "not good, nil", in Japan as "give me some money (bribe)" and in Brazil as "let's make sex" (Triandis, 1994:205).

Although there are some universal communication patterns concerning eyes and looks –like that eye touch may be accepted an invitation for the communication- that is used sending message to receivers. The way eyes and look is used changes from culture to culture. For instance, looking at eyes of elderly people is regarded as disrespectfulness in Red Indians. A white who was a teacher for a Red Indian school did not give meaning to the behavior of his students they were not interested in his lessons. The reason for this was that those students never looked at eyes of the teacher. In Mediterranean culture, with respect to eyes there is 'evil eye' concept which is an understanding that glances carry evil power and harm to the object that is looked at. (Kartarı, 2001:172). Turkish people tend to be more emotional and they easily express their feelings with non-verbal communication (Koçel and Tekarslan, 1994).

Differences in Personal Distances

Cultural differences among societies due to perception of space play an important role in determination of distances between interacting individuals. Personal distances are distances which a person feels as pertaining to himself and with which he states his personality. People from higher socio-economical class in Turkey usually use the status symbol such as big office rooms, tables, and cars to show the distances between themselves and other people with low socio-economical class (Kocel and Tekarslan, 1994). According to Hall, personal distance between individuals interacting in Latin American cultures is equal to the private distance in which private and even sexual relationships realized in the North America and North European countries. For instance, while a Latin American and a Canadian are interacting with each other, if Latin American becomes closer to Canadian, due to spatial differences, the Canadian will try to create distance between them and potentially some misunderstandings will occur. In Asia and some European cultures, individuals at the top positional and income level of their society will put larger distances between themselves and other individuals of lower strata. In Asian cultures, the distance between juniors and seniors is larger than in the West culture and the distance between the teacher and student is much larger than it is in North Europe. (Kartarı, 2001:158).

Other Differences

Concern for ethical issues in business has increased dramatically over the past 15 years and has largely centered on the responsibility of business towards society (Cui et al., 2005: 58). However, there is a big differences in terms of the levels of the social responsibility understanding among the societies.

Touching is perceived differently in every culture and there are different rules in different cultures. Touching behavior rules are harder in collectivist cultures than in individualist cultures in terms of being suitable and unsuitable (Ting-Toomey, 1999:131). In every culture how, to whom and in which mediums an individual can touch to the other people are taught during the socialization process. The touchable body parts can change from culture to culture. In Turkish culture, head, face, arm, back and hand are areas, which are touched, freely in daily life. But in Thai culture, to touch an individual's head is perceived as an attack. But it

can be shown as a reaction to a message (Kartarı, 2001:173). In some situations, none of communication tools is used to reply to a question and silence is preferred. When an individual who has higher social and economic status asks a question to one of lower status, the one asked question may prefer being quiet if he would become in a difficult position when he answers. The one asking the question understands that the answer is negative (Kartarı, 2001:178).

Problems That Stem from Nationalism and Ethnocentrism

Philosophy, in particular Eastern versus Western thinking, and religion constitute fundamental supracultural dimensions that determine a nation's culture (Schlegelmilch, 1998). The discrimination based on racial difference causes intercultural problems in communication. Many people put their culture in the centre of the world and classify every behavior according to their culture (Chrysochoou, 2004:50). This situation is called 'ethnocentrism' which is an inclination of evaluating unconsciously other groups in their points of view. They only accept their own norms as standard ones in intercultural communication. There are two important effects of ethnocentrism: the first is that one's accepting his own culture as natural one and the second is that it develops the conscience of becoming more excellent than other people, nations and cultures (Kartarı, 2001:185).

Problems That Stem from Perceptual Differences

Moral codes are the comprehensive, abstract principles that govern conduct in a given culture (Wines and Napier, 1992), while ethics are the application of moral precepts to concrete problems and involve analytical, rational and cognitive processes. Moral philosophies have been categorised in the business literature into two major types: deontological and ideological (Murphy and Laczniak, 1981) which are similar to the concepts of idealism and relativism proposed by Schlenker and Forsyth (1977). Deontology focuses on the specific actions of an individual, which are evaluated through the inherent rightness or wrongness of behaviour in accordance with some predisposed ideas. Idealistic individuals, who follow a deontological route, believe that morally right behaviour leads to good consequences; they also value warm relationships with others, like being well respected, have a sense of belonging and self-respect, and have strong ethical beliefs (Cornwell, et al., 2005). People's viewpoints about different cultures affect their perceptions and understanding of those people live in different cultures (Brannen, 2003:30). There is no any communication situation and any intercultural communication process that participants has no perception about each other. Instead, everyone communicates with other individual by means of images which have been formed in their heads patterns, judgements, and stereotypes, which bears negative meanings in daily language. (Kartarı, 2001:190).

Personalization and Stereotypes

During socialization, process people get clichés about other cultures. These clichés form the image of the respective nation or culture inside the individual's mind. Stereotypes are uncritical generalizations, which resist relatively to the changes and escape from tests. Stereotypes are mental works and cliché opinions, which state the dividing of people into some kinds and types (Kartarı, 2001:189). As available in every society, hard-working/disciplined Germans, talkative Italians, and polite Frenchmen, filthy Arabs etc. can be given examples of stereotypes in Turkish culture (Ügeöz, 2003:73).

Prejudices

The emotion felt on or stated directly to the whole group or someone because he is a member of that group is prejudice. Individuals attending to intercultural communication have prejudices concerning themselves or the other people at the beginning of communication process and these prejudices affect the coding and decoding processes negatively. These negative aspects of stereotypes and prejudices make individuals closer to racism, foreign enmity, chauvinism and extreme nationalism (Kartarı, 2001:193).

Perceptual Opposition

Perceptual opposition is that an individual blocks or changes information which is in conflict with his beliefs or a threat for him. In such situations, managers and employees within an organization may not accept certain kind of information. Managers become angry at personnel, who give information about serious problems although they are not responsible for the problem, is an example of perceptual opposition (Menemencioglu, 2000:64).

Problems That Stem from Work Cultural Differences

According to the findings of Hofstede, who is famous by his culture studies, when power distance increases in a certain culture, a higher level of centralization in control and decision making take place in organizations. In collectivist cultures, interpersonal relationships are very important. The agreement is reached easily among the people knowing each other for long time in collectivist cultures. In masculine cultures, the problems are solved with conflict rather than negotiation. However, in feminine cultures, supporting the weak people is a common behavior. Solving a problem between two masculine cultures is more difficult than feminine cultures. Cultures in which uncertainty avoidance is high, behaviors involving uncertainty and obscurity are not allowed and people who have behavior of uncertainty are not trusted (Hofstede, Usunier, 2003:146-147).

Hofstede grouped countries in terms of power distance and uncertainty avoidance dimensions and formed the bureaucracy model (Mead, 1993:25-27). In absolute bureaucracy, the organization puts certain rules to prevent unexpected situations and to determine behaviors of employees. Aiming to prevent uncertainty, all the works in an organization needs to be pre-defined and detailed. The works have been separated from each other and every individual responsible from the work that is assigned to him. Work relationships have also been defined together with work definitions. Top-down communication is in absolute bureaucracy. Orders are from up to down but for individuals' reports vice versa. The senior's criticism can be transmitted into up only with informal channels. France, Japan and Latin American countries are within this group. In market bureaucracy, individuals trust personal relationships rather than bureaucratic hierarchy. Power has been accumulated not in single centre but in various sources. England, Ireland, Sweden and Netherlands are the countries having this kind of bureaucracy.

In Turkey, Money and other financial rewards are the most important motivators for people. Intrinsic factors do not seem to play an important role in motivating employees (Srnlka et al., 2008: 101).

In the German-speaking countries, Finland and Israel, work is handled by bureaucracy. In this group, which is defined as good working machines by Hofstede, the organizational structure gives importance to arrangement of works rather than personal relationships. To prevent the uncertainty, work performances have been defined clearly and the power distance is low.

Personal bureaucracy can be observed in collectivist countries, such as South-East Asia countries and India in where power distance is high. The organization has been structured around a powerful leader. The authority has been gathered in the self of the leader rather than the position of the organization or the leader. Communication and the application of decisions are too fast. If the commitment to the leader is high, the level of work definitions decreases. The follower is willing to betray the leader's needs and accepts to fulfill these needs as a duty for himself (Mead, 1993:25-28). Planning does not play an important role in daily work. Business deals are completed without detailed planning, and very few things are written. Issues are negotiated ("bazaar mentality") (Kocel and Tekarslan, 1994).

PURPOSE OF THE STUDY

The aim of this study is to identify the factors that lead intercultural communication problems in a group of the international hotels, which employs different nationalities in the southern region of Turkey.

METHODOLOGY

Sample

The sample for this study consisted of 90 people who work for the international hotels in the southern region of Turkey. In 5 international hotels questionnaire is conducted with 90 people from different nationalities. Statistics related to the sample are shown in Table 1. Subjects were advised that participation in the survey was voluntary and collected information would be kept confidential.

Survey Instrument

The Intercultural Communication Problems instrument is used in the study. It is taken from Demirkan (2007). The instrument has 15 statements. This instrument has been translated to Turkish, and checked for readability, clarity and understandability by a group of academicians who have international experience. Subjects responded to each statement on a five point Likert scale (1 = "totally agree" to 5 = "totally disagree") indicating their belief about that particular factors. See table 1 for a complete list of the statements. In addition, the respondents were asked to provide various demographic and operational data pertaining to them.

Analyses

Four sets of statistical analyses were conducted. The first involved calculating frequencies on demographic variables such as sex, nationality, education, organizational position and experience. The second analysis involved a principal components factor analysis of the 16-item instrument. The third analysis assessed the internal consistency of the factor structure. Fourth analysis are done to see the perceptual differences of the subjects about the factors that cause communication problems in the intercultural settings. T-Test and ANOVA are used for this aim.

Table 1: Demographic Results

Distribution of Sex			Distribution of Education level		
Sex	Frequency	%	Level of Education	Frequency	%
Female	52	57,8	High School	54	60,0
Male	38	42,2	University	32	35,6
Total	90	100,0	Masters and PhD.	4	4,4
			Total	90	100,0
Position			Age distribution		
	Frequency	%	Age	Frequency	%
Manager	14	15,6	Younger Than 30 Years Old	58	64,4
Chief	26	28,9	Between 31-40 Years Old	23	25,6
Officer	5	5,6	Older Than 41 Years Old	9	10,0
Worker	45	50,0	Total	90	100,0
Total	90	100,0			
Nationality	Frequency	%	Experience	Frequency	%
Turkish	51	56,7	Less Than 1 Year	16	17,8
Eastern Europe	24	26,7	Between 1-2 Years	16	17,8
Western Europe	13	14,4	Between 3-5 Years	34	37,8
India	2	2,2	More Than 5 Years	24	26,7
Total	90	100,0	Total	90	100,0

RESULTS

Sample Demographics

The sample represented the international hotels in the region. About half of the sample is men and the other half is female. About 65 percent of the subjects are younger than 30 years old. 60 percent of the subjects are high school graduates and 40 percent of the subjects have university or higher degree. More than 50 percent of the subjects are Turks. 50 percent of the subjects are low level employees in the hotels. About 75 percent of the subjects have less than 5 year job experience. A complete demographic description of the participating companies can be found in Table 1.

Factor Analysis

The results of the principal components factor analysis, based on a Varimax rotation, suggested a three-factor solution to the Intercultural Communication Problems instrument. Table 2 presents the factor analysis results. Examination of the content of the items loading on each factor resulted in the following names being applied to the various factors:

1. Organizational Factors
2. Socio-cultural Factors
3. Linguistic Factors

Table 2: Principal Components Factor Analysis of Factors Causing Problems (a)

ITEMS	COMPONENTS		
	F1	F2	F3
Clichés/Stereotypes	0,645		
Job methods	0,750		
Work definitions	0,767		
Organizational Commitment	0,815		
Hierarchical Systems	0,766		
Decision-making Process	0,788		
Religion		0,748	
Personal factors like age, sex, education, status, etc.		0,828	
social Norms and Customs		0,804	
Nationalism		0,654	
Prejudice		0,509	
Perceptual Differences		0,769	
Language			0,756
Written Communication			0,840
Non-verbal Communication			0,637
Eigenvalues	8,453	1,454	1,076
Percent variance explained	56,354	9,693	7,176
Cumulative Variance	56,354	66,047	73,223

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization. **a:** Rotation converged in 7 iterations.

Internal Consistency

The reliabilities of the 15-items Intercultural Communication Problems scale and the three factors (subscales) were determined by computing their Cronbach alphas. The 15-items scale produced Cronbach alpha of 0,943. Three factors explain more than 73 percent of the variance.

The item analysis of the three scales suggested in the factor analysis revealed that the all three scales were highly reliable. The resulting coefficients alpha reliabilities were 0.918, 0.908, and 0.810; respectively (see Table 3).

Table 3: Main statistics of the factors

FACTORS	MEAN	S. DEVIATION	C. ALPHA
F1 (Organizational Factors)	2,2037	0,96337	0,918
F2 (Socio-cultural Factors)	1,9741	0,89837	0,908
F3 (Linguistic Factors)	2,5963	1,13781	0,810

Analysis of The Factors That Lead Intercultural Communication Problems

Mean of the all three factors are lower than 3. In other words, the subjects considers all the factors important in terms of their effect on the intercultural communication problems. However, the subjects consider the socio-cultural factors the most import factors, the organizational factors as the second most important factors and the linguistic factors as the third most important factors (see Table 3).

According to the Independent Samples Test, male and female subjects did not consider the Factor1 ($F = 1,157$, $p = 0,285$), Factor2 ($F = 0,567$, $p = 0,467$), and Factor3 ($F = 0,012$, $p = 0,913$) differently in terms of their effects on intercultural communication problems. Mean values of the male and females subjects are as follow, respectively: Factor1, 2,3333 - 2,1090; Factor2, 2,1316 - 1,8590; and Factor3, 2,7193 - 2,5064.

