

Competitive Strategies of the Turkish Manufacturing Enterprises:

The Case of Kayseri/Turkey

Korhan KARACAOĞLU¹

Özlem ÖZKANLI²

Abstract: The competition of firms and their strategies are important issues for the strategic management literature. This study investigates the competitive strategies adopted by the manufacturing enterprises in Kayseri, Turkey. In our research, we use the Porter's generic strategies to evaluate firms' competitive behavior. These competitive strategies developed by M.E. Porter are cost leadership, differentiation and focus. In addition to these strategies, this research also examines the internationalization strategy as a competitive strategy.

Data was collected from manufacturing enterprises in Kayseri, Turkey by questionnaires. Confirmatory factor analysis within the context of the structural equation modeling (SEM) using LISREL was used to test the hypothesis.

As a result the study suggests that while manufacturing enterprises adopt cost leadership, differentiation and internationalization strategies, they do not usually prefer the focus strategy in Turkey.

Key words: Competitive strategy; Business strategy; Structural equation modeling

1. INTRODUCTION

Enterprises have to adopt some competitive strategies which may differ according to time and condition in order to maintain their activities in a rapidly growing economic structure and have competitive advantage. In the literature, it is observed that the concepts of strategy, strategic management and competitive strategies are interchangeable and also it is emphasized that strategic point of view is crucial in order to gain competitive advantage or giving an outstanding performance (Papatya, 2003).

M.E. Porter developed competitive strategies cost leadership, differentiation and focus. In addition to typologies developed by M. E. Preston, further different points of views are also taken into consideration. Especially internationalization is another aspect which has begun to be discussed within the framework of the competitive strategies. For instance, according to the classification made by Wan (2004) while the

¹ Korhan KARACAOĞLU is an Assistant Professor of Management in Nevşehir University Faculty of Economics and Administrative Sciences, Turkey.

E-Mail: kkaracaoglu@nevsehir.edu.tr

² Özlem ÖZKANLI is a Professor of Management in Ankara University Faculty of Political Sciences, Turkey.

E-Mail: ozkanli@politics.ankara.edu.tr

*Received 12 March 2011; accepted 6 May 2011

competitive strategies are considered to be in the firm level, the internationalization strategy is also discussed among these strategies. In this study, the internationalization is taken into consideration as a fourth strategy.

The purpose of this study is to reveal which strategies are adopted by the manufacturing enterprises in Kayseri. This study consists of two parts. While some information related to the competitive strategies is given in the first part, in the following part empirical research and the findings are examined. In the conclusion part, findings are evaluated and commented.

2. THE COMPETITIVE ADVANTAGE THEORY

The performance of enterprises in order to survive were at once studied as an issue of “competition theory” in economics; but nowadays it begins to take part among the issues examined by the scholars in the field of strategic management. The effect that creates competitive advantage of the strategies adopted by enterprises makes this advantage sustainable and the studies on this purpose enter the strategic management literature. The strategy is described by Grant (1991) as aligning the internal sources and the capabilities of an organization with the opportunities and risks caused because of its external environment (Grant, 1991). Within the framework of this description, the enterprises resist against the environmental opportunities and threats owing to their distinctive advantages and possible weakness or they may fail. These situations result with success or failure of enterprises in competing. In Merriam-Webster’s Dictionary economics explain competing as striving consciously or unconsciously for an objective as position, profit, or a prize (Webster’s, 1993).

A competitive advantage can be defined as a unique position developed by a firm vis-à-vis its competitors. The competitive advantage is also described as being in a more superior position of a business or a brand than their competitors (Bamberger, 1989). However, Porter traditionally introduces competitive advantage as a concept related to the competitive strategy on the work areas of enterprises (Porter, 1987: 43).

Porter defines the “competitive advantage” term as the creation of value in the form of exceeding the business costs for the customers. Hence, it can be said that the “competition” term is related to the created value added. In his another description, it is discussed as getting position based on a firm’s resources such as lower-costs and prices, better service, faster delivery, a good brand image or the engineering capacity. In order to create and sustain competitive advantages the firm develops specific resources and skills frequently called distinctive competences. It is essential to understand the distinctive competences as modern equipment, skilled workers, efficient information system or a good management (Bamberger, 1989). However; what competitive advantage is still an unanswered question. In Porter’s studies, it is understood that the concept creates cost leadership and the differentiation, yet it is observed that different implications about the meaning of this concept are also discussed. Porter recommends the strategies mentioned to the managers of enterprises for gaining competitive advantage, but at the same time he warns them about choosing one of these approaches and beware of being stuck in the middle. However; this approach is being criticized and also Porter’s proposals are found insufficient (Klein, 2002: 317). Strategic competitiveness is achieved when a firm successfully formulates and implements a value-creating strategy (Hitt et al., 2003). However, with the process of transition from the industrial society to information society, the growth of the world trade and globalization urge the enterprises to manifest their activities in more difficult circumstances and to create value in a more cost-effective way for the consumers. This situation forces the competitive enterprises to be more competitive and to produce wide range of goods and services. In addition, the permanence and the sustainability of the competitive advantage are seriously emphasized rather than its characteristics resulting from temporary and cyclical conditions.

