



## Linkages among business strategy, uncertainty and performance in the hospitality industry: Evidence from an emerging economy



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### ABSTRACT

This study investigates linkages among business strategy, environmental uncertainty, and performance in an emerging economy. The hotel sector in Turkey's hospitality industry is investigated. Generic strategies were self-reported with regard to typologies developed by Porter, and Miles and Snow. Partial support was found for direct linkages between environmental uncertainty and both financial and non-financial performance. Defenders exhibited the highest value in competitive uncertainty, but the difference was not significant. Prospectors, analyzers, and defenders outperformed reactors in terms of both financial and non-financial performance. Overall, defender/cost leadership and prospector/focus strategies appear to be the best options for Turkish hotels. Following Porter's admonition, hotels in Turkey seeking to combine low cost and differentiation approaches are likely to end up "stuck in the middle." Implications for managers and future research are discussed.

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### 1. Introduction

With the emphasis on business growth shifting to the emerging economies of nations such as Brazil, Russia, India, China, Turkey, Thailand, and Colombia, a closer examination of how firms in these countries function is warranted. There is an abundance of published work in the strategic management field assessing issues such as emerging new values, social systems, competitive forces, and manufacturing strategies (Furrer et al., 2008; Kukalis, 2009). Although these papers have contributed to our knowledge of the structure–strategy–performance paradigm (Greckhamer et al., 2008; Hoskisson et al., 1999), most have examined firms in developed nations (Falshaw et al., 2006). As a body of work, they have deemphasized environmental effects (Nandakumar et al., 2010) and roles played by cultural and economic development vis-à-vis developing nations (Groznik and Maslaric, 2010; Beneke,

2010), particularly in the hospitality industry (Naipaul and Wang, 2009). Moreover, there is a need for additional work related to business strategies and strategic decision-making in this industry (Harrington and Ottenbacher, 2011; Enz, 2010; Olsen, 2004).

This paper addresses this gap by examining the relationships among uncertainty, strategy, and performance in the Turkish hotel industry. Specifically, it aims to answer two key questions with respect to hospitality management in emerging nations. First, what is the structure of any relationships that might exist among generic strategies, uncertainty, and performance? Second, how does perceived environmental uncertainty influence the relationship between competitive strategy and performance?

Organizations in Turkey are assessed for a number of reasons, including their influence on the Turkish economy (Efendioglu and Karabulut, 2010) and economic life (Gunduz and Tatoglu, 2003). Cultural differences in social, business, and management environments across firms (Keles and Aycan, 2011; Altınay, 2008; Çakmakçı and Karabati, 2008) also contribute to the uniqueness of this sample, as well as variance in strategic geographic positioning (Eraslan and İç, 2011) and organizational structures (Akkemik, 2012).

Tourism—a key contributor to the Turkish economy—has experienced considerable growth since the early 1980s. Tourist arrivals and receipts grew from 1.3 million and \$326 million in 1980 to 26.3 million and \$16.7 billion in 2008 respectively (Avci et al., 2011). The

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industry employs over 2.5 million individuals and includes 2514 hotels with operational licenses and 776 with investment licenses. There are many resort hotels in major destinations, including the southwestern cities of Antalya and Mugla. Tourism in Turkey is seasonal, and hotels experience a number of challenges, including low occupancy rates, a high dependency on foreign tour operators, transportation and logistics problems, inadequate infrastructure, a lack of qualified staff, a lack of sound marketing strategies, and crises due to terrorism and international conflicts (Tosun et al., 2008; Okumus and Karamustafa, 2005; Uyar and Bilgin, 2011).

The paper is organized as follows. First, a review of the literature with respect to strategy, uncertainty, and performance from both general and hotel-specific perspectives leads to the development of hypotheses. This is followed by the details of the study methodology and results. A discussion of empirical evidence is then presented. Conclusions, study limitations, and opportunities for future research are highlighted for both academicians and practitioners in the final section.

## 2. Competitive strategy in the hospitality industry

Each business employs a unique competitive strategy. A number of scholars have developed generic strategy typologies to identify the key thrusts of competitive (i.e., business level) strategies that are common to all businesses. The two most widely cited typologies are those developed by Porter, and Miles and Snow. Porter's (1981) typology emphasizes cost leadership, differentiation, and focus orientations. Miles and Snow's (1978) typology identifies prospector, analyzer, defender, and reactor approaches.