ANOVA results show that the subjects perceive the importance of the Factor2 ($F = 2,948$, $P = 0,037$) and Factor3 ($F = 3,112$, $P = 0,030$) differently, according to their nationality. Subjects from Turkish nationality and from Western nationalities consider the socio-cultural and linguistic factors less important than other subject from the other nationalities. According to the post hoc tests, mean scores of the subjects are as follow: For Factor2; Indians 1,0000, Eastern Europeans 1,6181, Western Europeans 2,0897, and Turkish Nationalities 2,1503. For Factor3; Indians 1,5000, Eastern Europeans 2,2361, Western Europeans 3,2564, and Turkish Nationalities 2,6405.

According to the ANOVA results the subjects perceive the importance of the Factor1 ($F = 9,744$, $P = 0,000$), the Factor2 ($F = 5,639$, $P = 0,005$) and Factor3 ($F = 7,032$, $P = ,001$) differently, according to their age group. The subjects who are older than 30 years old consider the all three factors less important than younger subjects do. According to the post hoc tests, mean scores of the subjects are as follow: For Factor1; Younger Than 30 Years Old 1,8994, Between 31-40 Years Old 2,7681, Older Than 41 Years Old 2,7222. For Factor2; Younger Than 30 Years Old 1,7672, Between 31-40 Years Old 2,2246, Older Than 41 Years Old 2,6667. For Factor3; Younger Than 30 Years Old 2,2989, Between 31-40 Years Old 3,2754, Older Than 41 Years Old 2,7778.

According to the ANOVA results the subjects perceive the importance of the Factor1 ($F = 3,141$, $P = 0,029$), and the Factor2 ($F = 3,832$, $P = 0,013$) differently, according to their organizational positions. Managers, chiefs and office workers consider the Factor1 and Factor2 less important than the workers do. In other words, workers consider the organizational factors and socio-cultural factors more important than other groups in their organizations. According to the post hoc tests, mean scores of the subjects are as follow: For Factor1; Managers 2,5119, Chiefs 2,3590, officers 2,9667, and workers 1,9333. For Factor2; Managers 2,3214, Chiefs 2,0385, officers 2,8667, and workers 1,7296.

According to the ANOVA results the subjects perceive the importance of the Factor3 ($F = 3,774$, $P = 0,013$), differently, according to their work experience. The subjects who have more than 3 years work experience consider the linguistic factors less important than other groups in their organizations. According to the post hoc tests, mean scores of the subjects are as follow: For Factor1; Less Than 1 Year 2,1250, Between 1-2 Years 2,1250, Between 3-5 Years 2,6863, More Than 5 Years 3,0972.

According to the ANOVA results the subjects perceive the importance of the Factor1 ($F = 13,536$, $P = 0,000$), the Factor2 ($F = 5,161$, $P = 0,008$) and Factor3 ($F = 3,225$, $P = 0,045$) differently, according to their educational levels. The subject who has university and/or masters/PhD degrees considers all three factors less important than high school graduates do. According to the post hoc tests, mean scores of the subjects are as follow: For Factor1; High School 1,8333, University 2,6979, Masters and PhD. 3,2500. For Factor2; High School 1,7716, University 2,1927, Masters and PhD. 2,9583. For Factor3; High School 2,3642, University 2,8958, Masters and PhD. 3,3333.

CONCLUSION

The results of the study show that the subjects consider all the factors important in terms of their effect on the intercultural communication problems. They consider the socio-cultural factors as the most import factors, the organizational factors as the second most important factors and the linguistic factors as the third most important factors.

Nevertheless, it can be concluded from the analysis that when the subjects age, organizational position, and educational level get higher, the importance of organizational factors, socio-cultural factors and linguistic factors on the intercultural communication problems get down. In other words, older people, people who are in high position in their organization, and people who are university, masters and PhD. graduates have wider perspective toward the intercultural differences and have less intercultural communication problems than others have.

The findings of this study prove that managers of international hotels should support long-term employment, should give special care to their low-level workers in terms of international cultural differences, and should hire university graduates to overcome the intercultural communication problems.

This study can be repeated in a large sample to verify the findings of this research.

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THE EUROPEAN UNION EMPLOYEE PARTICIPATION SYSTEM IN MANAGEMENT DECISION MAKING PROCESS: A SURVEY ABOUT THE EFFECTS OF THE SYSTEM ON TURKISH EMPLOYEES IN THE MULTINATIONAL COMPANIES OPERATING IN TURKEY

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ABSTRACT

The aim of this paper is to find out that if it is possible to create an employee participation system by establishing the European Works Councils (EWCs) in a hundred multinational companies operating in Turkey. In this research 35 multinationals are selected from the European Trade Union Institute for Research, Education and Health and Safety (ETUI-REHS) 2006 EWC Database which contains the name of 445 multinationals including 5 Turkish multinational companies and 181 of them that already have had an EWC in the central management operating in Turkey. This study, also, aims to discover if the companies' central EWC established in the EU countries has any member from Turkey which is representing Turkish employees. As Turkey started negotiations, in June 2006 after the decision of Council on 3 October, 2005 for full membership. The employee participation system is among the most important features of the EU Company Law and Social Policy regulations and Turkey has to adopt the EU regulations to achieve full membership during the present accession period. The paper, also, aims to evaluate the key policy issues related to stakeholder approach and its some effects on Turkish and other multinational companies operating in Turkey. Today, Turkey is not a member of the EU and the European Economic Area but, stayed in the Custom Union since 1. June.1996. Therefore the regulations do not directly apply to Turkey before the full membership. As some Turkish companies gained a community-scale undertaking position during the Custom Union and falling into scope of the EU legal provisions. The regulations can be important for Turkish undertakings in two circumstances before the full membership; a multinational based in the EU and having a subsidiary in Turkey and a Turkish multinational having subsidiaries within the EU which fulfil the thresholds.

Key Words: *The EU Employee Participation System, European Works Councils; Employee Participation in Multinational Companies Operating in Turkey.*

INTRODUCTION

According to datas of the United Nations Conference on Trade and Development (UNCTAD) there were an estimated 77,000 transnational firms with some 770,000 foreign affiliates engaged in international business, mean that multinational companies (MNCs) are increasingly operating in multiple countries in 2005 (Collings,2007;1).

Besides globalization and Europeanization, and the benefits that are expected from free movements of factors of production within the European Union (EU), there are many developments that may affect workers negatively in this process. In order to lessen or eliminate these negative effects, the integration of the workers to the management who work in the companies has been taken place. As it is stressed in the article I-48 of the EU Constitution proposal, dated 18 June 2004, despite being accepted by some EU member states by referendum, but, some of them rejected it like France and Netherlands. As it is stated in the article II-87 of the EU constitution proposal, workers' right to information and consultation is put into a fundamental right (Kluge,2007;127).

The EU Law currently requires MNCs to inform and consult workers about certain corporate actions, such as mass layoffs. By 2008 more companies including 50 or more employees in the EU must inform and consult employees about employee related actions (Dessler,2005;658).

In order to ensure representation of employees' interests in MNCs, The European Council Directive No 94/45/EC of 22 September 1994, "*on the establishment of a EWCs or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees*" adopted. The Directive requires MNCs to build a channel between their decision making centre and employees' representatives from other locations which are affected by the decisions taken. The purpose of a EWC is to bring together employee representatives from the different countries in which MNCs have operations. The Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (Societas Europaea-SE) and Council Directive No 2001/86/EC of 8 October 2001 and the European Cooperative Society (SCE) Directive (2003/72/EC) also requires an establishment of participation system with regard to the involvement of employees in the SE (Hekimler,2004;307).

The EU social partners are sensitive on this subject because; considering labour is as not a commodity. So, the EU Law protects workers: *ordre communautaire social* (Bercusson,2006;27). The management board of the SE may be divided to Anglo-saxon type; one-tier board and Continental European-type; two-tier boards which executive and supervisory with involvement of employees to reduce conflicts and encourage cooperation between management and employees. According to the figures of the ETUI-REHS EWC Database of 2006, already 1,141 EWC agreements recorded in the database, 909 EWCs has been created, 784 of which still exist. 125 EWCs are not existing as a result of company mergers, de-mergers, takeovers and bankruptcies and there are currently 1432 MNCs by the EU directive that do not yet established an EWC in 2,204 MNCs in the EU (Kerckhofs,2006;4).

The EU-Turkey negotiation process which was started on 3 October 2005 and ongoing economic integration process in custom union since 1 January 1996 increased concentrations on the both sides undertakings. Cross-border mergers, takeovers, joint ventures and consequently a transnationalisation of the undertakings and groups of undertakings are increasing between companies operating in two or more EU Member States and in Turkey. According to EU regulations the central management of MNCs must inform and consult the employees through representatives of the employees about transnational issues that are affected by their decisions. Participation is a process that allows employees to exercise some actual influence over their work and the conditions under which they work. Also, participation defined as the level of involvement in the decision making process among managers and employees (Özcüre, Demirkaya,2007;634).

As MNCs making Turkish economy increasingly international and during this process its is expected by them to bring new management systems to Turkish companies (Nichols and Suğur, 2005;11). Increasing level of free movement of goods and services and production factors (although less labour and more capital required) during the EU-Turkey integration process also, transforms the balance of economic power between shareholders and stakeholders. Thus, it can reduce power imbalance, psychologically it satisfies some basic human skills, and for managerial reasons because it contributes to organizational effectiveness. But, making it work is difficult. Because it runs against the natural human instinct not to share power.

THE EU-TURKEY RELATIONS AND EMPLOYEE PARTICIPATION IN MANAGEMENT

The time of enlargement of the EU to Turkey is unknown, but, it represents one of the most important landmarks and the greatest challenge in the almost 50 year history of Turkey. Turkey was officially recognised as a candidate for full membership of the EU at Helsinki European Council, December 10-11, 1999 and a pre-accession strategy has begun for Turkey. This included the creation of accession partnership

documents, progress reports and participation in the European Community Programmes. In 2001, the government adopted its first National Programme outlining the measures to be undertaken for the adoption of Accession Partnership documents and the *acquis communautaire*. The National Programme of 2001 was revised in 2003 and is under revision again in 2007. Turkey started negotiations, in June 2006 after the decision of Council on 3 October, 2005 for the full membership. The latest Turkish National Programme underlines that focus should be placed on social dialogue. The EU Commission stated also, '*As regards social dialogue, no progress can be reported on the pending draft laws aimed at bringing the currently applicable Trade Union and Collective Bargaining, Strike and Lockout Laws in line with ILO and EU standards*'. The Council Decision of 23 January 2006 on the accession partnership with Turkey states that some of the country's short-term priorities are to "*establish conditions for an effective social dialogue by abolishing restrictive provisions on trade union activities' and to support social partners' capacity building efforts to increase their role in employment and social policy*" (Oke,Guray,2007;1).

Social dialogue is defined by the International Labour Organization (ILO) as; "*all types of negotiations, consultation or simply exchange of information between or among representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. It thus covers a wide range of bipartite and tripartite information, consultation and negotiation arrangements. Collective bargaining is one of the specific forms of social dialogue. Mainly two factors determine social dialogue capacity at company level, notably the size of companies and the legal environment*".

The EU Employee Participation System in Management Decision Making

The European corporate governance model is concentrated on 'stakeholder value' and includes the protection of employees. Greatest challenges of Europeanisation and globalisation process forced some MNCs' central managements to adopt themselves ongoing wide scale of the new EU company operating mechanisms and economic modelling.

The EU Member States have different systems of employee participation. Such as; Nordic, Anglo-Saxon, Germanic and "pluralist" systems. The systems influenced by a range of parameters such as; traditions, specific cultural features, different strategies and the relative strength of unions, employers and national policies in each country, produced a unique model of workers' representation. In some countries, protecting workers' interests lies exclusively within the remit of the unions, whilst in others there is a body elected by all workers or a mixed committee made up of representatives of the company management and the employees. Mixed committees chaired by the company management have to be set up in France, Luxembourg and Belgium, the 'Betriebsrate' in Germany, and their equivalents in Austria and the Netherlands, represents only the workers, who therefore also hold the chair. In a number of countries such as Italy, the arrangements agreed between both sides of industry have a greater importance. The approach by workers' representatives towards conflicts in all countries there is a trend towards less conflict (SDA and ETUCO,2004;2-3).

Today, the competitiveness of companies shouldn't be evaluated on the basis of the profit they are making for their shareholders. This is a traditional way. Employees have the right to be represented at company management in the EU. It is not only the social policy requirements it is also a part of good corporate governance (Kluge,2005;163-164).

The EWC Directive had created EWCs since 1996 and The European Company Statute Regulation and Directive in 2001 had created the European Company-Societas Europea (SE) which allows the involvement of the employees in decision making process since had come into force 8 October 2004 in the EU. This legislative framework forms the basis for the European Social model which is unique as a management system in the World (Vitols,2003;1).

The aim of the Directive was to promote voluntary agreements on the constitution and operation of EWCs and also the Directives requires MNCs to build a channel between their decision making centre and employees' representatives from other locations which are affected by the decisions taken. The management board of the SE may be divided to Anglo-saxon type; one-tier board and Continental European-type; two-tier boards which executive and supervisory with involvement of employees to reduce conflicts and encourage cooperation between management and employees. There are worker representatives on company boards of directors in many EU countries (European Foundation for The Improvement of Living and Working Conditions,2006a;1-2).

With regard to the scale of the workers' representatives' potential influence on company decision-making, there is a considerable spread of situations, varying not only from system to system but also from case to case. Basically, the following distinctions may be drawn: information, consultation and participation. But, most EWC agreements limit the EWC's scope to dealing with transnational matters. Most of these agreements aim to limit the negative employment consequences of the restructuring, most frequently through redeployment within the group and/or to its business partners (as at Unilever) or other external parties, or through measures such as retraining or using part-time work. Some even include compulsory redundancies. Avoiding plant closures is a stated aim of several of the EWC agreements. When employees are transferred internally or externally, agreements such as Unilever provide very concrete guarantees on their future pay and conditions. Where jobs are to be lost, the texts generally favour measures such as voluntary departures and early retirement plus natural wastage (Carley and Hall,2006;9-10-55).