3. COMPETITIVE STRATEGIES

Whether an enterprise’s profitability is above or below the industry average is determined by an enterprise’s relative position within its industry. The fundamental basis of average profitability in the long run is sustainable competitive advantage. There are two kinds of competitive advantage an enterprise can possess:

low cost or differentiation. The two basic types of competitive advantage related to the scope of activities lead to three generic strategies for achieving above average performance in an industry: differentiation, cost leadership and focus. Internationalization strategy is also added by Wan to Porter's generic strategies.

The strategy of *differentiation* involves attempting to develop products and services that are viewed as unique in the industry (Bartol and Martin, 1991: 212). This can be done through design or brand image, technology, customer services, features, quality and selection. The chief goal of differentiation is to create brand loyalty, and thus to decrease price elasticity, on the part of customers. This can prevent entrance to market, provide higher sales margins, and reduce the power of customers who lack acceptable substitute products. The differentiation strategy must typically be supported with costly activities such as extensive research, product design, and marketing costs (Miller and Friesen, 1986: 37). There are some risks of following a differentiation strategy. One of them is that competitors may develop ways to imitate the differentiating features quickly. So, firms must find enduring sources of uniqueness that cannot be copied quickly by competitors. Another risk of following a differentiation strategy is that customers don't prefer the high priced unique product (David, 2001:182). This brings us to the next strategy, cost leadership.

A *cost leadership* strategy suggests emphasizing organizational efficiency so that the overall costs of providing products and services are lower than those of competitors (Bartol and Martin, 1991: 211). The main goal of firms in an industry is being the lowest cost producers. This usually entails the 'construction of efficient-scale facilities, rigorous pursuit of cost reductions from experience, tight controls on overhead and administrative costs, avoidance of marginal customer accounts, and cost minimization in areas like R & D, service, sales force, promotion, and so on' (Porter 1980: 35). Cost control requires a great effort. As enterprises who apply cost leadership strategy have lower prices comparing with their most efficient rivals and as they earn superior profits, this strategy can provide above average returns. It also provides a margin of safety that decreases the dangers of price increases from suppliers and bargaining from customers. Cost leadership often involves economies of scale that constitute barriers to entry. This strategy may require gaining market share and sales by means of aggressive pricing to maximize economies of scale, designing products for ease of manufacturing, and following technological (manufacturing) R & D. Some disadvantages of following cost leadership are that competitors may copy the strategy. Therefore, bringing down overall industry profits; technological developments in the industry may make the strategy inefficient; or buyer interest may shift to other differentiating features besides price (David, 2001:181).

Another generic strategy is *focus* strategy. This generic strategy provides a limited and particular segment of the market. The segment may be a certain kind of customer, a specific geographic market, or a narrow range of product and service line (Bartol and Martin, 1991:213). The focus strategy can be used to find ignored target markets or customers for which conditions are the most favorable and competitors the weakest, but it typically involves a trade-off between profitability and sales volume (Miller and Friesen, 1986: 38). It can be accepted that the focus strategy is most effective in which situation buyers have distinctive preferences or requirements and also when rival enterprises are not attempting to specialize in the same target segment. But, there are some risks of pursuing a focus strategy including the possibility that a number of rivals admit the successful focus strategy and imitate the strategy or that buyer preferences drift toward the product features desired by the market as a whole (David, 2001:182).

Besides Porter's three generic strategies, *internationalization* is also accepted as a competitive strategy. Internationalization is the process of increasing engagement in international functions across borders consisting of both changed perspectives and changed positions (Melin, 1992: 101). So, this strategy is a primary dimension of the ongoing strategy process of most business enterprises and this process of internationalization is important for understanding an enterprise's development and achievement in global area as cited in the works of Çavuşgil (1980) and Li et al. (2004). According to Wan, this strategy entails that the enterprise becomes involved in the international market via export and/or import, by transferring technology and the skills in a foreign country through a contractual agreement and/or through direct investment (Wan, 2004: 88). A few years ago, the internationalization regarding global competition was accepted as the coming decade's most important area of strategic management research but now little attention is paid to this strategy (Melin, 1992: 101).

4. THE CASE OF KAYSERI, TURKEY

4.1 Aim

The purpose of the research is finding out which competitive strategies the manufacturing enterprises in Kayseri, Turkey adopted predominantly.