The notion of competitive strategy is explicitly tied to strategic groups (Seth and Thomas, 1994). The concept of strategic groups was proposed as a middle ground between the industry level of analysis borrowed from industrial organization theory and the firm level of analysis inherent in strategic management (Capps et al., 2002; Phelan et al., 2002; Porter, 1981). Although each business executes a qualitatively unique strategy, concentrating on similarities enables scholars to identify basic approaches that appear to be more appropriate in certain types of industries or competitive environments. A strategic group consists of businesses employing a particular generic strategy.

Research at the strategic group level has been conducted in a variety of sectors and locations. Several studies are noteworthy in the hospitality industry. Dev (1988) demonstrated that defender hotels outperformed their counterparts in stable environments, whereas analyzers performed the best in volatile environments. Dev and Brown's (1990) assessment of the lodging industry invoked a contingency perspective, assessing competitive (marketing) strategy, structure, and performance. They found that a hotel's vertical structure was significantly related to the interaction between its strategy and its task environment dynamism. These findings have been replicated in other studies, especially those in the United States (Chathoth and Olsen, 2007; Jogaratnam et al., 1999). However, Schaffer (1986) found that strategies in the hotel sector did not fit Miles and Snow's archetypes.

Several notable studies have been employed in Spain. Garrigós-Simón et al. (2005) employed the Miles and Snow typology in the Spanish hospitality industry and demonstrated differences across select performance measures (e.g., total performance, profitability, growth, stakeholder satisfaction, and competitive position), noting that reactors consistently underperformed other businesses. Claver-Cortes et al. (2005) investigated Spanish hotels and identified significant differences across strategic groups as well. Claver-Cortes et al. (2007) found that high performing Spanish hotels tended to be mid-sized or large members of a chain with amenities consistent with higher quality categories, with

competitive strategies closely aligned with their resources. Oreja-Rodríguez and Yanes-Estévez (2007) assessment of tourism firms in the Canary Islands (Spain) revealed that perceived environmental uncertainty was a function of both complexity and dynamism.

Although there is a dearth of research in the hospitality industry in emerging economies, some progress has been made. In the Lithuanian hospitality industry, strategies emphasizing innovation have been associated with high performance (Sekliuckiene and Hopeniene, 2011). Bordean et al. (2010) explored four strategy types—differentiation, focus-differentiation, training, and hybrid approaches—in one- to four-star hotels in northwestern Romania. They also identified differences in business performance across strategic groups.

A number of published works have addressed sectors in Asia. Yeung and Lau (2005) found that hotels in Hong Kong increased their financial performance by diversifying their action portfolios; moreover, nonconformity about competitive actions negatively affected performance. Hotels with competitive strategies similar to the dominant profile in the industry outperformed those with more distinctive approaches (Yeung and Lau, 2005). Han (2012) demonstrated that strategic orientations moderated and affected financial results in Korean hotels.

Several recent studies have assessed the strategy–performance linkage in China. Wang et al. (2012) demonstrated a link between market orientation and performance in the Chinese hotel industry. Market orientation mediated the effect between total quality management and hotel performance. External environment factors were found to moderate the linkages among total quality management, market orientation, and hotel performance. Lo (2012), investigating the relationships between generic strategies and performance, found that differentiation was the only generic strategy that significantly influenced customer satisfaction in the Chinese hotel industry.

Several noteworthy studies have assessed the Turkish hospitality industry. Akgunduz (2007) found a preference for the differentiation strategy among five-star hotels in Istanbul. Avci et al. (2011), applying the Miles and Snow typology to tourism firms in Turkey, demonstrated differences in both financial and non-financial performance based on strategic orientation, with prospectors outperforming their counterparts. Altınay (2010) examined the influence of changing co-ethnic consumer habits and the nature of competition on the market orientation of ethnic minority-owned hospitality firms that consist of Turkish small business owners from the United Kingdom. He found that market orientation emanates from the nexus between the changes in ethnic and mainstream business environments.

Limitations notwithstanding, the extant literature on the strategy–performance relationship in the hospitality industry—particularly in Turkey and other emerging markets—serves as a foundation for additional work. Hypotheses elaborated in the following section and tested in this study are based in part on this foundation and in part on strategy–performance research in other industries.

## 3. Theoretical framework and hypotheses

Strategic management researchers have attempted to define the strategic behaviors of organizations to explain their successes and failures. As previously noted, a number of generic strategy typologies have emerged (see Hitt et al., 1982; Huber, 1984; Miller, 1986; Courtney et al., 1997; Narasimha, 2001), most notably those proposed by Miles and Snow (1978, 1986) and Porter (1980). Much of the published work at the business strategy level applies one of these two typologies (Segev, 1989; O'Regan and Ghobadian, 2006; Nerur et al., 2008; Acquah and Yasai-Ardekani, 2008). The present

study employs the Miles and Snow typology to assess strategy conceptualization among hotel managers with specific regard to environmental uncertainty. A number of extant studies assess the strategy–environment linkage, but little work has been done in the hospitality industry, particularly the hotel segment. The following sections overview the typologies and present bases for hypotheses tested herein.