For example, The Lafarge EWC agreement defines the mission of the EWC: *“to foster the exchange of ideas and dialogue between the management and employee representatives on all economic, financial and social issues which, due to their importance and their global nature, are likely to concern the Group companies located in Europe. The EWC is informed of the economic, financial position and outlook for the group, the development of markets, major investments, any significant changes in its scope of consolidation, developments in employment and its corporate social policies (employment, training, working conditions). It is also informed of the group's involvement in major European projects. Discussions which take place at EWC meetings may also contribute to the definition of common approaches in the field of employment, training and working conditions”* (European Foundation for The Improvement of Living and Working Conditions,2005;2).

Employee Participation System in Turkey

In the absence of a bipartite employee participation system or broad-based statutory participation system in Turkey, collective bargaining seems to have served as a only platform for a limited participation of employees. Non-existence of employee participation in most private enterprises is likely to hinder the proper implementation of the EU Directives at enterprise level. A useful development for employee participation in Turkey would be the extension of rights scope to allowing works council system covering wider issues such as training, productivity, quality, job enrichment, and work organisation (Dereli,2003;15-16).

Today, there is a limited single-tier or unitary board employee participation system in Turkey. When the last Turkish Labour Law was proposed there were some regulations requiring employee representation for information and consultation purposes as means of the EU regulations. But, when the Labour Law was finally adopted, it didn't contain these type of regulations, because, government representatives, trade union and employers' associations are jointly rejected the proposal related with to employee participation through works councils which to be operating besides the trade unions in 2003.

Some legal change and adaptation of EU legislation has been needed in the middle run in Turkey. This is a necessity with the ILO and EU dimension for Turkish industrial relation system. But, arrangements which are parallel to EU law have not been accepted and Turkey has to comply with the EU regulations to achieve full membership of the EU during the present accession period (Özcüre,2005;233-234).

Although, the EU regulations can be important for Turkish undertakings in two circumstances before the full membership; firstly, a multinational based in the EU and having a subsidiary in Turkey and the employee participation regulations will be effecting the Turkish companies during the EU-Turkey integration process. Secondly, a Turkish multinational company which is operating in two or more EU member countries and having totally 1000 employees and at least 150 employees each (Mozet,1996;166).

Workers participate through the union representatives, such as elected or nominated by unions. If elections are provided for in the statutes, all employees, members of a trade union, which has signed a collective bargaining, have a right to vote. Otherwise, there are nominations. Therefore industrial relation actors are not familiar with social dialogue. There is only one reason to be optimistic in the near future that the EU membership process will be supporting social partners to develop social dialogue arrangements in Turkey. It is the responsibility of the Ministry of Labour and Social Security (MoLSS) to develop the employee participation system which is similiar to the EU.

Legal foundations are Law Nr 2821 on trade union organisations and Law Nr 2822 on collective agreements. Set-up criteria in companies with a minimum of 5 workers, where a collective agreement has been concluded

with trade unions, the trade unions may nominate delegates. Public service employees are covered by a different system. Inter-establishment and/or group structure Composition in companies with: 5 to 50 employees: 1 delegate maximum; 51 - 100: 2 delegates maximum; 101 - 500: 3 delegates maximum; 501-1000: 4 delegates maximum; 1001-2000: 6 delegates maximum; over 2000: 8 delegates maximum (Çelik, 2007;409).

Protection rights of the employee representatives are legally accepted in Turkish Labour Law. Company-level collective agreements concluded by the trade unions exclusively cover wage issues and working conditions. Employee participation is insufficient both in legislation and in practice in the industrial relations system in Turkey. At sectoral level also, there is no provision by labour law. Bipartite employee participation system in private sector is inexistent. Representatives are directly elected or nominated by the trade unions. In case of cuts, plant closures, restructuring and redundancies consultation rights are not expected but, employee representatives are informed in Turkey (SDA and ETUCO,2004;13).

The key tools for social dialogue at company level in Turkey are information and consultation procedures in collective redundancy, and procedures for informing employees about employment and working conditions. Dispute settlement mechanisms, such as mediation and arbitration also appear to play a role in the collective bargaining process. Works council do not organised in companies (Oke,Guray,2007;6).

Also, EWCs will be necessary in multinational companies if Turkey joins with the EU. Turkey is increasingly harmonising its legislation in preparation for EU accession. Part of this harmonisation entails the adoption of the *acquis communautaire*, the legislation that all EU members must share as members of a social, political and economic union. Important parts of the *acquis* cover employee participation process itself even when being voluntary for companies must go beyond the *acquis communautaire* and other existing national legislation in the EU (Michael,Riedmann,Dinler;2006).

According to the Labour Law, Article 60, some committees do exist at company level, in which employee participation takes place. Employees participate and also involve in various joint boards and committees of enterprises through several legislated arrangements in Turkey. Such as participation of employees' representatives in the annual vacation committee (in companies that have at least 100 employees), the occupational health and safety committee (in companies that have at least 50 employees and have been operating for more than six months), disciplinary boards...etc. Workers' representatives sit on the high-level tripartite boards and general assemblies upon the request of the Ministry of Labour. Workers' representatives sit on the high-level tripartite boards and general assemblies upon the request of the Ministry of Labour, for instance, minimum wage board, the Supreme Arbitration Board and General Assembly of the Social Insurance Organisation. The Labour Council is also composed of representatives of the ministrie concerned, universities as well as employees' and employers' organizations (Çelik,2007;411).

The German type employee participation system progressed which it requires special attention due to its intensiveness and co-determination rights which was also, intensive at the Turkish state economic-enterprises (SEEs) in the past (Eren,2005;47). Employee participation established by Act No 440 dated March 1964, which was a limited form of workers participation in the management boards of SEEs in Turkey. Their establishments started the discussions extending the outcome to private sector. Government attempted to enlarge the scope of participation and prepared several draft bills, but a several reason proposals did not accepted in 1978. There is only a single example of it in the history of industrial relations i.e. the 'Social Agreement' that was made in July 1978 between the government and the largest trade union confederation Türk-İş to create an employee participation system. The parliament abolished the participation rights in the Turkish SEEs after the military rule of 12 September 1980 in 1984 (Dereli, 2006;379)

According to the database of the ETUI-REHS 2006, totally 445 of all MNCs covered by the EWC directive have operations in Turkey. Moreover, among the approximate total of 169 MNCs have existing EWCs, nearly 38 % of the MNCs had operations in Turkey.

DESCRIPTION OF THE SURVEY SAMPLE AND METHODOLOGY

The starting point of the sample selection was the ETUI-REHS 2006 EWCs database which includes 445 multinational companies and selection criteria was MNCs which have subsidiaries in Turkey. This database includes largest internationalized companies of the world including 5 Turkish companies. We selected the MNCs among the companies operating in İstanbul, Kocaeli, Bursa and İzmir provinces which are the most industrial cities of Turkey. An effort was made through searching the MNCs' telephone numbers and web sites, and later we made telephone calls to MNCs' HR department managers, interviews and e-mailings. We

concluded the research by contacting 5 Turkish companies and 30 MNCs by telephone to learn contacting e-mail address of the HR managers and then we sent a questionnaire by e-mail to them. In all, 35 valid responses were received. Five Turkish companies' HR managers could not send back a completed questionnaire due to none presence of the EWC.

At statistical reseach, if the unit number is at least $N=30$, then the population mean is acceptable and considered to be normal (Serper, 2000;36). First of all, we asked companies' HR managers if their company has any employee representative attending the central EWC meetings or employee representatives from Turkey as an EU-candidate country are attended to be included at the EWC established at the head quarters of the company. If the answer was yes, then a questionnaire had been sent to them to discover the details as the country of origin, sector, consultation and information subjects which the EWC deals and name of the EWC and establishment year and an analysis of the actual functioning of EWC structures in Turkey. The survey has been concluded between the period of February 2007 and March 2008.

EWC Survey Results and Case Studies Related to The Multinational Companies Operating in Turkey

There are already total 445 MNCs which are falling the scope of EWC regulations operating in Turkey. The EWCs and other employee participation procedures will be issued if the MNCs decide to choose a system of participation of Turkish employees and accept their representatives from their subsidiaries located in Turkey (Özcüre, Demirkaya, 2007; 633-643).

The survey sample selected as 35 MNCs from the ETUI-REHS 2006 EWC database, which contains the name of these MNCs which the country of origins are; one of them from Sweden, two of them from Italy, three of them from the Netherlands, Japan, the UK, the USA and Switzerland, four of them from France, five of them from Turkey and eight of them from Germany. The MNCs are selected which varies employing at least thousands of employees to hundred thousands of employees within the AEA, for example, Siemens employs 330.510 employees within the EEA.

The survey results which has been summarised at below Table 1 shows us that 10 MNCs are already have a Turkish representative at the EWCs as an observer or a guest sit. But, the participation rights of the Turkish representatives are not equal to the representatives of the AEA countries which the employees are represented as full member in the EWCs. The name of EWCs having Turkish representatives at the survey are such as; Areva EWC, Bosch Siemens Hausgerate European Committee, Bayer European Forum, Cognis EWC, Dow European Employee Forum, Festo EWC, Honda European Communication and Consultation Group, Merloni EWC, Metro Euro Forum and United Biscuits European Consultative Council. The other EWCs are still do not have any Turkish representative from Turkey.

According to ETUI-REHS 2006 EWC Database, Turkish companies which are having subsidiaries within the AEA and fulfilling the thresholds to issue an EWC are such as; Arçelik A.Ş., Koç Holding, Doğan Holding, Maser Holding and Şahinler Holding. They are falling in the scope of EWC Directive and must set up an EWC or other procedure upon request of 100 employees or management initiative in the EU or in Turkey to come first owner of the Turkish EWC. If a Turkish undertaking employs at least 1000 employees and least 150 employees within the two Member States of the EU, the regulations are applicable for this part of the group. These companies are also can form a SE in the future after deciding the employee participation structure. We have made interviews by face to face with the Turkish company, Arçelik HR manager and others by telephone and sent the questionnaire by email.

Belove Table 1 shows us that none of the these Turkish companies are established an EWC yet in Turkey. As our survey results clearly shows us that foreign MNCs are increasingly accepting members from their Turkish subsidiaries at the EWC meetings. This means that the integration of the representatives from Turkey is going to be a highly relevant issue for most EWCs. Already 10 MNCs have employee and management side representatives in the EWCs among examined 30 MNCs. We can estimate to seeing an increased number of EWCs accepting representatives from Turkey in the future. Although diversity of cultures, languages and different concepts of participation will characterise their concept.

This study has found that some of HR managers of the MNCs feel that EWCs are little or no value added for their company. In contrast, a second group of HR managers feel that EWCs have positive effects on communication with employees, on employee acceptance of management decisions and on the quality of decisions which management makes. Finally, this survey discussed also, for a possible time table to establish

an EWC in Turkey which is foreseen by the HR managers of the MNCs and we found out that some of HR managers are stated that it would be only possible after the full membership of Turkey. As Renault and other EU based MNCs also stated by the same way.

Table 1: The List of MNCs which has Subsidiary/ies in Turkey Selected from the ETUI-REHS Database 2006 with or without Establishing the EWC and Their EWC Representatives Position From Turkey

EWC Name	Country	Multinational Company Name	Date of Establishment	EWC Representatives from Turkey	Employees in the EU and in the EEA
ABB Employees Council Europe	CH	ABB (apa)	08/07/1996	No	103.000
Akzo Nobel European Forum	NL	Akzo-Nobel	20/02/1997	No	35.780
Areva EWC	FR	Areva	03/12/2003	Yes	65.583
Autoliv European Employee Council	USA	Autoliv	16/05/2000	No	17.732
BASF Euro Dialog	DE	BASF	24/05/1994	No	86.032
BP Chemicals European Employee Forum	UK	British Petroleum	02/06/1994	No	31.279
Bosch Siemens Hausgerate European Committee	DE	Bosch Und Siemens Hausgeräte	09/09/1996	Yes	23.956
Bayer European Forum	DE	Bayer Group	04/10/1994	Yes	113.000
Carrefour EWC for Information & Consultation	FR	Carrefour	31/07/1996	No	108.572
Cognis EWC	DE	Cognis	2001	Yes	7.800
Dow European Employee Forum	USA	Dow Chemical Co	02/09/1996	Yes	17.070
DaimlerChrysler EWC	DE	Daimlerchrysler	25/07/1996	No	298.913
Festo EWC	DE	Festo	1998	Yes	4.854
Fortis EWC	NL	Fortis	20/09/1996	No	35.069
Glaxo SmithKline European Communication Forum	UK	GlaxoSmithKline	25/06/1997	No	46.000
Goodyear European Information and Communication Forum	USA	Goodyear	02/06/1999	No	24.783
Henkel Employee Committee for Europe	DE	Henkel	15/09/1994	No	25.424
Honda European Communication and Consultation Group	JP	Honda	01/03/1995	Yes	7.166
Japan Topacco EWC	JP	JTI	05/04/2000	No	36.465
Lafarge EWC	FR	Lafarge	08/12/1994	No	27.986
Merloni EWC	IT	Merloni Elettrodomestici	21/09/1993	Yes	4.136
Metro Euro Forum	GE	Metro	11/10/1999	Yes	26.490
Pirelli EWC	IT	Pirelli	03/11/1998	No	9.084
Renault Group WC	FR	Renault	05/05/1995	No	98.917
Roche Europa Forum	CH	Roche	19/04/2000	No	17.960
Siemens Europa Committee	DE	Siemens	23/10/1995	No	330.510
SGS European Forum	CH	SGS	16/09/1996	No	50.000
Toyota European Forum	JP	Toyota Motor Co.	10/07/1996	No	118.704
TeliaSonera EWC	SE	TeliaSonera	21/06/2005	No	16.561
Unilever EWC	NL	Unilever	20/09/1996	No	33.133
United Biscuits European Consultative Council	UK	United Biscuits (Holdings)	09/11/1994	Yes	24.801
No	TR	Arçelik A.Ş.	-	No	10.959
No	TR	Doğan Yayın Holding	-	No	2.880
No	TR	Koç Holding	-	No	93.808
No	TR	Maser Holding	-	No	6.000
No	TR	Şahinler Holding A.Ş.	-	No	9.000

Source: The ETUI-REHS Database 2006.