Generally, the competitive strategies are examined as differentiation, cost leadership and focus strategy in strategic management literature. In this research, besides these strategies internationalization strategy which has been frequently addressed in recent years were also taken into consideration. When the literature is examined, generally it is observed that it is possible to find theoretical researches about this issue. Which competitive strategies the enterprises pursue are tried to be displayed by testing research hypothesis in this research.

4.2 Scope

Taking the issue into consideration, the research was composed of the competitive strategies developed by M. E. Porter and the scope was expanded by adding internationalization strategy. The research was implemented in manufacturing enterprises in Kayseri based on the size of place. Many of the active enterprises in Kayseri are manufacturers and in this context Kayseri has an important place in sectors like textile, machine/ metal, furniture/ sofa, steel door. The research is designed to display the competitive strategy factors at the business level based on the top managers' point of view and to test the hypotheses which were developed according to the research aim. The unit of analysis in this research is each manufacturing business which is active in Kayseri and included in population. For this reason, it must be taken into consideration that the research findings can provide a generalization based on Kayseri and similar cities in Turkey. The dependence of the findings on the managers' subjectivities affects the objectivity and generalization of the results.

4.3 Methodology

This research was conducted on middle and large sized enterprises in Kayseri. The records of the Kayseri Chamber of Industry (KCI) were used to determine the population of the research. Based on the records, it was determined that there were 912 registered enterprises in the list; 528 were small sized, 291 were middle and 93 were large sized enterprises. The population of this research is 384 middle and large sized enterprises. Questionnaires were sent to 384 enterprises. However usable data was received only from 113 enterprises. Thus, the response rate of the questionnaires was determined as 30%.

In order to finalize the designed questionnaire form and to eliminate potential problems about design; a pilot research (preliminary test) was conducted on academicians, chamber representatives and 15 business managers determined by convenience sampling method. Thus, it was determined that the questions in the questionnaire were relevant and meaningful.

The primary data related to the application stage of the research carried out at the manufacturing industry in Kayseri were obtained by face-to-face interview technique. Nakip (2003) points out from the data collection techniques used in researches that there are different methods to carry out the survey and underlines that the strongest method is face-to-face interview technique. While the surveys were carried out a copy of the survey questions were sent to the company managers from which appointments were made and at the time of the appointment these questions were read and the managers were asked to answer these questions.

In this research, a competition strategy scale of 20 items was used given in Table 1. This scale was developed by Wan (2004). It was taken as basis and some new items were added to the scale especially about internationalization strategy. As a result of the exploratory factor analysis applied to the scale consisting of 29 items, the 20 variables collected under the 4 factors below were used in this research. All items were scored on a 5 point Likert scale, ranging from "strongly disagree" to "strongly agree".

Table 1: Scale about Competition Strategies and the α Coefficients of the Scale

| Please indicate the importance of each of these activities to your company's competitive strategy. | | Cronbach $\alpha = 0.88$ |
|--|---|--|
| B1. Controlling channels of distribution | Differentiation | Strategy $\alpha = 0.86$ |
| B2. Research for new product design and development | | |
| B3. Providing better customer service than competitors | | |
| B4. Improving the efficiency of production facilities | | |
| B5. Using new marketing methods | Wan (2004) | |
| B6. Offering a lower price than competitors for similar quality products. | Cost Leadership | Strategy $\alpha = 0.74$ |
| B7. Procurement and use of lower cost raw materials. | | |
| B8. Obtaining necessary capital at low cost | | |
| B9. Investing in new processing equipment | | |
| B10. Low cost distribution system | Wan (2004) | |
| B11. Concentrating marketing towards certain geographic areas | Focus Strategy $\alpha =$ | 0.68 |
| B12. Manufacturing customized products for individual consumers | | |
| B13. Targeting particular customer groups | | |
| B14. Competing in niche markets | | |
| B15. Developing/maintaining customer loyalty | Wan (2004) | |
| B16. Exporting finished products to foreign markets | Internationalization | Strategy $\alpha = 0.81$ |
| B17. Internationalization with direct investment | | |
| B18. Internationalization with merger and acquisition | | |
| B19. Overseas direct investment through joint venture or sole ownership | | |
| B20. Licensing or offering foreign company(/ies) the right to use your firm's intangible assets during a contact period | Wan (2004) and added items | |

The first five items in the scale are related with “differentiation” strategy, items numbered 6, 7, 8, 9, 10 are related to “cost leadership” strategy, items numbered 11, 12, 13, 14, 15 are related to “focus” strategy and the last five items up to the 20th question are related to “internationalization” strategy. The Alpha reliability coefficient of the scale is 0.88.

Research model

A research model (Figure 1) is developed in this research. The variables explaining the competition strategy variable are differentiation strategy, cost leadership strategy, focus strategy and internationalization strategy in this model.

