

10th International Strategic Management Conference

Industry forces, competitive and functional strategies and organizational performance: Evidence from restaurants in Istanbul, Turkey

Gültekin Altuntaş^a, Fatih Semerciöz^b, Aslı Mert^c, Çağlar Pehlivan^d a^{a,b}

^{a,b} *Istanbul University, Istanbul, 34320, Turkey*

^c *Istanbul Arel University, Istanbul, 34295, Turkey*

^d *Kocaeli University, Kocaeli, 41380, Turkey*

Abstract

Each of industry forces, competitive and functional strategies and organizational performance has been subject to so many studies presented in literature. However, there is a lack of combination of all and consensus on the role of each in restaurant businesses. Thus, this study examines the relationships among industry forces, competitive and functional strategies and organizational performance within the context of “well-known branded” restaurants in Turkish hospitality industry. The study employs a questionnaire that evaluates the attitudes of restaurants of those themes in Istanbul, Turkey without any sampling procedure. Results indicate that competitive strategy of cost leadership is significantly related to bargaining power of suppliers. Functional strategy regarding the brand image relates significantly to the competitive strategy of differentiation. Organizational performance is in a significant relation with functional strategies of human resources and information technologies.

© 2014 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/3.0/>).

Peer-review under responsibility of the International Strategic Management Conference.

Keywords: Industry forces, Competitive strategy, Functional strategy, Organizational performance

1. Introduction

Several studies have examined the central role that each of industry forces, competitive strategy, functional strategy and organizational performance plays in the success of businesses separately. However, the combination of all and consensus on the role of each in restaurant businesses remain unexamined. Thus, this study is designed to present the relationships among industry forces (i.e., intensity of rivalry, bargaining power of buyers and suppliers and threat of new entrants), competitive (i.e. cost leadership and differentiation strategy) and some functional strategies (i.e. brand

^a *Corresponding author. Tel. +90-212-473-7000 (Ext. 19230) fax. +90-212-473-7248*

Email address: altuntas@istanbul.edu.tr

^b *This paper has been financially supported by the Unit of Scientific Research Projects at Istanbul University, (Project No: UDP-41470).*

image, human resources and information technology strategy) and organizational performance within the context of “branded” restaurants in Turkish hospitality industry. Thus, to better understand those relationships, we posed three specific research questions:

Research Question 1: What is the relationship between industry forces and competitive strategies?

Research Question 2: What is the relationship between competitive strategies and functional strategies?

Research Question 3: What is the relationship between functional strategies and organizational performance?

To address these questions, we analyze the relevant literature, develop a model and use statistical technics to test the relationships among the variables mentioned above. Although the previous studies shed some light into the relationship between those variables, their relationships were not examined in particularly highly competitive service industry settings. This study also contributes the literature by getting done in a developing country from a different perspective.

2. Literature Review And Hypotheses

2.1. Industry Forces

Several studies have examined the central role of a business' position compared to its competitors in an industry, which plays in terms of organizational success with a focus on a business' external conditions and five forces named as the threat of new entrants, bargaining power of buyers, bargaining power of sellers, threat of substitute products and services and intensity of rivalry among existing firms (Porter, 1979). In his five forces model, Porter (1979) helps businesses evaluate their industry as a whole in any cluster, forecast the industry's growth and conceptualize their positions compared to one another. Thus, awareness of the five forces can help a company understand the structure of its industry and stake out a position that is more profitable and less vulnerable to attack (Porter, 2008). Following the evaluation, a business should implement a competitive strategy, in other words, position itself in a favorable manner or at least to protect its situation in order to succeed particularly in a hostile environment with a deep consideration at the threat of available and new entrant competitors, product substitutes, and bargaining power of suppliers and customers (Porter, 1980; Güngören and Orhan, 2001).

Each one of Porter's competitive forces is amenable to stakeholder agenda analysis in one form or another. The propellers are drawn again in proportion to the relative strength of the agenda. These agendas can be potentially elicited by asking the stakeholder involved but in practice, those agendas may need to be inferred directly from their behavior or indirectly from general industry knowledge (Grundy, 2001).

2.1.1. Threat of New Entrants

The threat that new competitors may enter an industry is affected by some barriers to entry. When barriers to entry are low, excessive profits will quickly attract new competitors, and price competition will become more intended (Niederhut-Bollmann and Theuvsen, 2008). Thus, the threat of new entrants largely depends the reactions of available competitors and entry barriers, which may be named as economies of scale, product differentiation, initial capital requirements, access to distribution channels, cost disadvantages and governmental policies (Porter, 1980; Ülgen and Mirze, 2010).

2.1.2. Bargaining Power of Buyers

Powerful customers -the flipside of powerful of suppliers- can capture more value by forcing down prices, demanding better quality or more service and generally playing industry participants off against one another, all at the expense of industry profitability. Buyers are powerful if they have negotiating leverage relative to industry participants, especially if they are price sensitive, using their clout primarily to pressure price reductions (Porter, 2008).

When buyers are powerful, they set prices and limit the supplying industry's profitability. Buyers are powerful when they are concentrated, possess credible backward integration options, purchase a significant portion of the

Download English Version:

<https://daneshyari.com/en/article/1113331>

Download Persian Version:

<https://daneshyari.com/article/1113331>

[Daneshyari.com](https://daneshyari.com)