As the questionnaire received from the Areva, we are able to see clearly the view of the HR managers which, The **Areva EWC** was established in 2003 and has representatives from Turkey, representing both Turkish employees and Turkish subsidiary company Areva TD Enerji Endüstrisi A.Ş. management and an employee representative of blue collar worker and HR manager attends to the Areva EWC meetings. The main topics discussed at recent EWC meetings are such as; acquisitions and mergers, allocation of work between plants, changes in company organization, company's economic and financial position, employee benefits, health and safety, investment programs, language training, location of new plant, plant cutbacks or closures, training and

retraining and vacations. Areva HR department has described EWCs as a useful tool for company management and it is a necessary legal obligation in the EU and AEA Countries and EU candidate countries also must be included. The HR manager feel that EWCs have somewhat positive effects on communication with employees, but, little or no effect on employee acceptance of management decisions and on the quality of decisions management makes and no important effect on the implementation of new business strategies.

The **Unilever EWC** is established in 1996, today comprises 36 representatives delegated by employees from 20 countries. As a platform of information and consultation with the European Unilever Management includes members from the EU and AEA. Therefore this EWCs have not any member from Turkey, yet. That would only come into focus as soon as Turkey enters the EU (European Foundation for the Improvement of Living and Working Conditions,2006;5). Like Renault, Telia Sonera, Toyota, Siemens, Roche, Pirelli and other MNCs operating in Turkey replied by the same way (Jagodzinski *at al.*;2006).

The **Metro Euro Forum** established in 1999 according to applicable German Law has a Turkish EWC member, representing Turkish employees of Metro Stores and Cash and Carry Retail Markets from Turkey. Employee representatives meet once every year (ETUI-REHS EWC Database,2007).

The **Bayer** European Forum was set up in 1991, based on a written agreement between the company works council and Bayer AG's central management. The agreement covered the large Bayer production companies in Belgium, England, France, Italy, and Spain, as well as Bayer AG, the parent company at that time. In October 1994, the original agreement was replaced by an agreement between the group works council and the central management of the Bayer Group.

Today, the Bosch Group has about 300 subsidiary companies with a global workforce of roughly 260,000. The **Bosch EWC** was established in 1998 and has been amended by two protocol notes since then. Agreement includes members from Switzerland and Turkey as non-EU countries with guest status. The daily business of the Bosch EWC is run by an Executive Committee composed of three members (the German chairperson of the EWC plus two members elected by EWC delegates) (European Foundation for the Improvement of Living and Working Conditions,2008).

The Merloni Group's EWC performs a mainly informative function. In the case of the restructuring in Portugal, the EWC members received the information on the company reorganisation one year before the concrete implementation of the company strategy. The commitment expressed by the company in regard to resolving the problem of any employment cuts. The management considered it to be worthwhile extending the chance to join the EWC to Poland, Turkey and Russia.

CONCLUSION

The Europeanization and globalization of markets created important challenges of MNCs operating under the conditions of the custom union between the EU and Turkey. Turkish companies are increasingly evolving on a European scale, weaving increasingly complex business and financial relationships with one another, restructuring their activities and relocating many activities to regions with 'cheap' labour advantage. Nowadays, also, a few hundred giant multinational companies becoming to control major shares of Turkish companies and influencing and benefiting from it. The negative effects of these company operations will be reduced through the establishment of EWCs and employee participation system. Turkey aims to become a full member of the EU. All the preparations for this aim related to Turkish economy must be focused on the current economic model and implications for a smooth integration. The questions which are related to company operating mechanisms are gaining significance. The EU corporate governance model also, considered as to an opportunity linked closely to economic growth of Turkey. Employee participation will enhance also Turkish companies and subsidiaries of the MNCs' stability and competitiveness operating in Turkey.

There is single-tier or unitary board employee participation system in Turkey and union monopoly is occurred at workplaces and undertakings which is not equal to EU two-tier employee participation system. Employees participate in various joint boards and committees of enterprises through several legislated arrangements in Turkey. Participation of employees' representatives in the annual vacation committee, the occupational health and safety committee occurs but, these rights are not progressed and not equal to EU regulations. For increasing the participation rights and a smooth adoption of the EU information and consultation rights, it must be guaranteed by the Turkish Constitution, then Turkish Labour Law No 4857 dated 10 June 2003 must be amended for the establishments which are employing at least 20 workers and undertakings which are

employing at least 50 workers to setup works councils. This bodies also may be composed by the employer representatives as well as the employee representatives of MNCs and Turkish companies.

APPENDIX

CONFIDENTIAL

QUESTIONNAIRE

Employee Participation in Turkey and European Union: European Works Councils (EWC) and Human Resource Management in Multinational Enterprises

The survey prepared for the **4th. International Strategic Management Conference, June 19-21,2008, Sarajevo, Bosnia and Herzegovina**. Your response will be treated completely confidentially. Please return filled-out questionnaire by **17 April 2008 to:** Asst.Prof.Dr. Gürol ÖZCÜRE, by e-mail:gurolo@omu.edu.tr or e-mail to:hdk5828@gmail.com or by mail to: Ordu University, Ünye Faculty of Economics and Business Administration, Gölevi Mevkii, Devlet Sahil Yolu Uzeri, 52300 Ünye, ORDU, TURKEY.or by mail to Asst. Prof. Dr. Harun DEMİRKAYA, Kocaeli University, Gebze Vocational School, Gebze, KOCAELI, TURKEY Contacting Tel: +90 452 323 82 55 Fax: +90 452 323 82 56 or mobile phone:0532 683 95 16.

1. Name of company _____

2. Central Managements' Name of European Works Council (EWC)
_____ and Foundation year of your Central Managements' European
Works Council (EWC) _____

3. Are employee representatives from Turkey as an EU-candidate country included at the EWC?

- .. Yes
- .. No

4. If the answer is yes, management and employee attendees at recent meetings (*please check all that are applicable*):

- .. Personnel/HR director
- .. CEO
- .. Division head(s)
- .. Employee Representative
- .. Other (please specify) _____

5. If the answer is yes, main topics discussed at recent EWC meetings (*please check all applicable*):

- .. Acquisitions and mergers
- .. Allocation of work between plants
- .. Changes in company organization
- .. Company's economic / financial position
- .. Employee benefits
- .. Employee mobility between countries
- .. Health and safety
- .. Investment programs
- .. Language training
- .. Location of new plant
- .. Manufacturing or work methods
- .. Plant cutbacks or closures
- .. Training and retraining
- .. Vacations
- .. Wages
- .. Working time

6. If the answer is yes, which best describes your view of the EWC?:

- .. It is a necessary legal obligation in the EU Memeber and AEA Countries and EU candidate countries also must be included.
- .. It is a responsible partner for co-managing the company
- ..Other (please specify): _____

7. If the answer is yes, please rate the impact of your EWC on:

a) Communication with employees				
improves significantly	improves somewhat	no significant impact	worsens somewhat	worsens significantly
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Acceptance of management decisions by employees				
improves significantly	improves somewhat	no significant impact	worsens somewhat	worsens significantly
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Quality of management decision-making				
improves significantly	improves somewhat	no significant impact	worsens somewhat	worsens significantly
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Speed of decision making in the company				
increases significantly	increases somewhat	no significant impact	decreases somewhat	decreases significantly
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Implementation of new business strategies				
improves significantly	improves somewhat	no significant impact	worsens somewhat	worsens significantly
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Thank you for the time you have taken to fill out this questionnaire.

Would you like to receive a copy of the study? .. Yes .. No

Would you be willing to share your experiences with and thoughts on EWCs with us in a face-to-face interview? .. Yes .. No

If either of the last two answers was "yes", please attach a business card or provide the following contact information: Name _____

Address _____

Tel. Nr. _____

Email _____

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RELATIONSHIP BETWEEN STRATEGIC MANAGEMENT AND TOTAL QUALITY MANAGEMENT HOW CAN TQM BE IMPLEMENTED IN THE SERVICE SECTOR CASE STUDY: VIENNA GENERAL HOSPITAL

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ABSTRACT

The main object of this paper is to study the relationship between Total Quality Management (TQM) and strategic management and analyze similarities and differences between them. Although they both have some common steps in implementing, there are crucial differences as well. Strategic management is a system that focuses on the needs of an organization and specifies objectives to meet these needs. If the needs of an organization are high quality goods and services, the objective will be to implement TQM in the organization. In this respect, it can be concluded that TQM is included in the strategic management concept.

INTRODUCTION

How close are Strategic Management and TQM?

Strategy is defined by Chandler (1962; 13) as the determinator of the basic long-term goals of an enterprise, and the adaption of courses of action and the allocation of necessary resources to carry out these goals. When the strategy is applied to the real life we may talk about strategic management, which is the analysis of internal and external environments of a firm to maximize the utility taken by using available resources to meet the objectives of a firm (Bracker, 1980; 221). Strategic Management is a long-term process in which the objectives of an organization are specified, policies are developed, plans are made to achieve the goals and resources are allocated to implement the policies and plans. It also includes the assessment of the environment, mostly of competitors, their weaknesses and strengths to be able to meet the existing as well as potential threats (Lamb, 1984; 9). Strategic management can be implemented in three different ways, which are bottom-up, top-down or collaborative processes. Among them top-down approach is the most common one.

Igor Ansoff contributed to strategic management by developing the “gap analysis”, in which he says that one should understand where he stands currently and where he wants to reach exactly. Then, he should take the required steps that will fill in the gap between two situations. Gap reducing actions are still used in different fields of management as the actions that are taken to meet the goals of organizations. A further contributor Peter Drucker (1954) developed the theory of management based on objectives, by defining an organization without clear objectives like a ship without a rudder.

On the other hand, Total Quality Management (TQM) which was introduced first by Deming and Juran to the Japanese industries in the 1950s and contributed extensively to the Japanese wonder is a management method which is achieved through the involvement of all employees within an organization. TQM is a continuous improvement process in which quality is the main goal and the satisfaction of employees, customers and the whole society is considered highly important. (Pfitzinger, 2002; 5) According to the TQM philosophy, quality of products and services should be assured for internal and external customers and this quality should be improved continuously. Moreover, cost reducing actions should also be taken to be able to offer high quality goods and services with reasonable prices. TQM has changed widespread views about management systems by focusing on long-term decisions instead of short-term ones, by giving the first priority to the service quality and costs and by trying to prevent failures instead of detecting them. Problems are solved by means of teams instead of managers only. The manager’s role is to coach, facilitate and mentor the teams, not only to give orders and to control the employees. (Besterfield, 2003; 3)

When we compare strategic management and TQM we see that they have similar steps. (See table 1) To implement both, the current situation should be analyzed first, and then objectives should be set. At the same time, required resources should be allocated to meet specified objectives. Although implementation steps are similar, strategic management has a broader perspective. After analyzing the current situation and setting the goals, strategic management requires that a strategic and tactical planning should be made. This step is the heart of strategic management but it is missing in TQM, which can result in failures that could be avoided if foreseen. Strategic Management and TQM both require working in teams, including employees in decision making processes and training them if necessary. The role of manager is very important in both, but it seems that under TQM manager's role is shared within the team more. Following implementation phase, even if organization becomes successful in meeting objectives the process does not end under strategic management and also under TQM. There can be new competitors and new challenges, therefore the organization should always monitor the environment and improve itself to meet new challenges.

Strategic Management		Total Quality Management	
Steps		Steps (Malorny 1999; 382)	
1- Environmental and situational analysis (Bracker, 1980; 221)	External environment: socio-cultural, technological, competitive, political, legal, economic and physical environment (Thompson, 1967 cited in Ginter and White, 1982; 257) Internal environment: technology, tasks, objectives, culture of the organization (Ginter and White, 1982; 257)	1- Sensitivity	Preparation for TQM; Content of changes to improve quality; Defining objectives and non-objectives (this is done with employees); Setting a quality policy; Training employees and managers if needed; Developing a vision for the firm; Formulating processes; Deciding about core and key processes
2- Set goals and strategies (Lamb, 1984; 9)	How to meet all existing and potential competitors?		
3- Strategic Planning	Details of how to achieve the goals, which tactics should be used		
4- Implementation	Functional coordination, establishment of teams, training, assigning responsibilities, resource allocation, monitoring results, organizational control, supervision (Ginter and White, 1982; 253)	2- Implementation	Pilot projects are spread vertically through all levels and horizontally through all departments
5- Reassess each strategy regularly to see success or failures (Lamb, 1984; 9)	Is there any need to replace existing strategies with new ones? Can this strategy adapt to changing circumstances, new technologies, new competitors; new economic, social, political and financial environment? (Lamb, 1984; 9)	3- Stabilization	Regular measurement of improvements; Assessment of success and failures; How to improve the situation? Successful steps are repeated and innovations encouraged.
		4- Excellence	Continuous improvement in day-to-day activities; Failures are detected and eliminated; Employees and processes focus on idea generation

Table 1: Steps required in implementing Strategic Management and Total Quality Management

Strategic management is a system that focuses on the needs of an organization and specifies objectives to meet these needs. If the needs of an organization are high quality goods and services, the objective will be to implement TQM in the organization. So, it can be concluded that strategic management is an umbrella over

TQM. One survey that is made by Peters and Waterman (1982) supports our idea. They carried out a study among 62 firms to see what makes a company successful and found out that there are eight main factors that lead to success. Four of these factors are also needed to implement TQM. These four keys are customer focus, productivity through people, value oriented CEOs and simultaneously centralized and decentralized organization.