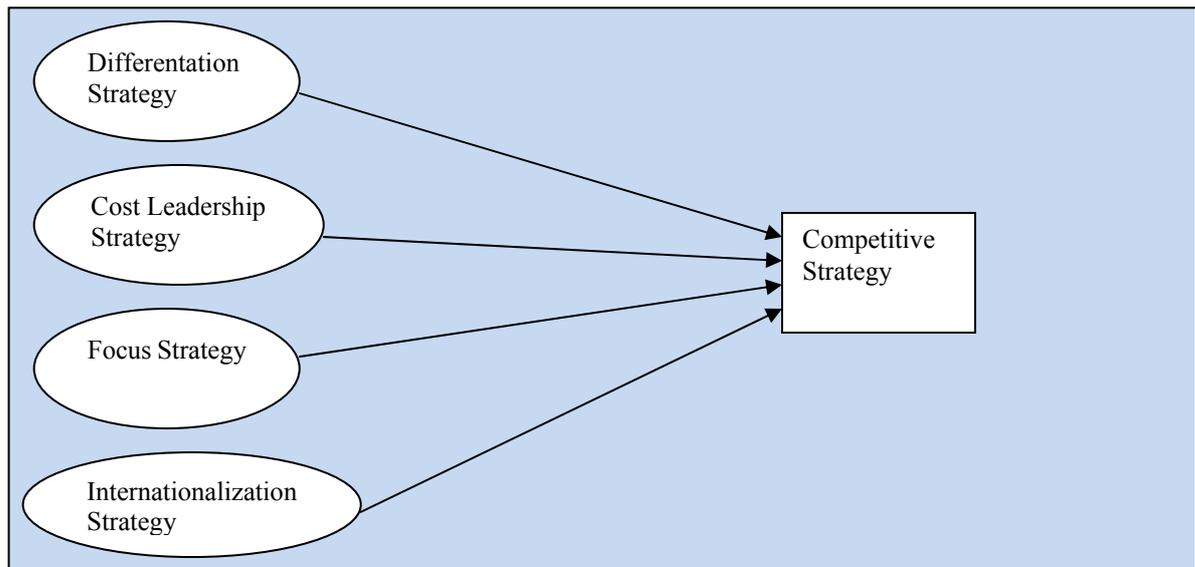


Figure 1: Conceptual Model for Competitive Strategies

The alternative hypotheses explaining the competitive strategy in this research are as follows:

H₁: Differentiation is a competitive strategy adopted by enterprises.

H₂: Cost leadership is one of the competitive strategies applied by enterprises.

H₃: Focus is one of the competitive strategies followed by enterprises.

H₄: Internationalization is one of the competitive strategies adopted by enterprises.

4.4 The Analysis of the Research Model by Structural Equation Modeling

Structural equation model (SEM) is one of the comprehensive statistical techniques used to examine the causal relations between the observed and latent variables (Yılmaz, 2004). SEM is a method composed of a mixture of multiple regression and confirmatory factor analysis techniques which help to evaluate the developed model. Effectively, SEM is a more complex version of the regression and factor analytic models which can concurrently measure various relation sets (Brewerton and Millward, 2001; Hair et al, 2006). While making confirmatory factor analysis with LISREL, covariance matrices related to the data are used. SEM assumes that there is a causality relation between latent variables and that the latent variables may be measured via the observed variables. The most basic property of SEM studies is that they are entirely based on theory. During each SEM study, before starting to collect data, the researcher should have shaped in his/her mind a theoretical web of relations defining the causality relations. Thus, the aim of SEM studies may be stated to present if this pattern of relations determined theoretically beforehand can be verified by the collected data or not (Şimşek, 2007). Even though path analysis via the observed variables can be performed by using traditional regression analysis methods, a regression analysis for each relation is required for such analysis methods. In the analyses carried out with Lisrel, all relations determined within the variables can be presented with just one analysis and also the measurement errors arising in causal variables in path analysis may be eliminated. The fact that such errors may be eliminated is one of the most important advantages of all types of analysis methods based on SEM (Tatlıdil, 1992).

The differentiation, cost leadership, focuses and internationalization strategies which are shown in the research model in Figure 1 are variables explaining the competitive strategy variable.

Latent variables which are one of the most important concepts of SEM are abstract phenomena that the researchers are interested in. They correspond to structures with high levels of abstraction such as ego and motivation in psychology, power and alienation in sociology, linguistic ability and the competence of the teacher in education, capitalism and social class in economy (Byrne, 1998). Since these latent variables cannot be observed, they cannot be measured directly. Therefore latent variables should be related with the observed variables.