### 3.1. Miles and Snow's generic strategy typology

Miles and Snow (1978, 1986) evaluated organizations with regard to the entrepreneurial, engineering, and administration functions; they proposed four strategic approaches to account for the combinations of functions and activities typically seen at the business level. These generic strategies—prospectors, analyzers, defenders, and reactors—are elaborated below within the framework of environmental uncertainties pertaining to markets, competition, and technology.

Prospectors are highly proactive and innovative, attaching great importance to flexibility. Internal complexity is quite high and decentralized structures are common (Miles and Snow, 1978; Snow and Hrebiniak, 1980; Jennings et al., 2003; Dyer and Song, 1997; Moore, 2005). Prospectors are aggressive and compete in a comprehensive product market that undergoes constant redefinition. They emphasize rapid response, continuously monitor their environment, and carry out extensive research and development activities. While transitioning through constant internal change, prospectors often seek to leverage shifts in the technological environment (Conan et al., 1990; Allen and Helms, 2006; Tan et al., 2009). Hence, the technological environment is considered uncertain due to rapid technological changes.

**H1a.** Prospectors in Turkish hotels will face the highest level of technology uncertainty.

Defenders focus on present strategic challenges rather than discovering new markets. They prefer security in a comparatively stable product or service area and fight to protect their positions. The breadth of their product lines is more narrow, and defenders sometimes seek to protect their territories by presenting higher quality and better service. In general, however, they are not market and product development leaders. They avoid risks whenever possible, preferring to follow successful rivals instead (Brunk, 2003). Defenders typically have a centralized structure and attempt to maintain stable environments for maximum efficiency (Miles and Snow, 1978; Snow and Hrebiniak, 1980; Jennings et al., 2003; Moore, 2005).

Defenders in Turkey's hotel industry face a number of interesting challenges. The environment in Turkey is highly competitive due to an influx of foreign investment. Moreover, the service sector—especially hotels—is growing rapidly, making it difficult for defenders to sustain competitive advantage.

**H1b.** Defenders in Turkish hotels will face the highest level of competitive uncertainty.

Analyzers can be described as a hybrid of defenders and prospectors. They seek a stable and limited product and service range, but they pursue promising product and service opportunities as well. When a new product or service is introduced, analyzers are not usually in the forefront, but they monitor the activities of prospectors closely and remain poised to act under the appropriate circumstances. They are highly analytic and cautious in this regard (Miles and Snow, 1978; Snow and Hrebiniak, 1980; Jennings et al., 2003; Moore, 2005).

Unlike prospectors, analyzers attempt to obtain information from their rivals and technology rather than from the market. They exhibit less confidence about markets and tend to enter new ones

only after prospectors demonstrate some degree of success and potential (Bantel and Osborn, 1995; Brunk, 2003).

**H1c.** Analyzers in Turkish hotels will face the highest level of market uncertainty.

Reactors lack a consistent product-market orientation. They seek to comply with environmental pressures, and they are generally unsuccessful (Snow and Hrebiniak, 1980; Moore, 2005; O'Regan and Ghobadian, 2006).

Many published tests of the Miles and Snow typology have emphasized financial performance, most identifying an association between the reactor strategy and financial performance. Non-financial indicators have been employed less frequently, but their use is not uncommon (Garrigós-Simón et al., 2005). Avci et al. (2011) assessed Turkish hotels and noted low financial and non-financial performance among reactors. Hence, the following hypotheses considering both financial and non-financial performance indicators are proposed:

**H2a.** Reactors in the Turkish hotel industry will be outperformed by prospectors, analyzers, and defenders according to financial performance indicators.

**H2b.** Reactors in the Turkish hotel industry will be outperformed by prospectors, analyzers, and defenders according to non-financial performance indicators.

### 3.2. Porter's generic strategy typology

Porter (1980) proposed the position approach to explain how organizations gain competitive advantage and outperform their rivals. According to Porter, organizations can choose a cost leadership or a differentiation strategy; either approach can be employed for the entire market or can be integrated with an emphasis on a distinct segment (i.e., focus). Porter insisted that businesses must choose *either* cost leadership *or* differentiation because of inherent trade-offs; combining the two leaves an organization “stuck in the middle” (Porter, 1980, p. 41).