IMPLEMENTATION OF TQM IN THE SERVICE SECTOR CASE STUDY: VIENNA GENERAL HOSPITAL⁴

In this part of our study we will focus on the implementation process of TQM in Vienna General Hospital and evaluate steps taken from the perspective of Strategic Management in the discussion part.

Vienna General Hospital (VGH) is one of the three largest and most modern hospitals within the whole Europe whose history goes back to three hundred years to the Emperor Leopold II times. This hospital has 2206 beds and employs 9087 people. Among those employees 1501 are doctors while other 2776 work for nursing services. According to the numbers from year 2002, frequency of stationary patients is 1.992.454 each spending 6,09 days in the hospital on average. The average number of operations per year is 46719.

The Story of Quality Management in VGH

In 1993 all hospitals in Austria were obliged to take necessary actions to ensure the quality standards that were defined by the law to provide a healthy environment for patients. Following this law a Quality Assurance Commission was founded with 53 members from different departments of hospital.

In 2002 Strategic Planning and Quality Management (SP&QM) department was set up and started functioning. This department defined firstly strategic concepts and goals to implement in the hospital and also to improve it further. They developed Quality Management measurements and coordinated projects among different departments. Moreover, one very important function of this QM department was to encourage teamwork among all departments' quality managers. Other goals of SP&QM are:

- To develop improvement plans to increase efficiency
- To develop a Quality Strategy in consistency with the Head Office of the Organization of Hospitals in Vienna
- To conduct business analysis
- To serve the interests of Vienna General Hospital by attending projects in different working-environments
- To consult, coordinate and support all Quality-related activities within the hospital

Strategic Planning and Quality Management consists of Project Development (PQM), Quality Management Systems (QMS), Quality Management for nursing services (PDR-QS), trained Quality Managers (QM) and Quality Assurance Commission (QSK). The structure is given by Figure 1.

⁴ The information given in this part relies upon interviews conducted with the director of Quality Management Department in Vienna General Hospital and also Quality Managers from different departments as well as their internal documents.

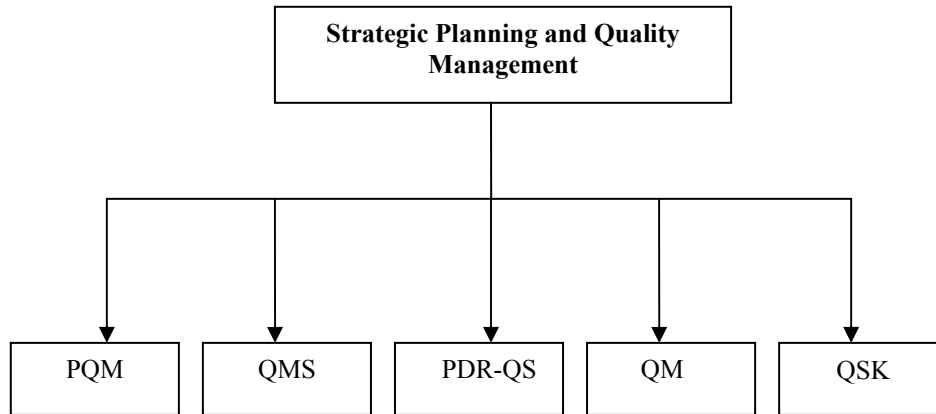


Figure 1: Subdepartment of Strategic Planning and Quality Management, Resource: SP& QM, VGH, Vienna

Total Quality Management in VGH

The long-term objective of Vienna General Hospital is to implement a continuous improvement process in all departments which is a very comprehensive and complicated task for a hospital that large. Therefore, they started quality improvements with ISO 9000 certificates by thinking that ISO 9000 would be a steppingstone for TQM. The philosophy of Quality Management for VGH consists of the following:

- Customer satisfaction
- Employee-satisfaction
- Continuous improvement of all processes
- Process oriented approach

In implementing ISO 9000 and following the way to TQM, VGH tried to make all processes more transparent and included not only processes that are directly related to the customers but also other processes such as recruitment, training of employees, accounting etc.

Requirements of TQM

The role of the manager is the most important factor in implementing Quality Management System that functions very well. TQM has its own language and the first person that should understand this language is the manager himself. After then, it will be very easy to spread this idea to the subordinates and convince them. A network of people who are convinced and trained for TQM is considered as the motor in implementing TQM. Another factor is clearly defined goals such as where to reach, to whom to serve, which jobs does each department have, and with which hospitals to cooperate etc. The goals defined in VGH were clear to understand, possible to realise and consistent with the framework of the hospital.

The most important resource of a hospital for a long-term journey to TQM is its employees. All services to the patients are performed through employees, therefore, the recruitment and further training of VGH staff is paid a special attention.

Benefits from TQM to VGH

Although VGH doesn't suppose that TQM can be fully implemented in an organisation, they experienced some advantages of this process on the way to TQM. We can categorize these benefits for different interest groups.

- **Employees:** In VGH all employees were integrated into the continuous improvement process. Transparent processes, clearly defined competences and teamwork regardless of hierarchical and departmental borders made it simpler to make improvements within the hospital.
- **Patients:** QM-team of VGH thought that without involvement of patients quality improvements will not be complete. Therefore, through surveys and involvement of patients VGH tried to improve all processes so that expectations and needs of patients are being satisfied.

- **Services and stakeholders:** Goals of all processes and appropriate measures were defined to control process effectiveness/performance. For all business processes yearly improvement goals were defined and at the end of the year results were compared to the goals.
- **Departments:** Having good relations with suppliers, open communication, learning from the failures, process approach, corporate identity, educated and highly-motivated staff can be counted as benefits of TQM.

How to Motivate Staff?

In VGH staff is very important in the functioning of the whole system, therefore following measures were taken to increase their motivation:

- Participation in the congresses
- To support them for further education
- Contact with other departments to acquire knowledge
- To give a chance to make international contacts such as exchange programs in Austria and Europe.

Through these activities satisfaction of VGH staff increased and they now know their responsibilities and sphere of competences better. Furthermore, because VGH is a very large hospital, informative meetings are arranged twice a year in which new personnel was informed about all departments and their functioning to know where to apply when they have any problems.

Training of Quality Managers

Since 1997, many employees and also director of the hospital were trained to be Quality managers to build Quality Management System (QMS) in their own departments. The benefits of QMS are:

- Clear objectives
- Concentration on value creation
- Selective resource management
- Further development and improvement
- Analysis of workflows

Since 1997 all departments in the hospital have been in quality improvement process. VGH started with ISO 9000 to its improvements, because ISO 9000 was seen as a step to achieve TQM. As the hospital is very big and has many departments, each department obtained the ISO 9000 certificate separately. Strategic Planning and Quality Management department and also Top Management supported each department on the way to ISO 9000 certificate and to TQM by consulting, offering financial support and answering all kinds of questions related to the Quality Management. In the following part of this study we will have a detailed look into the Quality Management System of Technical Administration in VGH. Information given here was gathered through interviews during our internship in VGH.

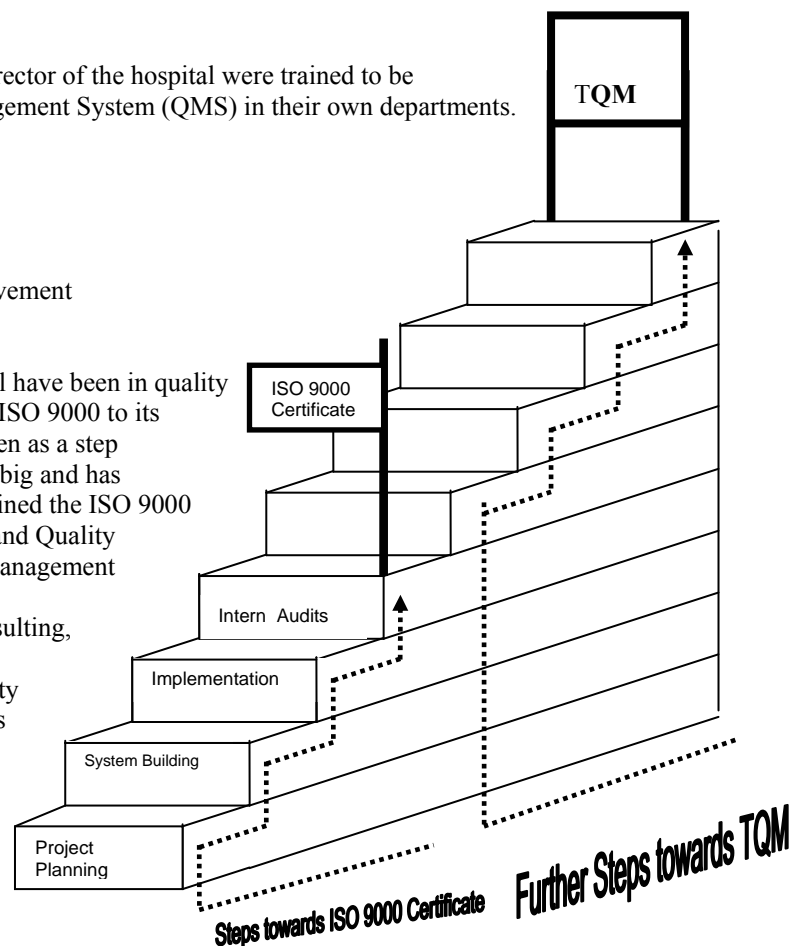


Figure 2: From ISO 9000 Certificate towards TQM

Technical Administration in VGH

Technical Administration is one of the four largest subdepartments in VGH with 50 employees. This department is responsible for managing all technical issues within the hospital. In addition to setting short and long-term goals, financial and technical controlling duties, they are supposed to perform qualified

operational services. Furthermore, technical administration supports other clinics and institutes in project development and preparation phases. Other duties of Technical Administration are:

- Supply and implementation of medical-technical equipment
- Support in investment and re-investment planning
- Energy management
- Budget and performance supervision/controlling
- Maintenance supervision/controlling

The objective of the technical department is to satisfy the expectations of its stakeholders. When quality improvement process started in 2000, quality policy and goals of this department were defined in an “interested parties workshop” and each year they are updated by the director of the department through management reviews.

How was QM-System set up in Technical Administration?

Technical Administration department took all the necessary steps towards ISO 9000 and TQM but they did not apply for ISO 9000 certificate. They built a QM-system so that when the certificate is required it is just necessary to apply for the certificate without any other struggle. The objective of technical administration was to build a TQM-system, not to take ISO 9000 certificate. Following steps were undertaken to build QM-system in the technical administration department:

- Define stakeholders: Who are our customers, owners, suppliers, staff and society?
- Define objectives and not-objectives internally: Objectives were, for example, to satisfy stakeholders, to work economically, to care about the environment and to supply an appropriate medical- technical service to the users.
- Determine on quality policy
- Formulate processes
- Decide about core and key processes
- Implement a continuous improvement process which includes improvements, deviations from workflows, preventive and corrective actions. For example lateness of one employee was a deviation whereas advertisements within the hospital were improvements.
- Arrange a workshop with stakeholders to learn about their expectations and get a feedback about so far taken steps.
- Collect figures of current situation
- Measure and improve continuously.

Problems and Their Solutions in Building a QM-system

In the preparation and implementation phases of TQM, problems experienced and their solutions are as follows:

- **Convincing staff:** Documentation requires a lot of time, therefore it was difficult to explain its purpose to the staff.
- **Deciding on a documentation system:** To solve that problem, technical administration installed their own drive, which is called Q-Drive and all quality related documents were saved in. It was easy and simple for the staff to have an access to their own documents but in Q-Drive only quality manager could change any data.
- **Interfaces among departments:** Interfaces between departments create time and information losses, therefore they were obstacles in building a QM-system.
- **Collecting figures:** At the beginning it was difficult to measure and report everything in numbers. However, after collecting the first data, it has become a routine.

Important Factors in Building and Maintaining QM-system

The first requirement in implementing a QM-system is the support of top management. Other important factors are:

- To convince and motivate staff
- To have an access to necessary resources
- Building a reward system.

Audits and Management Review

Although technical administration does not have ISO 9000 certificate and does not have to carry out audits, they invite auditors to evaluate the department once in a year and to see where they stand on the quality improvement process.

DISCUSSION

When we analyze the steps taken to implement Quality Management System in VGH from the perspective of TQM and Strategic Management, we can see that VGH fails to pass the test for Strategic Management. Our analysis is done by comparing the steps taken with the required steps in Table 1.

Since VGH set up Strategic Planning and Quality Management instead of a pure Quality Management department, even in implementing TQM, they fulfill some requirements of strategic management too. When we try to adapt the actions taken after the foundation of SP&QM department to the steps required for strategic management, we see that VGH took steps 1,2,4 and 5 but failed in step 3, which is strategic planning. They defined strategic concepts and goals and developed their Quality Strategy but did not make any strategic plan nor developed tactics to deal with the problems they will face during and after the implementation phase. If we compare the steps taken to the required steps for TQM, we can say that VGH fulfills most of the requirements but we do not have enough information about the fourth step, excellence.

Lastly, steps undertaken by technical administration are compared to the steps in Table 1. The picture is very similar to above mentioned one. In answering the question of whether technical administration fulfills the requirements for strategic management, we detect some problems in the first and third step. Technical administration department does well by defining its stakeholders but they – at least in their explanations- did not include their competitors in this definition. Without knowing about competitors strategic plan cannot be complete. Moreover, they did define their quality policy, objectives and non-objectives; however, they did not set any strategies nor make any strategic planning. Other steps taken can be adapted to the phases of strategic management without problems. On the other hand, technical administration fulfills the requirements of TQM but we do not have enough information about the fourth step.