The differentiation, cost leadership, focus and internationalization strategies shown in Figure 1 come together and form the model related to competition strategy variable. In SEM studies; the relations of differentiation, cost leadership, focus and internationalization strategies among themselves and between the observed variables are evaluated by the measurement model or by first-order confirmatory factor analysis. The explanation of the competition strategy with these dimensions is called second/higher-order confirmatory factor analysis in structural equation studies. The model in Figure 1 represents the theoretical version of the measurement model used in second order confirmatory factor analysis studies.

In this model, the latent variables named as differentiation, cost leadership, focus and internationalization strategies which are relatively independent but are related to one another are like one of the components of the 'competitive strategy' latent variable which is assumed to be a higher order structure having a higher level of abstraction.

In this study, LISREL 8.54 package program was used to test the model and hypothesis within the context of SEM. According to second-order confirmatory factor analysis results the competition strategy is explained by differentiation, cost leadership and internationalization strategies keeping out the focus strategy. As can be observed in Table 2, when the results of the first order confirmatory factor analysis are evaluated by looking at the value of T, it was concluded that the parameter value related to focus strategy was not statistically significant at a level of 0.05.

Table 2: Hypothesis

| Hypothesis | T Value | Reject/Accept |
|---|-----------|---------------|
| H ₁ : Differentiation is a competitive strategy adopted by manufacturing enterprises in Kayseri. | 5.35>1.96 | Accept |
| H ₂ : Cost leadership, is one of the competitive strategies applied by manufacturing enterprises in Kayseri. | 2.46>1.96 | Accept |
| H ₃ : Focus is one of the competitive strategies followed by manufacturing enterprises in Kayseri. | 1.91<1.96 | Reject |
| H ₄ : Internationalization is one of the competitive strategies adopted by manufacturing enterprises in Kayseri. | 2.40>1.96 | Accept |

The critical T value is 1.96 at an order of 0.05. Since the parameter value related to the focus strategy has a lower T value than the one in question, it is automatically shown in red by the LISREL program. That is why the related parameter (latent variable) and explanatory variables (sized items) were taken out of the model and the second-order confirmatory factor analysis was repeated. According to these results the H₃ hypothesis stating that “Focus is one of the competitive strategies that enterprises may follow” is rejected. According to the standardized values obtained as a result of the analyses made, the confirmatory factor analysis results and the path diagram are as in Figure 2. According to these results, differentiation, cost and internationalization strategies listed specified in the theoretical model of the research stand out as competitive strategies followed by manufacturing enterprises active in Kayseri. According to these results the H₁ hypothesis stating that “Differentiation is a competitive strategy adopted by enterprises”, the H₂ hypothesis stating that “Cost sensitivity is one of the competitive strategies applied by enterprises” and the H₄ hypothesis stating that “Internationalization is one of the competitive strategies adopted by enterprises” are accepted. According to this it was concluded that the manufacturing enterprises in Kayseri do not operate directed to a certain geographical region, do not operate according to the individual customer’s needs but according to the preferences of the general user, do not have an understanding of a predetermined target and therefore have not adopted focus strategies.

Table 2 holds the results of the standardized path analysis results. Standardized analysis values show how good each item (observed variable) represents its own latent variable (Şimşek, 2007). When the analysis results are evaluated it is understood that among the observed variables explaining the differentiation strategy latent variable, making more efficient researches than the competitors (0.86) and creating new products faster than the competitors (0.78) stand out as parameter values. The reason why these variables stand out is thought to be the fact that most of the manufacturing enterprises in Kayseri are in the furniture couch sector and that these companies are pioneers in creating new products and delivering them to the market.

When we check the observed variables explaining the cost strategy latent variable we see that procurement of raw materials at a lower cost than the competitors (0.82) and obtaining capital at a lower cost than the competitors (0.77) stand out and that delivering the same type of products at a lower price (0.25) value has difficulty in expressing this latent variable. The most common competitive strategy applied by enterprises in Kayseri within cost sensitivity which is the procurement of raw materials at a lower cost and the advantage of obtaining capital at a lower cost can be considered to be cost sensitivity elements that stand out in the manufacturing industry in which equity capital and finance are thought to stand out.

When the observed variables explaining the internationalization strategy latent variable were analyzed it was observed that only the entering into the international markets via import or export has a low explanation power (0.24) and that the parameter values of the other variables have an explanation power greater than 0.80. Even though this result is not statistically significant when the fact that a great majority of the manufacturing enterprises in Kayseri are exporters is considered, actually it is significant. Even though applications such as direct investment, merging and purchasing and partnership are statistically significant, it was concluded that they are internationalization applications that are not preferred by enterprises.