Although most published work addresses either Miles and Snow's typology or Porter's approach, a number of papers have attempted to juxtapose or integrate the two (Segev, 1989; Hambrick, 1983). Most scholars have noted both similarities and differences between the typologies (Wright, 1984). Prospectors are presumed to align with the focus approach, while defenders align with cost leadership, at least to some extent. Reactors represent the “stuck in the middle” position (Baird et al., 2007; Hambrick, 1983; Miller, 1986). Segev (1989) noted that in the case of low pro-activeness and high consistency, defenders employ cost leadership or cost-focus strategies; when there is high pro-activeness and high consistency, prospectors employ differentiation and differentiation-focus strategies.

**H3a.** Defenders in Turkish hotels will exhibit the highest level of cost leadership.

**H3b.** Prospectors in Turkish hotels will exhibit the highest level of focus.

**H3c.** There will be significant differences in approaches along the Miles and Snow typology within strategic groups representing Porter's cost leadership, differentiation, and focus strategies.

Both market structure and the economic environment influence strategy selection (Porter, 1980). Put another way, there is a close correlation between the environment in which an organization operates and the firm's choice of strategy (Homburg et al., 1999). While the cost leadership strategy tends to be associated with stable environments, differentiation and focus strategies relate to

dynamic markets (Lee and Miller, 1996; Lamont et al., 1993; Marlin et al., 1994).

**H3d.** There is a relationship between Porter's typologies and environmental uncertainty in Turkish hotels.

Numerous studies have tested Porter's typology in a variety of industries (Andrews et al., 2006). While cost leadership strategy is conducive to financial performance in dynamic environments, the differentiation strategy is often more suitable for enhancing the financial performance in comparatively less dynamic environments (Nandakumar et al., 2010). Moreover, Hoque (2004) found a significant relationship between organizations' strategy preferences and their non-financial performance indicators. The specifics of this link in the hospitality industry remain unclear.

**H3e.** There is a relationship between Porter's typologies and financial performance in Turkish hotels.

**H3f.** There is a relationship between Porter's typologies and non-financial performance in Turkish hotels.

### 3.3. Environmental uncertainty

The management of environmental uncertainty is a key challenge of top managers. Environmental uncertainty has been conceptualized in both objective and subjective contexts. This study invokes a subjective, or perceived, perspective on environmental uncertainty.

Perceived environmental uncertainty (PEU) is high when a manager believes the organization's environment is unpredictable (Milliken, 1987). Uncertainty perceptions often vary over time because environmental complexity and dynamism limit one's ability to develop a reliable assessment of the environment at any given point (Buchko, 1994). Environmental uncertainty remains a critical issue because it forms part of the interpretive basis on which strategies are formulated and executed (Chong and Chong, 1997).

Strategic managers often cope with uncertainty by shaping the competitive environment (Allaire and Firsirotu, 1989). Comprehending the direction and scale of industry changes is one of the most intractable problems executives face (Warren, 1995). Broadly speaking, the generic strategy selected by each organization determines the appropriate means by which it intends to successfully meet competitive and environmental challenges.

Environmental uncertainty influences manufacturing and business strategies, which in turn influence business performance (Swamidass and Newell, 1987). Hence, an organization's success depends on the organization's environment (Parnell et al., 2012; Pelham, 1999). However, findings vis-à-vis financial and non-financial perspectives on performance have not been consistent. Hoque's (2004) assessment of 59 manufacturing firms found no relationship between non-financial measures and environmental ambiguity. However, there are clear differences between service sectors like hospitality and manufacturing.

**H4a.** There is a relationship between environmental uncertainty and financial performance in Turkish hotels.

**H4b.** There is a relationship between environmental uncertainty and non-financial performance in Turkish hotels.

## 4. Methodology

This study utilized a survey approach with scales that have been previously tested and validated. Environmental uncertainty was assessed via DeSarbo et al.'s (2005) scale within the context of market, technological, and competitive dimensions. A five-point Likert scale (i.e., 1 = strongly disagree to 5 = strongly agree) was employed. Strategy along Porter's typology was assessed via Zahra and Covin's

**Table 1**  
Miles and Snow's strategy typology.

Defender	We've attempted to locate and maintain a secure niche in a relatively stable product or service area. We've tried to offer a more limited range of products or services than our competitors and we've tried to protect our domain by offering higher quality and superior service. We may not be at the forefront of developments in the industry but have attempted to concentrate instead on doing the best job possible in our market
Prospector	We've tried to operate within a broad product-market domain that undergoes periodic redefinition. We've wanted to be 'first in' with new products and market areas even if not all of these efforts have proven to be highly profitable. We've tried to respond rapidly to early signals concerning areas of opportunity, and these responses have often led us to a new round of competitive action
Analyzer	We've attempted to maintain a stable, limited line of products or services, while at the same time have tried to move out quickly to follow a carefully selected set of the more promising new developments in the industry. We are seldom "first in" with new products or services but by carefully monitoring the actions of major competitors in areas compatible with our stable product-market base we try to be 'second in' with a more cost-efficient product or service
Reactor	We've not been able to have a consistent product-market orientation. We have not been able to be as aggressive in maintaining established products and markets as have our competitors and we have not been able to take as many risks as they have. We have been forced to respond to environmental pressures