CONCLUSION

In this paper we tried to show that strategic management and total quality management have similar steps although there are a few very basic differences such as strategic planning and definition of strategies. Table 1 summarizes our findings briefly. Later, we gave an example of implementation of TQM in Vienna General Hospital and analyzed steps taken from the perspective of strategic planning and TQM. Quality Management department of the hospital is not only Quality Management but its name and functions suggest that it is Strategic Planning and Quality Management. Therefore, even if they did not intend to follow strategic management instructions but tried to set up just a Quality Management System, their actions can be analyzed from the perspective of strategic management as well.

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THE IMPACT OF CONTEXTUAL FACTORS ON TOTAL QUALITY MANAGEMENT PRACTICES

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ABSTRACT

There are mixed results about the effect of the contextual variables on the total quality management (TQM) practices. This study investigated contingency effects of firm size and firm type on quality management practices. For this purpose, we identified TQM variables as leadership, employee management, information and analysis, supplier management, process management, customer focus, and continuous improvement after reviewing the literature. The study used cross-sectional survey methodology and sent 500 questionnaires to ISO-9001:2000 certified firms in different industries in the Marmara region in Turkey in the years of 2005 and 2006. The results show that firm size statistically significantly affects TQM practices. Large firms implemented employee management, information and analysis, supplier management, and continuous improvement practices more intensively than small firms. The results also show that firm type does not statistically significantly affect TQM practices. One exception was that manufacturing firms implemented information and analysis practices more heavily than service firms.

Key words: Total quality management, firm size, firm type

INTRODUCTION

Total quality management (TQM) is a holistic quality improvement approach to firms by means of continuously improving products, services, people, processes, and environment involving all employees to satisfy customers and maximize competitiveness of the firms. The benefits of TQM are improved customer satisfaction, quality of goods and services, productivity, delivery times, employee participation, and employee satisfaction as well as reduced waste, inventory, cost, product development time, and work-in-process among others (Evans and William, 1993; Lowery et al., 2000; Besterfield et al., 2003; Goetsch and Davis, 2006).

While there are many success stories of TQM practices, some authors (e.g. Douglas and Judge, 2001) have claimed that TQM practices failed. Some reasons of TQM discontinuance were being context-dependent, lack of senior management commitment, lack of understanding of TQM, and lack of involvement of employees in TQM practices, lack of planning for quality, lack of resources of small firms for quality, and lack of customer focus (e.g. Sila, 2007, Bohan, 1998; Masters, 1996; Whalen and Rahim, 1994; McCabe et al., 1998; cf. Smith et al., 1993; Taylor and Wright, 2003; Sebastianelli and Tamimi, 2003). In conjunction with this, the knowledge of quality context is useful in predicting the level of TQM practices since the perceptions of ideal and actual quality management practices change with the business units' quality context (Benson et al., 1991) and inertial forces may prevent to implement TQM practices while TQM practices are imperative to become competitive (Shah and Ward, 2003). The intensity of TQM practices depends on the versions of industry sectors, market conditions, organization sizes, and the stages of quality development (Hills, 1995). Although TQM philosophy states TQM is universally applicable and homogenous, TQM practices are contingent with and tailored according to the context of the organization (cf. Prajogo and Sohal, 2001).

There are mixed results about the effect of the contextual variables on the TQM practices (e.g. Benson et al., 1991; Shah and Ward, 2003; Taylor, 1998; Shrivastava et al., 2006; Anderson et al., 1995). For example, Benson et al. (1991) found most of the contextual variables did not statistically affect TQM practices although TQM practices were not context free.

Some scholars (e.g. Sila, 2007, Shah and Ward, 2003; Prajogo and Sohal, 2001, 2004) suggest study the effect of the contextual factors such as firm size and firm type on the TQM practices in the future studies. The objective of this study was to investigate the contingency effects of firm size and firm type on the quality management practices.

LITERATURE REVIEW AND STATEMENT OF THE HYPOTHESES

We identified the TQM variables as leadership, employee management, information and analysis, supplier management, process management, customer focus, and continuous improvement after reviewing the literature. Specifically, we adopted the items for customer focus practices from the studies of Rahman and Bullock (2004), Chong and Rundus (2004), and Fuentes et al. (2004); the items for leadership practices from the studies of Cua et al. (2001); the items for employee management practices from the studies of Cua et al. (2001), Rahman and Bullock (2004), and Fuentes et al. (2004); the items for process management practices from the studies of Cua et al. (2001) and Saraph et al. (1989); the items for continuous improvement practices from the studies of Saraph et al. (1989), Rahman and Bullock (2004), and Fuentes et al. (2004); the items for information and analysis practices from the studies of Saraph et al. (1989), Cua et al. (2001), and Fuentes et al. (2004); the items for supplier management practices from the studies of Rahman and Bullock (2004) and Kannan and Tan (2005).

Firm Size

There are different views about the effect of firm size on the TQM practices. One viewpoint states that large firms implement TQM practices more heavily than small firms. Small firms are less knowledgeable about and aware of TQM practices such as customer focus than large firms. Also, small firms confuse TQM practices with quality assurance and ISO 9000 most often. They have less motivation to pursue TQM practices than large firms as well. Further, small firms do not measure customer satisfaction as frequently as large firms and they are less likely to measure the impact of TQM practices on performance (cf. Taylor, 1998). The study of Taylor et al. (2003) gives the majority of the firms who discontinued TQM were small firms. On the other hand, large organizations are more decentralized, specialized, and formalized than small firms. They have available abundance of capital resources to deploy TQM practices, more market influence, professional managerial expertise, and human resources that will facilitate TQM implementation and return to scale for investment of the TQM practices (cf. Sila, 2007, Cua et al., 2001; cf. Ahire and Dreyfus, 2000; Shah and Ward, 2003). The impact of TQM practices on the financial benefits in an organization has been observed after five to eight years of the TQM implementation (Dusseau, 1996; Goetsch and Davis, 2006). Since small firms expected the benefits from TQM sooner, they were generally disappointed (cf. Shrivastava et al., 2006).

The opposite viewpoint states small firms are more successful in implementing the TQM practices. The reasons are that small firms have flatter organization, higher flexibility, more customer orientation, less complexity, more informal communication, and more tendencies to implement innovative work practices than large firms. (cf. Ahire and Dreyfus, 2000; cf. Sila, 2007). On the other hand, large firms are more likely to have more layers of management, more functional lines (i.e. barriers between the departments), have bigger bureaucracy, and greater formalization than small firms (Daft, 1995). Also, administrative tasks may make the large firms so complicated that the employees may insist on the existent system to continue and resist change. Thus, large firms may face strong inertial forces that will put roadblocks to successful TQM efforts, thus, will cause waste of time and money to implement and maintain the TQM practices (cf. Shah and Ward, 2003; cf. Hendricks and Singhal, 2001).

There are mixed results about the effect of firm size on the TQM implementation. Some authors (e.g. Sila, 2007; Ahire and Dreyfus, 2000; Taylor and Wright, 2003; Taylor, 1998; Benson et al., 1991; Taylor et al., 2003) found that firm size had no effect on the variation in the quality management practices (perceived TQM success), which improve organizational performance of the firms.

However, some authors (e.g. Ismail et al., 1998; Shah and Ward, 2003; Shrivastava et al., 2006; Yoo, 2003) found firm size had a positive effect on the quality management practices: large firms implemented TQM practices more than small firms. Shrivastava et al. (2006) found firm size statistically significantly affected TQM practices of proactive business orientation, internal support, and competitive assessment in favor of

large firm although there was no effect on the participatory orientation practices. Yoo (2003) found large firms had more the TQM efficiency, which was defined as the ratio of quality improvement (output) to the TQM practices (input), than small firms.

There are also opposite results about the contingency effect of firm size on the TQM practices. Some authors (e.g. Powel, 1995; Hendricks and Singhal, 2001; Ahire and Golhar, 1996) found that firm size statistically significantly and negatively affected successful TQM efforts. Their result showed that small firms implemented TQM more effectively and they benefited more than large firms. Ahire and Golhar (1996) found that small firms implemented customer focus and SPC usage better than large firms while firm size did not significantly affect the other TQM practices. Based on the reviewed literature, the following hypothesis is suggested in the null form:

H1: Firm size does not affect the TQM practices.

Firm Type

Industry structural characteristics may affect successful TQM efforts. For example, when an industry's volatility and global competitiveness increases, its incentive to implement TQM practices also increases. Further, logistical complexity of a production system of an industry positively affects effectiveness of the TQM practices (cf. Ahire and Dreyfus, 2000).

Manufacturing firms implement TQM more highly and routinely than service firms since they define, operationalize, and control their processes more strictly than service firms. Also, manufacturing firms with their customers and suppliers are more aware of quality issues than service firms. Further, manufacturing firms are ahead of service firms in terms of struggling quality problems and opportunities (Benson et al., 1991). Moreover, supply chain management is rooted in the manufacturing industry and manufacturing firms are more proactive in supplier management practices (cf. Shrivastava et al., 2006).

There are mixed results on the effect of firm type on the TQM practices. Some authors (e.g. Ahire and Dreyfus, 2000; Shah and Ward, 2003) found that firm type did not statistically significantly affect the TQM practices. Shrivastava et al. (2006), however, found that service firms implemented proactive business orientation and participatory orientation practices more intensively than manufacturing firms although they implemented internal support practices less than manufacturing firms. Their study also showed firm type did not statistically affect competitive assessment practices. Rungtusanatham et al. (1998) found firm type affected visionary leadership and process management practices while it did not statistically significantly affect internal and external cooperation, learning, and continuous improvement practices. Based on the reviewed literature, the following hypothesis is offered in the null form:

H2: Firm type does not affect the TQM practices.

RESEARCH METHODOLOGY

We used cross-sectional survey methodology in this study. The sample was selected randomly among the firms who have ISO 9001: 2000 quality assurance system certificates in the different industries in the Marmara region in Turkey. Although being ISO-9000 certified does not assure achieving real improvements in quality of the processes, products or services and the intensity of the TQM implementation in the firm (Taylor and Wright, 2003), it is compatible and a subset of the TQM practices (Goetsch and Davis, 2006; Montgomery, 2005). Thus, it can be considered being a head start on the TQM journey and we used ISO-certified firms as respondents as Conca et al. (2004) did. We sent 500 questionnaires to the firms in the years of 2005 and 2006. We promised the respondents to keep the confidentiality of their responses and to send the general firm profile in response to participating in the survey in the cover letter to obtain a high response rate. The respondents completed the questionnaires mostly via face-to-face interview but they also participated in the survey by mail, e-mail, and fax. We obtained 373 usable questionnaires giving the respond rate as 74.6 percent.

We developed multiple TQM factors in the questionnaire namely leadership, employee management, information and analysis, supplier management, process management, customer focus, and continuous improvement. The questionnaire included a five-point Likert-type scale anchored at (1) strongly disagree and (5) strongly agree, indicating their disagreement or agreement with each item. Thus, we requested perceived

(subjective) data from the respondents to measure the intensity of TQM practices of the firm. We also substituted the missing values in the questionnaires with the mean of the corresponding item before performing the analysis.

We conducted exploratory factor analysis using principle components extraction with varimax rotation to identify factors with eigenvalues of at least one to obtain more easily interpretable factor loadings. We also operationalized a single composite TQM, which equals the aggregate of the means of all TQM factors. TQM index can be formulated as follows:

$$TQMindex = \sum_{i=1}^7 \frac{\sum_{j=1}^{m_i} item_{ij}}{m_i}$$

Where $item_{ij}$ is j^{th} measurement item of the i^{th} factor's measurement scale and m_i is the number of the measurement items in the i^{th} factor's measurement scale. After confirming validity and reliability of the observed variables, we performed t-test statistical analysis to test the hypotheses.

EXHIBIT 1 Results of factor analysis and reliabilities of the TQM practices

	Scale item	Factor loading	Eigenvalues
Leadership	L1	0.675	9.25%
	L2	0.899	8.36%
	L3	0.743	
	L4	0.748	
	L5	0.738	
	L6	0.570	
Employee management	EM1	0.801	10.53%
	EM2	0.770	
	EM3	0.745	
	EM4	0.653	
	EM5	0.637	
	EM6	0.633	
Information and analysis	IA1	0.669	6.91%
	IA2	0.624	
	IA3	0.602	
	IA4	0.573	
	IA5	0.550	
Supplier management	SM1	0.815	8.94%
	SM2	0.779	
	SM3	0.726	
	SM4	0.677	
	SM5	0.567	
Process management	PM1	0.790	9.21%
	PM2	0.770	
	PM3	0.727	
	PM4	0.722	
	PM5	0.573	
Customer focus	CF1	0.745	10.96%
	CF2	0.697	
	CF3	0.693	
	CF4	0.669	
	CF5	0.647	

Total explained variance: 64.16%

	Mean	Standard deviation	Alpha value
Leadership	3.99	0.64	0.83
Employee management	3.63	0.76	0.88
Information and analysis	3.98	0.64	0.80
Supplier management	3.69	0.78	0.87
Process management	3.70	0.81	0.88
Customer focus	4.14	0.65	0.87
Continuous improvement	3.82	0.85	0.89
TQM index	26.95	3.98	0.97

EXHIBIT 2 Descriptive statistics and Cronbach's alpha values of the TQM practices

RESULTS OF THE ANALYSIS

Sample Demographics

Approximately 57 percent of the respondents (205) were managers, which included senior managers (top manager, vice manager, human resource manager, and total quality manager), middle managers (department manager and chief), and low-level managers (foremen). About 43 percent of the respondents (155) were employees, which included engineers and technicians. About 54.4 percent of the firms (203) were service firms, which included transportation, information technology, finance, healthcare, and other service firms. About 45.6 percent of the firms (170) were manufacturing firms, which included textile, metallurgy / chemistry, food, furniture, and other manufacturing firms. Approximately 52.3 percent of the firms (195) were small and medium sized firms having number of employees less than or equal to 250 and 46.1 percent of the firms (172) were large firms having number of employees more than 250. About 79 percent of the firms (260) operated nationally and 30 percent of the firms operated internationally. Approximately, 98 percent of the firms (366) were private firms and 2 percent of the firms (7) were public firms.