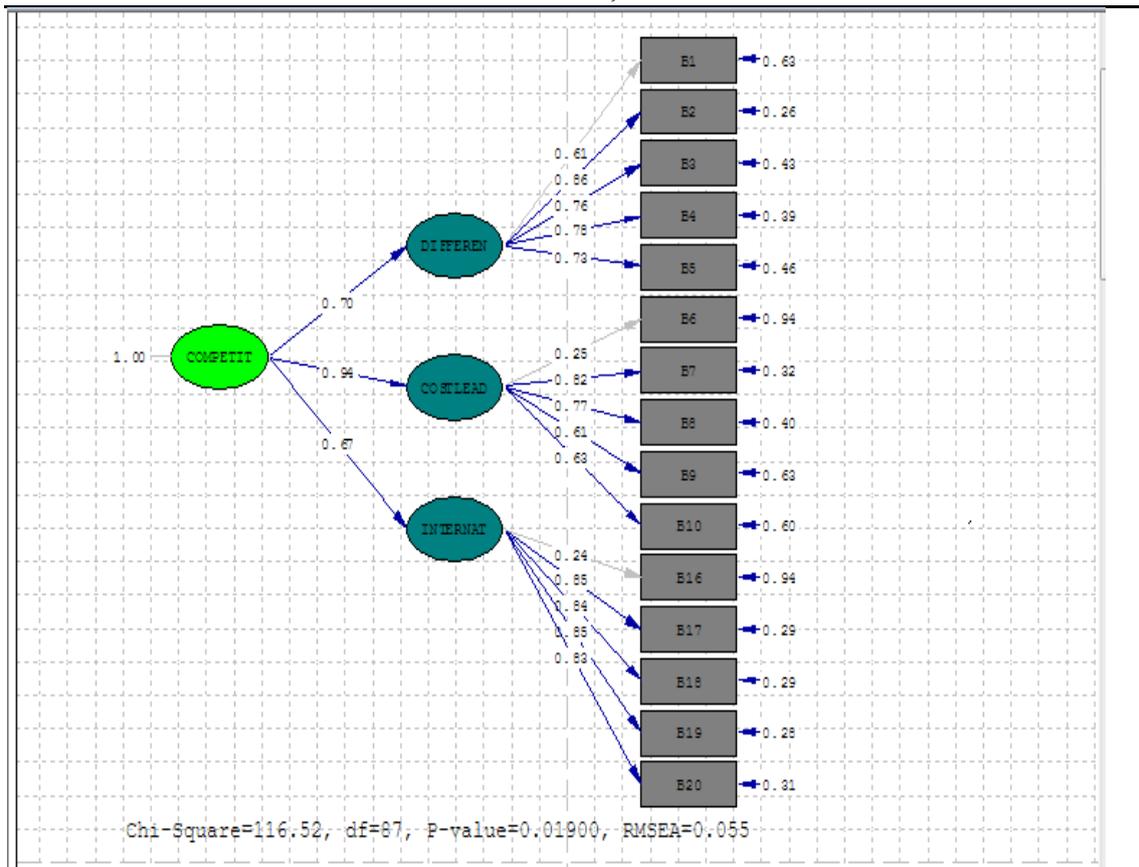


Figure 2: Results of Confirmatory Factor Analysis with Standardized Values

In the output folder obtained from the second order confirmatory factor analysis performed with LISREL, there are covariance matrices, estimates related to parameters, error variance and extracted variance values. One of the most important of these is the R^2 value reflecting the extracted variance. The values for these parameters mentioned are presented in Table 3.

Table 3: Parameter Values Related to the Observed Variables and Related Statistics

| Observed Variables | Estimates | Error Variance | Explained Variance R^2 |
|--------------------|----------------------------|----------------|--------------------------|
| B1 = | 0.63* Differentiation | 0.69 | 0.37 |
| B2 = | 0.83* Differentiation | 0.24 | 0.74 |
| B3 = | 0.76* Differentiation | 0.42 | 0.57 |
| B4 = | 0.90* Differentiation | 0.52 | 0.61 |
| B5 = | 0.86* Differentiation | 0.64 | 0.54 |
| B6 = | 0.28* Cost Leadership | 1.18 | 0.06 |
| B7 = | 0.92* Cost Leadership | 0.40 | 0.68 |
| B8 = | 0.83* Cost Leadership | 0.47 | 0.60 |
| B9 = | 0.51* Cost Leadership | 0.43 | 0.37 |
| B10 = | 0.64* Cost Leadership | 0.61 | 0.40 |
| B16 = | 0.29* Internationalization | 1.36 | 0.059 |
| B17 = | 0.84* Internationalization | 0.28 | 0.71 |
| B18 = | 0.71* Internationalization | 0.21 | 0.71 |
| B19 = | 0.83* Internationalization | 0.27 | 0.72 |
| B20 = | 0.71* Internationalization | 0.23 | 0.69 |

According to the results in Table 3, differentiation factor explains variability best by B2 making more research than the competitors in order to develop new products (0.74) and least by B1, the effective control of distribution channel members such as wholesaler and retailer (0.37) variables. Whereas in cost leadership strategy variability is best explained by B7 procurement of raw materials at a lower cost than competitors (0.68). Internationalization explains best the variable by B19 joint investments in subjects such as technology consulting and distribution channel (0.72) and least by B16 import/export and thus internationalization (0.059) variable.