(1993) scale. A five-point Likert scale was employed (i.e., 1 = very low focus to 5 = very high focus). James and Hatten's (1995) generic strategy scales were utilized to categorize businesses along the Miles and Snow typology (see Table 1).

A number of scholars argue that financial measures are most appropriate in strategy-performance studies, while others argue that non-financial measures enable researchers to view performance from a different angle. Moreover, the performance measure selected can influence the conclusions in strategy-performance studies (Cavaliere et al., 2007; Jusoh and Parnell, 2008; Pongatichat and Johnston, 2008; Hillman and Keim, 2001; Van der Stede et al., 2006). The survey in the present study assessed financial measures with Ramanujam and Venkatraman's (1987) scale and non-financial performance with Avci et al.'s (2011) scale. A five-point Likert scale was employed (i.e., 1 = has deteriorated significantly, 3 = no change, 5 = has improved significantly).

Subjects completed a version of the survey translated into Turkish following a double-blind approach including two bilingual academics with expertise in hospitality management. Once the Turkish version was proposed, the two translators met to check the reliability of the translations from English to Turkish. The survey instrument was pretested with a group of managers to confirm appropriate translation, and the wording of five items was amended as a result. Small corrections in meaning and content were also made in items associated with the scales measuring strategy along Porter's and Miles and Snow's typologies.

The sampling included managers of 3-, 4-, and 5-star hotels located in the province of Muğla. With its two international airports, Muğla is a key contributor to both domestic and international tourism activities and is a major player in the Turkish hotel industry (Avci et al., 2011). There were 83 3-star hotels, 74 4-star hotels and 43 5-star hotels in 2011 with tourism certificates from the regional Ministry of Tourism (Ministry of Culture and Tourism, 2011). The present study includes hotels in these categories, as they are typically superior to 1- and 2-star hotels in terms of management, organization and institutionalization.

The questionnaire was distributed to each of the 200 hotels by a team of researchers with a letter requesting the participation of

at least one senior manager. Data was collected between March 1 and August 31, 2011. At the end of the study, 152 surveys were collected from 61 hotels. Follow-up surveys were sent to those that did not respond, resulting in 43 additional surveys from 32 hotels. Non-responding hotels were contacted again two weeks later. As a result of this final effort, an additional 27 questionnaires from 18 hotels were received for a total of 222 surveys from 111 hotels. Eight surveys were incomplete and were excluded from the analysis. A total of 214 usable responses were obtained from 111 hotels, for a response rate of 55.5%. Considering hotels levels, there were 39 from 3-star, 34 from 4-star, 38 from 5-star hotels, resulting in response rates of 47%, 46%, and 88.3%, respectively. These rates are comparable to those obtained in prior studies (e.g., Karatepe, 2013; Alonso-Almeidab and Bremsera, 2013; Aldehayyat, 2011). The attractive response rate achieved in the present study can be attributed to rigorous monitoring of the data collection process, close cooperation with hotel managers, and the request that at least one senior manager be involved in completing the survey. A summary of respondents and hotels is presented in Tables 2 and 3.

## 5. Results

Each of the measurement scales was factor analyzed (regression method) to assess reliability before hypotheses were tested. Each of the environmental uncertainty scales included one item loading below .60, but coefficient alpha scores were higher than .75 (see Table 4). Likewise, one item in the three scales that assessed strategy along Porter's typology loaded below .60, but coefficient alpha scores also exceeded .70 (see Table 5). The financial performance scale contained three items with loadings below .60, but all of the items in the non-financial performance scale achieved loadings in excess of .60; both performance scales produced coefficient alpha scores above .75 (see Table 6). Hence, scale reliabilities for all of the scales were deemed acceptable for hypotheses testing.

Factors scores via the regression method were computed to serve as measures for each scale. Hypotheses were tested by analysis of variance (ANOVA) and the calculation of correlations. A 95% confidence interval was applied.

*Hypothesis 1a was rejected* (see Table 7). When technological uncertainty is examined, defenders produced the highest score, followed by prospectors, analyzers and reactors.