Results of the Factor Analysis

Before performing principal component analysis, we measured the homogeneity of the data for sampling adequacy. The result of Kaiser-Meyer-Olkin (KMO) measure is 0.937, which is greater than the "middling" value of 0.7 (cf. Black and Porter, 1995), and the result of Bartlett's Test (BT) is 0.000, which is less than 0.05. Thus, the results show that data have homogeneity and adequacy for principal component analysis.

We discarded the items that did not fit the observed variables adequately and had factor loadings of less than 0.50 in the exploratory factor analysis. Exhibit 1 gives the results of factor analysis and reliabilities of the TQM practices. As clearly noticed from the exhibit, the final measurement instrument included seven TQM factors with 38 items and the factors explained 64.16 percent of the total variance.

Tests for Reliability and Validity of the Constructs

Exhibit 2 exhibits descriptive statistics and Cronbach's alpha values of the variables in the research model. Internal consistency reliability of the multiple item measurement scale is measured by Cronbach's alpha. We made reliability analysis to ensure that the scale items measured the corresponding TQM observed variables consistently and were free of measurement error by using Cronbach's alpha (cf. Kannan and Tan, 2005).

Since the TQM index variable is operationalized as an aggregate of mean scores of the seven TQM factor measurement scales, we calculated its reliability from the formula given in the study of Rungtusanatham (2001, pp. 666). We found the reliability of the TQM index was 0.97. It is easily noticed from Exhibit 2 that alpha values of the TQM practices and TQM index measures ranged from 0.80 to 0.97, and surpassed 0.70 threshold. Thus, the alpha values provide satisfactory reliabilities of the constructs.

Content validity is the extent of coverage of the items in the issues measured and is subjectively evaluated by the researchers. We consider the instrument has content validity since the scale items of TQM factors were adapted from literature. Construct validity assesses how well the individual item measured the scale. For this purpose, we retained items that had a factor loading of at least 0.50 (cf. Kaynak, 2003). As clearly seen from Exhibit 1, all factor loadings of the TQM scales exceed 0.50 threshold. Thus, the instrument satisfies construct validity.

Results of t Test Analysis

As clearly seen from Exhibit 2, firms, in general, had positive levels of TQM implementation (mean > 3) according to the definition given by Lai et al. (2002). The firms also, on average, implemented customer focus, leadership, and information and analysis practices more intensively than the other TQM practices.

EXHIBIT 3. T test for equality of means of the TQM practices with respect to firm size

	t value	df	Sig. (2-tailed)	Results
Leadership	-0.246	365	0.806	Insignificant
Employee management	-2.841	330	0.005***	Significant
Information and analysis	-3.008	336	0.003***	Significant
Supplier management	-2.375	365	0.018**	Significant
Process management	-1.613	365	0.108	Insignificant
Customer focus	0.275	365	0.784	Insignificant
Continuous improvement	-4.012	365	0.000***	Significant
TQM index	-2.624	317	0.009***	Significant

* Significant at the 0.10 level.

** Significant at the 0.05 level.

*** Significant at the 0.01 level.

Exhibits 3 and 4 give t test results for equality of means of the TQM practices according to firm size and firm type, respectively. As clearly noticed from Exhibit 3, firm size, in general, statistically significantly affects the TQM practices and TQM index. Firm size statistically significantly affects employee management, information and analysis, supplier management, and continuous improvement practices. However, firm size does not statistically significantly affect leadership, process management, and customer focus practices.

On the other hand, as clearly seen from Exhibit 4, firm type, in general, does not statistically significantly affect the TQM practices and TQM index. Firm type does only statistically significantly affect information and analysis practices.

EXHIBIT 4. T test for equality of means of the TQM practices with respect to firm type

	t value	df	Sig. (2-tailed)	Results
Leadership	1.643	371	0.101	Insignificant
Employee management	0.634	371	0.527	Insignificant
Information and analysis	2.392	371	0.017**	Significant
Supplier management	1.027	371	0.305	Insignificant
Process management	0.430	371	0.667	Insignificant
Customer focus	0.937	371	0.332	Insignificant
Continuous improvement	-0.992	304	0.322	Insignificant
TQM index	0.997	371	0.319	Insignificant

* Significant at the 0.10 level.

** Significant at the 0.05 level.

*** Significant at the 0.01 level

DISCUSSION AND CONCLUSION

The results show that firm size statistically significantly affects the TQM efforts. Large firms, on average, implemented the TQM practices more heavily than small firms. Specifically, large firms implemented employee management, information and analysis, supplier management, and continuous improvement practices more intensively than small firms. The reason may be that employees in the small firms do not have awareness, knowledge about and skills of the TQM practices and quality improvement techniques due to lack of training. This will result in lack of employee motivation to participate in teamwork and empowerment practices in the workplace. Thus, continuous improvement of the process, product or service will be lower than large firms. Small firms also do not have huge capital resources to train employees, to hire consultants and professional employees to deploy employee involvement and continuous improvement practices. In the same way, small firms do not have abundant resources to purchase an enterprise resource planning software or a supplier performance measurement database, which are crucial for obtaining and sharing consistent, current, reliable, and accurate information within the firm and between the supplier and the manufacturer to improve efficiency and effectiveness of the information and analysis practices and supply chain management efforts of the firm, respectively.

However, the results show that firm size does not statistically significantly affect leadership, process management, and customer focus practices. The reason for this result may be that while lacking capital resources as a disadvantage, small firms have employees who have leadership skills to motivate the other employees to see the big picture of the organization, to focus on the customer, to better manage process by making employees working both smart and hard to satisfy customers as large firms have. Software vendors recently have focused on and offered products, which are less costly and tailored to the needs of the SME firms. Small firms can successfully implement information and analysis and supplier management practices if they perform these softwares.

Although the results show that the TQM practices are not context free, firm type does not statistically significantly affect the TQM practices. One exception is that the manufacturing firms implemented information and analysis practices more heavily than service firms. The reason for this result may come from the fact that TQM and database management systems like enterprise resource planning software have rooted from the manufacturing industry. This may cause manufacturing firms being more aware and effective use of information and analysis practices. However, there are no statistical significant differences among the other TQM practices between manufacturing and service firms. The implication of these results for the managers are that service firms should commit more resources to implement information and analysis to obtain timely, reliable, accurate, and updated data and information to improve effectiveness, efficiency, and thus, competitiveness of the firm. The managers should motivate, train the employees and concern about the culture change needed to facilitate information management system.

This study has found that “one-size fits all” assumption is not satisfied. While TQM is universally applicable to any size and type of the firm, its degree of implementation is context dependent. Large firms, on average, implemented most of the TQM practices more intensively than small firms. Small firms should focus and commit more resources to improve effectiveness of employee management, information and analysis, supplier management, and continuous improvement efforts. However, there are no statistical significant differences among most of the TQM practices with respect to firm type. One exception is that manufacturing firms implemented information and analysis more intensively than service firms. Service firms should commit more resources to improve information and analysis efforts to be successful in the TQM journey.

LIMITATIONS OF THE STUDY

Self-report or common method variance might occur since all questionnaire items were completed by the same respondent in the firm. We performed Harman’s one-factor test to isolate artifactual covariance due to common method variance as a post-hoc remedy (Podsakoff and Organ, 1986). The result of Harman’s single-factor analysis shows that there is more than one factor in the unrotated principal components factor analysis solution of all variables. Also, the first factor explains 36.59 percent of variance out of total 64.16 percent variance. Thus, there is no substantial amount of common method variance in the study.

APPENDIX A. Measurement scales, survey items, and their sources

A. Total quality management

Only the items remained after factor analysis and reliability analysis were given the Appendix.

A.1. Leadership

All items in this scale were adapted from Cua’s et al. (2001) study.

- L1. All major department heads within our plant accept their responsibility for quality.
- L2. Plant management provides personal leadership for quality products and quality improvement.
- L3. All major department heads within our plant work towards encouraging JIT production.
- L4. Our top management strongly encourages employee involvement in the production process.
- L5. Plant management creates and communicates a vision focused on quality improvements.
- L6. Plant management is personally involved in quality improvement projects.

A.2. Employee management

Items 1-5 and 6 in this scale were adapted from Cua’s et al. (2001) and Rahman and Bullock’s (2004) studies, respectively.

- EM1. During problem solving sessions, we make an effort to get all team members’ opinions and ideas before making a decision.
- EM2. Our plant forms teams to solve problems.
- EM3. In the past 3 years, many problems have been solved through small group sessions.
- EM4. Problem solving teams have helped improve manufacturing processes at this plant.
- EM5. Employee teams are encouraged to try to solve their problems as much as possible.
- EM6. Ideas from production operators are actively used.

A.3. Information and analysis

All items in this scale were adapted from Saraph’s et al. (1989) study.

- IA1. Extent to which quality data (cost of quality, defects, errors, scrap, etc.) are used as tools to manage quality.
- IA2. Extent to which quality data are used to evaluate supervisor and managerial performance.
- IA3. Thoroughness of new product/service design reviews before the product/service is produced and marketed.
- IA4. Clarity of product/service specifications and procedures.
- IA5. Extent to which implementation / producibility is considered in the product/service design process.

A.4. Supplier management

All items in this scale were adapted from Kannan and Tan's (2004) study.

- SM1. Considering manufacturability and assembly in product design.
- SM2. Emphasizing quality instead of price in supplier selection.
- SM3. Considering commitment to quality in supplier selection.
- SM4. Considering process capability in supplier selection.
- SM5. Considering commitment to continuous improvement in supplier selection.

A.5. Process management

Items 1-4 and 5 in this scale were adapted from Cua's et al. (2001) and Saraph's et al. (1989) studies, respectively.

- PM1. A large percent of the equipment or processes on the shop floor are currently under statistical quality control.
- PM2. We make extensive use of statistical techniques to reduce variance in processes.
- PM3. We use charts to determine whether our manufacturing processes are in control.
- PM4. We monitor our processes using statistical process control.
- PM5. Amount of final inspection, review, or checking.

A.6. Customer focus

Items 1-2, 3-4, and 5-7 in this scale were adapted from Rahman and Bullock's (2004), Chong and Rundus's (2004), and Fuentes's et al. (2004) studies, respectively.

- CF1. Customer requirements are disseminated and understood.
- CF2. Know our customers' current and future needs.
- CF3. We frequently are in close contact with our customers.
- CF4. Our customers frequently visit our plant.
- CF5. Managers and supervisors encourage activities that improve customer satisfaction.
- CF6. Satisfying our customers, and meeting their expectations, is the most important thing we do.
- CF7. Senior executives behave in ways that increases the importance of customers.

A.7. Continuous improvement

All items in this scale were adapted from Saraph's et al. (1989) study.

- CI1. Specific work-skills training (technical and vocational) given to hourly employees throughout the organization
- CI2. Quality-related training given to hourly employees throughout the organization
- CI3. Quality-related training given to managers and supervisors throughout the organization.
- CI4. Training in the "total quality concept" (i.e. philosophy of company-wide responsibility for quality) throughout the organization.

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NEPOTISM: CRAMP THROUGH INSTITUTIONALISATION

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ABSTRACT

Nepotism is a polity such as monarchy and dynasty as in every system there are disadvantages and benefits. According to nepotist tendencies, the determined behavioural ethics of the field norms, traditions, symbols and implementations differ from each culture. For instance, in Ottoman Empire with the period of kingdom assignation system that is comparatively institutionalised consist of nepotism and competition, the most successful brother in management, competence, courage and sagacity to ascend the throne is seen as well as the period of which the ineligibles manage the kingdom with conspirations are come up.

KEY WORDS: Nepotism, institutionalisation, family enterprises, management

INTRODUCTION

Nowadays the phenomenon termed as globalisation became unavoidable. It's such a necessity to conjecture of each part of the world as a market when we talk about globalisation. The firms have to act global and competitive with not only local firms but also with all the firms of the world. It's certain that unreadiness to such a competitive state, firms lost their market share. Now on the firms should perform innovative, flexible, customer-oriented operations that are not limited with local markets. The "produce&sell" dialectic that fits to 80' years is no more living and current customers became more selective.

If we consider that the main objective of family enterprises is the sustainability of the firm for ages; it is necessary to emphasize that institutionalisation is the main way to achieve this objective. On the contrary, statistics show the unlike statements. Between the years 2000–2004; 20.415 firms closed and three-quarter of them acted as limited companies. (kto.anka.net.tr/dergi,01.11.2004).

According to the study of a research company, world-wide known in England, was determined that the sustainability chance of the family enterprises or the co-partner firms that have been together since the foundation is approximately 18%. That research was implemented in USA, UK and Australia. According to another research in USA, explained that the 91% of the family enterprises collapsed because of the management failures (www.ytuv.org).

Approximately 95% firms in Turkey are family enterprises. In the last 20 years, 86.6% were limited and 13.2% were incorporate companies in Turkey. As it was seen, the rate of limited companies are considerable and the vast majority of them are constituted as family enterprises.

Family enterprises are constituted of 75% part of the firms not only in our country but also the registered companies to the economics in other countries. These enterprises that make a considerable contribution to economical development of the countries beside social development and adaptation of the technology not only administrate the enterprise but also manage the family relations. The prioritization of the communication between the family members instead of the main vision of the enterprise cause the conversion of the enterprise to a more complex structure and consequently cause to a shorter existence of the enterprises

in comparison to the other enterprises. Beside a series of factors, also the poor communication between the family enterprises and the administrative management during the institutionalisation of the family enterprises and the management of the enterprises with classical approaches such as “boss-centric” affects the period negatively (Pazarçık,2004:34).