If the relationship between the competitive strategy latent variable and the other latent variables is examined, it should be stated that the standardized values in Figure 2 (0.70, 0.94, 0.67) actually reflect the estimation values. In that sense when the structural equations in the output file are examined, it will be understood that these values in question are the estimation values. The results related to the mentioned structural equations, the extracted variance R^2 explained by the competitive strategy latent variable on the differentiation, cost, and internationalization latent variables are presented in Table 4.

Table 4: The Extracted Variance Values between the Latent Variables

| | Estimates | Error Variances | Explained Variance R^2 |
|---------------------------------|----------------------------|-----------------|--------------------------|
| Differentiation Strategy = | 0.70*Competitive Strategy | 0.51 | 0.49 |
| Cost Leadership Strategy = | 0.94* Competitive Strategy | 0.11 | 0.89 |
| Internationalization Strategy = | 0.67* Competitive Strategy | 0.55 | 0.45 |

According to the results in Table 4, it was concluded that the most important strategy for the manufacturing enterprises in Kayseri which affects competitiveness is cost sensitivity and it was also understood that differentiation strategy and internationalization strategy have values close to each other (0.49 and 0.45) and have a medium effect.

4.5 The Goodness of Fit Statistics for the Model

In order to evaluate the research model as a whole, the goodness of fit statistics should be taken into account. The goodness of fit statistics can be interpreted with some certain acceptable limit values related to the model being acceptable or not. The most frequently used goodness fit statistics value is X^2 (Chi-square) value. This value is desired to be meaningless. However in SEM studies, when the value of X^2 / df (degrees of freedom) is lower than two it is a good model, and when it is equal to or lower than five shows that it is an acceptable model. Other index values apart from X^2 suggested for SEM and the most widely used ones are GFI (Goodness of Fit Index) and AGFI (Adjusted Goodness of Fit Index) RMSEA (Root-mean-square error approximation) (Joreskog and Sorbom, 1993:122-126). Other goodness of fit sized is CFI (Comparative Fit Index) and NFI (Normed Fit Index).

Of these values, GFI, AGFI, CFI and NFI that are greater than 0,90 can be accepted, and being greater than 0,95 is accepted to be a good fit. If the RMSEA value is less than 0,05 it is a good fit value, if it is less than 0,08 it is an acceptable fit value (Byrne, 1998: 109–118). Even though there is no mutual understanding of which goodness of fit value(s) will be used in researches; X^2 / df , GFI, AGFI, RMSEA, NFI and CFI goodness of fit indexes are generally among the most frequently used.

In Figure 2, $X^2 / df = 116$ and $52 / 87 = 1.33$. Since this value is below 2, it can be said that this model is a good model. The RMSEA value is 0.055. Since this value is between the range of 0.05- 0.08 it can be said that it is an acceptable value. Since the NFI value for the research model is 0.93 >0.90, it is an acceptable value. The CFI value of the model is 0.98 and since it is greater than 0.90 it reflects a good fit value. The GFI with a value of 0.91 is another acceptable value. The CFI value of the model is 0.98 and since it is greater than 0.90 it reflects a good fit value. The value of GFI is 0.91 and it is another acceptable value. The AGFI value of 0.90 again reflects an acceptable goodness of fit value. It can be concluded that the model gives good values for all the goodness of fit statistics and is acceptable.

5. CONCLUSION

This research intended to analyze the types of competitive strategies adopted by manufacturing enterprises in Kayseri. While analyzing the strategies, four competitive strategy approaches were adopted. A model was developed in accordance with this analysis and this model was tested via confirmatory factor analysis. As a consequence of this testing, it was concluded that the competitive strategies adopted by enterprises are cost leadership, differentiation and internationalization. It was decided that focus competitive strategy is not a competitive strategy verified by data and applied by enterprises. According to the test results, the competitive strategies adopted by manufacturing enterprises in Kayseri in the order of their level of importance are cost leadership strategy, differentiation strategy and internationalization strategy.

Reducing costs is one of the outstanding competitive advantage ways of today's enterprises. Faced with relatively low cost manufacturing markets like Far East, enterprises in Turkey and especially in Kayseri don't want to adopt applications that increasing the cost due to the high prices of labor, energy and raw materials. At this point, they tend to adopt cost leadership strategies such as decreasing raw material and distribution costs and especially acquiring capital at a lower cost.