*Hypothesis 1b was rejected*. Defenders exhibited the highest value in competitive uncertainty, but the difference was not

**Table 2**

Sample characteristics-respondents.

	Frequency	Percentage
Employees	214	
Management experience (years)	7.98 (sd = 5.034)	
Organization experience (years)	5.43 (sd = 3.464)	
<b>Sex</b>		
Male	129	60.3
Female	85	39.7
<b>Education</b>		
High school	32	15.0
Bachelor's degree	161	75.2
Post graduate	21	9.8
<b>Tourism and hospitality education</b>		
High school	9	4.2
Two-year degree	6	2.8
Bachelor's degree	90	42.1
Post graduate	9	4.2
No education this area	114	46.7
<b>Level</b>		
Middle	129	60.3
Upper	85	39.7
<b>Functional background</b>		
Accounting/finance	27	12.6
General management/human resource	92	43.0
Marketing/sales	46	21.5
Production management/engineering	49	22.9

significant. *Hypothesis 1c was rejected*. Defenders exhibited scores greater than both prospectors and analyzers in market uncertainty.

*Hypothesis 2a was rejected* (see Table 8). Analyzers represented the lowest performance group in terms of financial performance.

*Hypothesis 2b was rejected*. Non-financial performance scores were lowest among reactors, as predicted, but this difference was not significant at the .05 level.

*Hypothesis 3a was rejected*. The analyses assessing the connection between Miles and Snow's typology and Porter's typology revealed that defenders exhibit the highest value in cost leadership, but the difference is not significant. *Hypothesis 3b was supported*. Prospectors scored the highest along Porter's focus dimension. Differentiation was highest among defenders, followed by prospectors. Reactors scored the lowest along each of Porter's categories and appear to represent the "stuck in the middle" position.

**Table 3**

Sample characteristics-hotels.

Variable	Hotels (111)		Hotels according to employees (214)	
	Frequency	Percentage	Frequency	Percentage
Star-rating	3	39	56	26.2
	4	34	67	31.3
	5	38	91	42.5
Size based on number of employees	Small-scale	12	14	6.5
	Medium scale	67	124	57.9
	Large-scale	32	76	35.5
Membership to a chain	Not chain	63	105	49.1
	Chain	48	109	50.9
Joint venture (from another country)	Yes	30	56	26.2
	No	81	158	33.8
Operation	Seasonal	67	131	61.2
	Annual	44	83	38.8
Miles and Snow typology	Defender		76	35.6
	Prospector		87	40.6
	Analyzer		26	12.1
	Reactor		25	11.7

**Table 4**  
Environmental uncertainty.

Scale	Factor loads	Mean	Std. dev.	Rank
<b>Market uncertainty (alpha = .769)</b>				
MU1. In our kind of business, customers' product preferences change quite a bit over time	.689	3.65	1.226	3
MU2. Our customers tend to look for new products all the time	.686	3.39	1.298	11
MU3. Sometimes our customers are very price-sensitive, but on other occasions, price is relatively unimportant	.684	3.50	1.303	8
MU4. New customers tend to have product-related needs that are different from those of our existing customers	.788	3.57	1.160	6
MU5. We cater to many of the same customers that we used to in the past	.736	3.75	1.234	1
MU6. It is very difficult to predict any changes in this marketplace	.505	3.13	1.244	17
<b>Technology uncertainty (alpha = .802)</b>				
TU1. The technology in our industry is changing rapidly	.801	3.26	1.243	14
TU2. Technological changes provide big opportunities in our industry	.795	3.51	1.174	7
TU3. It is very difficult to forecast where the technology in our industry will be in the next two to three years	.800	3.28	1.235	13
TU4. A large number of new product ideas have been made possible through technological breakthroughs in our industry	.750	3.43	1.207	10
TU5. Technological developments in our industry are rather minor	.479	3.24	1.269	16
TU6. The technological changes in this industry are frequent	.623	3.26	1.276	15
<b>Competitive Uncertainty (alpha = .823)</b>				
CU1. Competition in our industry is cutthroat	.805	3.46	1.345	9
CU2. There are many 'promotion wars' in our industry	.770	3.67	1.259	2
CU3. Anything that one competitor can offer, others can match readily	.788	3.62	1.219	5
CU4. Price competition is a hallmark of our industry	.779	3.64	1.185	4
CU5. One hears of a new competitive move almost every day	.783	3.36	1.221	12
CU6. Our competitors are relatively weak	.443	3.02	1.323	18