Institutionalisation is a very important period for all the enterprises which intend the sustainability of their existence and therefore planning to increase the profitability. It is required to determine the accessible statement of the enterprise for the conversion within the institutionalisation structuralism of the family enterprises. During the period, both an advantage for the enterprise may be derived and a contrary statement may occur. According to Karpuzoğlu (2003:18) the institutionalisation term means to have norms, standards or procedures of the enterprise more than people and the establishment of the systems which follow changeable environmental conditions when it is evaluated from the point of view of the enterprise owners and managers. And also institutionalisation means to comprise the organisational structure in accordance with the developments, introduce a distinctive culture by improving the working methods or the relations configuration between people and by this way to develop a distinctive and different identity from other enterprises. The sustainability of the existence of the enterprises depend on a healthy communication both with intercorporate and its environment. It is seen that activating in a certain market environment is not an alternative any more for the enterprises to keep their current statements.

FAMILY ENTERPRISES

Family Enterprise Concept

There are different definitions for family enterprises. Bengt Karlöf studied family enterprise concept as the property of family fortune point of view and defined it as a private company which was about to be founded for not the distribution of wealth (Karlöf, B., 1993:218). As it is seen from the definition, family enterprise is a corporation to prevent from the sharing of assets as a result of sharing the inheritance.

From the management point of view the definition of family enterprises “regardless of the share structure, if there is an authority of a family or a group within the management procedures, it is named as family enterprise”. The main criteria in family enterprises is the family interference balance to the management activities and its rank balance among these activities (Kaçar, H., 2003:3).

According to Geraldo Von Potobsky’s definition, the main point for family enterprises is working power relation with kindredship. According to Potobsky, family enterprises are the firms where family members work in management committee (Karpuzoğlu, E., 2000:6).

The main definition for family enterprises in this study is; the enterprises which main objective of foundation is to provide for the family and where the management monopolized in people who has got kindredship with the founders for to prevent the capital flow to the foreigners and where at least two generations work.

The main characteristics of family enterprises can be line up briefly. At least two generation is concerned about the administration. The enterprise policy is usually coherent with family benefits. In such enterprises family relations act more than the other factors in the determination of other people responsible from the management. Company owners would like their children to know the enterprise which will be bequeathed to them and they provide their children until their childhood as heir apparent in the company. The name and prestige of the company develop through the family name and prestige. The norms of family are widely used in the company. Usually the top manager and company owner is the same person. The common point of these features is the hegemony of one family in the management and auditing of the company. It is because of the capital structure or capital belonging to the family in a sense (Karpuzoglu, E., 2000:10).

Advantages and Disadvantages of Family Enterprises

There some advantages and disadvantages for family enterprises. First; it is required to approach the case from a financial point of view. Because of the fact that family enterprises solve the capital problem on their own, they do not face with difficulties when a financial problems occur. The advantages according to the

management are;not consulting from many people,the consensus of the family members who does not have different sentiments will be provided easily and that will be a very important factor to accelerate the resolution process of the enterprise.The culture of enterprise constitution is another advantage.The parallelism with association,communication,and attitudes from past to present confront us as a similarity in value,judgements and believes.

According to the disadvantages from a financial point of view; in case of the fact that family enterprises do not have much property or portable investments or their dim view of taking loan will decelerate the growth of the company.In terms of profit distribution or utilized financial resources,there may arise disagreements among the first and next generations.According to the disadvantages in terms of management,nepotism is seen frequent in family enterprises and in such statements, problems as low motivation and unproductiveness,interpersonal disagreements among the workers who are not family members may arise.The training of family members for critical positions cause the management to be under control of insufficient family members in the future.The most important results of patriarchal management are resistance to changing,desperate prescriptivism,favouritism/nepotism,unorganisational structure and insufficient right desicions.In terms of institutionalisation,it is seen that family values are more significant than business values.The education level of family members is incompetent.

Family enterprises should institutionalize focusing on efficiency and productivity growth with well balancing the advantages and disadvantages above for competitiveness to last in the market.

INSTITUTIONALISATION

March ,studied institutionalisation concept in terms of environmental coherence and define the concept such as;”environmental conversion parallel with organisational conversion and providing standardization towards the conversion”(March,J.,1996:278-279).According to James March;institutional organisations;

- Change with enviromental conversion
- Learn the conversion
- Develop standards coherent with the new statement

According to Selznick;institutionalisation is “creation a different identity of the organisation and a process to become a sensitive and flexible organism as a natural product of social needs and pressure” (Selznick,P.,1996:271).The emphasized cases in this definition are the possession of different identity and structure from other companies and coherence to social needs statement.

Meyer and Rowan discuss the institutionalisation as legalized rules and define it as;”activities system that is coherent and controlled appeared with the interaction of external environment of the enterprise and an execution of period that consists of the implementations,rules and procedures which were formed of that system “ (Meyer,J., Rowan,B.,340-341).The emphasized ways of the institutionalisation in that definition is coherent and controlled activities,rules,implementations,procedures and conveying a process qualification.

According to Ozankaya’s definition,institutionalisation is “judgements and behavioural patterns that are organised and form completeness coherently which describe the activities procedures of the enterprise and also an integral consists of symbols such as colours,badges,flags and equipments that shape these ideas,behavioral patterns and value judgements”(Ertas,A.,1996:4).

As a brief definition of institutionalisation according to the definitions above “it is a process of the enterprise possession such as rules more than people, standards, procedures consisting of distinctive greeting figures,working methods and thus creating a different and distinctive identity from the other companies”.

Institutionalisation is a basic function for the enterprises which would like the sustainability of their existence.Selznick asserts that a company can not be founded not only with formal structure but also there should be a coherent interaction and value identification among interpersonal and intergroup and also he implies that organisation concept as a corporation is to develop a distinctive identity (Selznick,P.,1996:275).

The most significant factor in creating an institutional identity is the age of the organisation. Young organisations accomodate some arrangements to the organisation easily and thus it will be easier to have an institutional identity in comparison to older organisations.

New arrangements will be implemented according to the needs in older organisations but since it is difficult to change the mature attitudes they may be slow away to create a new institutional identity. Briefly; the last step of institutionalisation process is the possession of the organisation with a system of value or relation and a different structure in comparison to other organisations in terms of possession of an institutional identity.

OBJECTIVE OF THE STUDY

The main objective of the study is to identify the required subjects for institutionalisation, increasing the global market share and competitiveness of the enterprises in Turkey by introducing the statements in which family enterprises situated. And also the solutions will be offered to the enterprises by introducing the systematic working order which is the most significant criteria for the family enterprises to maintain their existence for ages.

CONTENT OF THE STUDY

71 family enterprises in Turkey were included to the content of the study. The questionnaires that were worked on towards the objective of the study delivered by hand personally to the all enterprises and feedback was provided completely. The reliability of the questionnaires is calculated as 96.4%

METHODOLOGY OF THE STUDY

Questionnaire methodology is used in order to collect the datas of the study. Questionnaire have 4 parts. In the first part; there are questions about the general knowledges and the structure of the enterprise. In the second part; there are questions about the effect of the family structure in the enterprise, in the third part; there are questions about the performance and institutionalisation level of the enterprise. The fourth and the last part consist of questions about nepotism.

INDICATIONS

Indications about company and family structure

24 workers of 33.8% are graduated from college or faculty, 20 workers of 28.2% got through their postgraduate, 18 workers of 25.4% are graduated from high school, 7 workers of 9.9% are graduated from primary education, 2 workers are literate but not graduated from any school. The rates show that family enterprises convert from their traditional structure and they give importance to the education of the heir who will come to the top of the company. According to the ages in the questionnaire, 25 people of 35.2% are between the ages 25-34, 17 people of 23.9% are between the ages 45-54, 15 people of 21.2% are 55 years old and more, 11 people of 15.5% are between the ages 35-44 and the rest of all 4.2% are younger than 25 years old.

According to the analyse of working duration; 47 people of 66.2% marked the more than 9 years option. 13 people of 18.3% work in the company between 4-6 years and the rest of all work in the company between 7-9 years. From 71 family enterprises which participate the study; 38 people of 53.5% did not work anywhere before. It was confirmed that 35 people of 49.3% work in their mother's or father's companies. 58 companies of 81.7% active more than 10 years.

According to the analyse of individual numbers in the family; including all the relatives, 39 companies are less than 25 people, 11 companies are between 25-50 people, 9 companies are between 55-80 people, 9 companies are between 151-200 people, 3 companies are between 81-150 people. Analysing the family members according to the number of family members; 68 companies of 95.8% are less than 25 people and the rest of 3 companies are between 25-75 people.

As it is seen in the Table 1, 47.9% enterprises are managed by the second generation and the steering committee of the enterprises consist of 62% family members. In taking decision organs of 58 enterprises there have been 3 family members. Professional managers are allowed in taking decision organs beside family members is the most salient result.

TABLE.1.MANAGEMENT OF FAMILY ENTERPRISES

		<i>Frequency</i>	<i>Percentage</i>
Which generation is managing your enterprise?	1.generation	19	26,8
	2.generation	34	47,9
	3.generation	13	18,3
	4.generation	5	7
Who consists of your enterprise steering committee?	Family Members	44	62
	Professional Managers	16	22,5
	Counsellors	11	15,5
	Stockholders	0	0
How many family members take part in taking decision organ?	3	58	81,7
	3 to 5	11	15,5
	6 to 10	2	2,8
	more than 10	0	0
How many Professional managers take part in taking desicion organ?	3	45	63,4
	3 to 5	15	21,1
	6 to 10	3	4,2
	None	8	11,3

Indications about the performance and institutionalisation of the enterprise

In the third part of the questionnaire, there are questions about the performance and institutionalisation of the enterprise. According to the recruitment policies of family enterprise, methods of recruitment policies are different in family enterprises as in lot of company types.36.5% family enterprises recruitment policy is by newspaper/magazine advertisements,25.4% family enterprise use the CV bank inside their company for recruitment policy and the rest of all use the recruitment policy from family members.It is confirmed that nepotism has not been implemented in recruitment policies.

The criterias while evaluating the job applications in family enterprises are shown in Table2.According to the analyse of Table2; 29.6% enterprises marked “experience” option, 26.8% enterprises marked “sectoral knowledge” option,23.9% enterprises marked “education” option, 16.9% enterprises marked “referance” option and 2.8% enterprises marked “kindredship” option. It is confirmed that nepotism has not been implemented in job applications.

TABLE2.THECRITERIAS FOR JOB APPLICATIONS IN FAMILY ENTERPRISES

	FREQUENCY	PERCENTAGE
Education	17	23,9
Referance	12	16,9
Kindredship	2	2,8
Experience	21	29,6
Sectoral Knowledge	19	26,8

According to the analyse of rewarding system that is implemented for successful workers in evaluation of the performance; 32,4% enterprises marked “premium” option, 29,6% enterprises marked “salary increase” option, 12,7% enterprises marked “promotion” option, 11,3% enterprises marked “certificate of achievement” option, 8,5% enterprises do not use a rewarding system and 5,6% enterprises reward the workers by motivation. In evaluation of performance,21,1% enterprise discriminate favor of family members and 78,9% enterprise do not discriminate favor of family members. Within the process of performance evaluation system, nepotism is not being implemented in family enterprises.

Indications about Nepotism

The means and Standard deviations of the expressions in our study towards the situation analysis of nepotism in family enterprises are shown in Table3.

TABLE3.SITUATION ANALYSES OF NEPOTISM

	<i>Mean</i>	<i>Standard Deviation</i>	<i>N</i>
Rational salary policies are implemented in family enterprises(27)	1,47	0,87	71
Workers who have kindredship should not work in family enterprises without taking into consideration of their education and experience situations(26)	1,57	1,06	71
Nepotism is impelented in family enterprises beyond control(23)	2,95	1,09	71
Working conditions are equal for everybody because of the indiscriminate for family members(28)	1,57	0,89	71
The education and experience level of the workers are more important than kindredship in family enterprises(25)	1,19	0,54	71
The implementation of nepotism in family enterprises frustrate the institutionalisation of the company(29)	1,85	1,07	71

The reliability of our study is supported according to the analyse of Mean and Standard deviation of the expressions in family enterprises as it can be seen in Table3.

The correlation analysis between family enterprises and nepotism is seen in Table4. There is a positive relationship among the all components as it can be seen in Table4.

TABLE4.PEARSON CORRELATION ANALYSES CONCERNING WITH NEPOTISM IN FAMILY ENTERPRISES

Number of Questions	27	26	23	28	25	29
27	1					
26	0,772**	1				
23	0,568**	0,401**	1			
28	0.943**	0,802**	0,571**	1		
25	0,801**	0,875**	0.356**	0,847**	1	
29	0,867**	0,860**	0,663**	0.890**	0,804**	1

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

RESULTS AND PROPOSALS

The problems of family enterprises in Turkey is generally because of the relations of family members. The assignee procedures in management authorization among generations in family enterprises should be examined as a proposal. The main problem is the conflict of interest and rationales in two fields such as nesting level of company and the family and/or property, business relations, taking risks and desicion making. The institutionalisation of the family is not the same as the institutionalisation of the company. Actualt the problem lies behind interaction of family as a collective unit and the company as another collective unit. Radical changes are required for the problems of family enterprises from top structure to bottom structure. The responsibility necessitates a more institutionalist management mentality by spreading to all the company inside instead of limited actors and concrete and immaterial equipments should be used together.

The fields below have importance for the family enterprises which would like to increase their institutionalisation level.

- Long-term plans should be take into consideration beside short-term plans
- Desicion period should be together with family members and professional managers and decide unamiously
- The productivity growth and devotedness of the workers to the company should be provided.
- Recruitment policy, promotion, education, career planing, wages policy and performance evaluation systems should be used objective to distinguish the values of family and business.
- Communication system should be always open and sustainable for know-how transfer.
- The required importance should be given to the education of family members' children by taking into consideration the current and in need of administrative functions of the company in the future.

It is clear that family enterprises will provide institutionalisation successfully and provide an added value to country economics in case of the proposal implementations above.

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