Differentiation is another competitive strategy that the enterprises in Kayseri follow especially in the local market. Especially, the fact that the enterprises in the furniture sector have a powerful distribution network using the wholesalers and the retailers across the country stands out as a major differentiation factor against their rivals. Within the scope of differentiation applications, the promotional activities are other factors that provide them with competitive advantages.

Internationalization strategy is another competitive strategy followed by manufacturing enterprises in Kayseri. Especially the enterprises active in furniture sector and iron-steel sectors can open up to foreign markets via export. Some of these companies acquire licenses of products manufactured abroad by making license agreements and may use these in their manufacturing processes inside the country.

As a conclusion, enterprises in Kayseri do not adopt the focus strategy. It is found that, enterprises cannot focus on a specific activity area either inside or outside the country; but also they do not focus on a specific customer group.

When the goodness of fit values of the models used in this research is analyzed, it was decided that based on all these values this model is a prevalent model. However; the obtained results are limited with the manufacturing enterprises in Kayseri. Future researches including more enterprises from different cities of Turkey shall make contribution in a positive or negative way to the generalization of the findings of this research. Besides, it may enrich the literature about the field of testing the further developed research models.

REFERENCES

- Bamberger, I. (1989). Developing Competitive Advantage in Small and Medium Size Firms. *Long Range Planning*, 22(5), 80-88.
- Bartol, K.M. and David C. Martin. (1991). *Management*. Mc Graw Hill.
- Brewerton P. and Milliward. L. (2001). *Organizational Research Methods*. Sage Publication.
- Byrne, B.M. (1998). *Structural Equation Modeling with LISREL, PRELIS and SIMPLIS: Basic Concepts, Applications, and Programming*. Lawrence Erlbaum Associates Publishers.
- Çavusgil, S.T. (1980). On the Internationalization Process of Firms. *European Research*, 8, 273-281.
- David, F.R. (2001). *Strategic Management* (Eight Edition). Prentice Hall.
- Grant, R.M. (1991). The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation. *California Management Review*, Spring, 114-135.
- Hair, Joseph.F., William C. Black, J. Barry Babin, Rolph E. Anderson, Ronald L. Tatham. (2006). *Multivariate Data Analysis* (Sixth Edition). New Jersey: Pearson/Prentice Hall.

- Hitt, M.A., R.D Ireland, R.E. Hoskisson. (2003). *Strategic Management Competitiveness and Globalization* (Fifth Edition). Thomson South, Western.
- Jöreskog, Karl G and Dag Sörbom. (1993). *LISREL 8: Structural Equation Modeling with The SIMPLIS Command Language*. SSI Scientific Software International.
- Klein, J. (2002). Beyond Competitive Advantage. *Strategic Change*, 11, 317.
- Li, L., Li, D. and Dalgiç, T. (2004). Internationalization Process of Small and Medium-Sized Enterprises: toward a Hybrid Model of Experiential Learning and Planning. *Management International Review*, 44(1), 93-116.
- Melin, L. (1992). Internationalization as a Strategy Process. *Strategic Management Journal*, 13, 99-108.
- Merriam-Webster's Collegiate Dictionary* (10th ed.)(1993). Springfield, MA: Merriam-Webster.
- Miller, D. and P.H. Friesen. (1986). Porter's (1980) Generic Strategies and Performance: An Empirical Examination with American Data. *Organization Studies*, 7(1), 37-55.
- Nakip M. (2003). *Pazarlama Araştırmaları Teknikler ve (SPSS Destekli) Uygulamalar*. Ankara: Seçkin Yayıncılık.
- Papatya, N. (2003). *Kaynak Tabanlılık Görüşü*. Ankara: Nobel Yayın Dağıtım.
- Porter M.E. (1980). *Competitive Strategy*. New York: Free Press.
- Porter, M.E. (1987). From Competitive Advantage to Corporate Strategy. *Harvard Business Review*, (May-June), 43-59.
- Porter, M.E. (1998). *Competitive Advantage Creating and Sustaining Superior Performance With a New Introduction*. Free Press.
- Şimşek, Ö.F. (2007). *Yapısal Eşitlik Modellemesine Giriş Temel İlkeler ve LISREL Uygulamaları*. Ankara: Ekinoks Eğitim Yayıncılık.
- Tatlidil, H. (1992). *Uygulamalı Çok Değişkenli İstatistik*. Ankara: Akademi Matbaası.
- Wan, Z. (2004). *Competitive Strategy, Competitive Forces and Business Level Performance in The U.S. Upholstered, Wood Household Furniture Industry* (Unpublished PhD. Dissertation). USA: Mississippi State University.
- Yılmaz, V. (2004). Consumer Behavior of Shopping Center Choice. *Social Behavior and Personality*, 32(8), 783-790.