**Table 5**  
Porter's generic strategies.

Scale	Factor loads	Mean	Std. dev.	Rank
<b>Cost leadership (alpha = .761)</b>				
COST1. Efficiency of securing raw materials or components	.751	3.73	1.075	4
COST2. Finding ways to reduce costs	.790	3.73	1.134	3
COST3. Level of operating efficiency	.723	3.84	1.131	1
COST4. Level of production capacity utilization	.749	3.68	1.111	6
COST5. Price competition	.558	3.58	1.130	8
<b>Focus (alpha = .787)</b>				
FOCUS1. Uniqueness of products in function or design	.750	3.43	1.184	12
FOCUS2. Targeting a clearly identified segment	.787	3.56	1.132	9
FOCUS3. Offering products suitable for a high price segment	.844	3.36	1.280	13
FOCUS4. Offering specialty products tailored to a customer group	.741	3.44	1.196	11
<b>Differentiation (alpha = .846)</b>				
DIFF1. Using new methods and technologies to create superior products	.721	3.35	1.176	14
DIFF2. New product development	.738	3.68	1.094	5
DIFF3. Rate of new product introduction to market	.770	3.26	1.239	15
DIFF4. Number of new products offered to the market	.780	3.20	1.215	16
DIFF5. Intensity of advertising and marketing	.659	3.49	1.178	10
DIFF6. Developing and utilizing sales force	.710	3.60	1.169	7
DIFF7. Building strong brand identification	.670	3.81	1.227	2

**Table 6**  
Performance.

Scale	Factor loads	Mean	Std. dev.	Rank
<b>Financial performance (alpha = .779)</b>				
Sales growth	.670	3.56	1.098	7
Growth in profit after tax	.583	3.45	1.055	9
Market share	.612	3.43	1.076	10
Return on assets (ROA)	.663	3.46	.912	8
Return on equity (ROE)	.586	3.43	.920	11
Return on sales (ROS)	.690	3.57	1.062	6
Overall firm performance and success	.670	3.66	1.030	3
Competitive position	.540	3.58	1.117	5
<b>Non-financial performance (alpha = .889)</b>				
Customer satisfaction	.783	3.67	1.197	2
Customer loyalty	.787	3.64	1.157	4
Employee satisfaction	.781	3.36	1.121	12
Employee turnover	.628	3.23	1.175	13
Company image	.771	3.72	1.216	1

**Table 7**  
Factors scores along uncertainty scales.

Miles and Snow strategy	Technology uncertainty	Competitive uncertainty	Market uncertainty
Defenders ( <i>n</i> = 76)	.08 (sd = 1.03)	.12 (sd = .91)	.19 (sd = .86)
Prospectors ( <i>n</i> = 87)	.04 (sd = 1.03)	.01 (sd = 1.03)	-.12 (sd = 1.16)
Analyzers ( <i>n</i> = 26)	-.19 (sd = 1.03)	-.36 (sd = 1.12)	.05 (sd = .90)
Reactors ( <i>n</i> = 25)	-.20 (sd = 1.03)	-.02 (sd = 1.02)	.22 (sd = .81)
ANOVA significance	.460	.209	.142

*Hypothesis 3c was partially supported.* Analysis of variance (ANOVA) results demonstrated differences in scores for Porter's strategies across the Miles and Snow strategic groups. Duncan's test revealed that the differences were due to reactors and defenders. Moreover, the difference in focus comes from reactors and prospectors (see Table 8).

*Hypothesis 3d was partially supported.* Significant correlations were found between cost leadership and both market and competitive uncertainty, between differentiation and both technology and competitive uncertainty, and between focus and all three measures of uncertainty (see Table 9). However, differences in the correlations between differentiation and market uncertainty, and between cost leadership and technology uncertainty were not significant.

*Hypotheses 3e and 3f were supported.* There were positive and significant relationships between each of the three strategies—cost leadership, differentiation, and focus—and both financial and non-financial performance.

*Hypotheses 4a and 4b were partially supported.* Significant correlations were found between the technology and competitive realms of uncertainty and both financial and non-financial performance measures (see Table 9). However, correlations between market uncertainty and performance—both financial and non-financial—were not significant.

## 6. Discussion

A number of key findings warrant further elaboration. When the means of the participants' attitudes are examined, uncertainties concerning the market and competitive realms are prominent (see Table 4). Hence, the tourism sector appears to be shaped predominantly by market and competitive uncertainties.

Hotels in the present study were most likely to pursue a cost-leadership orientation, followed by differentiation and focus (see Table 5). Cost leadership typically requires the aggressive construction of efficient-scale facilities, an intense pursuit of cost reductions by leveraging the experience curve, tight overhead control, the avoidance of marginal customer accounts, and general cost containment throughout the organization. Moreover, customers tend to be price-sensitive, distributed throughout the industry, and not limited to a single segment (Murray, 1988; Porter, 1980). Given these tendencies, it is not surprising that Turkish hotels often prefer the cost leadership approach (Harrison and Enz, 2005). Recently, many hotels started offering all-inclusive hotel packages due to pressures from large tour operators. All-inclusive packages are not always profitable, however, so cost containment is essential (Bahar,

2004). This type of product policy is inconsistent with the prospector and analyzer approaches (Avci et al., 2011) and is supported by the findings presented herein, as well as the prevalence of recent challenges due to the economic crisis (Okumus and Karamustafa, 2005).

Overall, managers at hotels in the study were more satisfied with non-financial performance than with financial performance. Satisfaction with performance related to customers was higher than with performance related to employees. Turkish hotel managers have emphasized customer relationship management, mission and vision statements, and total quality management in recent years (Senturk, 2010). Many have secured joint ventures and franchising arrangements with hotels in other nations, suggesting the need for broader, more sophisticated performance measures.

Several other findings emerged from the study. First, the type of uncertainty is a key consideration in strategy research. Specifically, it can be argued that Turkish hotels are affected more by competitive and market uncertainty than by technological uncertainty. The notion that hotels do not appear to be influenced by technological uncertainty is noteworthy. One possible explanation for this result is that there are not many qualified personnel working in the sector; hence, the interest in technology is low. Moreover, technological capabilities are necessary in today's competitive environment for organizations regardless of competitive strategy.

Second, Turkish hotel organizations tend to follow either a cost leadership or a differentiation strategy (see also Bahar, 2004). This may be attributed to the aforementioned trend in Turkey to reduce their costs by offering package programs. Moreover, the global crisis initiated in 2009 has had a devastating effect on the industry.

Third—considering the non-financial performance criteria—company image, customer satisfaction, and customer loyalty dimensions scored higher than financial dimensions, suggesting a heightened interest in customer service. Hence, the customer focus may be in the forefront of hotel policies, and appropriately so. In addition, the present study reinforces the ongoing problems of low customer satisfaction and high turnover rates in many hotels (Tosun et al., 2008; Okumus and Karamustafa, 2005; Okumus and Kilic, 2004).

Fourth, the hotels in the study tend to possess both defender and prospector characteristics. Defenders scored the highest along technological and competitive uncertainty while reactors scored the highest along market uncertainty, although these differences were not significant. Significance in such findings would have supported several key studies (Brunk, 2003; Bantel and Osborn, 1995). Prospector sensitivity to technological uncertainty and analyzer

**Table 8**  
Factor scores along generic strategy and performance.

Miles and Snow strategy	Cost leadership	Differentiation	Focus	Financial performance	Non-financial performance
Defenders ( <i>n</i> = 76)	.11	.15	-.05	.13	.12
Prospectors ( <i>n</i> = 87)	.01	.07	.22	.07	.07
Analyzers ( <i>n</i> = 26)	-.07	-.28	-.03	-.43	-.28
Reactors ( <i>n</i> = 25)	-.29	-.41	-.60	-.20	-.35
ANOVA significance	.350	.038	.004	.055	.079

**Table 9**  
Select correlations.

	Cost leadership	Differentiation	Focus	Market uncertainty	Technology uncertainty	Competitive uncertainty	Financial performance	Non-financial performance
Cost leadership	1	.396*	.250*	.167*	.115	.226*	.188*	.288*
Differentiation		1	.395*	.094	.225*	.324*	.412*	.464*
Focus			1	.156*	.261*	.203*	.182*	.214*
Market uncertainty				1	.346*	.195*	.036	.068
Technology uncertainty					1	.202*	.163*	.169*
Competitive uncertainty						1	.276*	.230*
Financial performance							1	.452*
Non-financial performance								1

\* Significant at .05 level.

sensitivity to market uncertainty are mostly due to an inadequacy of marketing strategies in the tourism sector and dependence on foreign tour operators (Tosun et al., 2008). This could also be explained by a heightened emphasis on strategic planning among Turkish firms (Glaister et al., 2009).

Fifth, the poor performance among reactors in the study is consistent with extant literature (Garrigós-Simón et al., 2005) but this difference is not significant. Moreover, analyzers represented the second lowest performing group, and Turkey's status as a developing nation may partially explain this finding. While developing countries have many attractive features, their environments are riskier and fundamentally different from developed ones (Bandyopahyay, 2001). They lack many of the essential resources, infrastructures, demand features, governmental controls, and stability that are present in developed economies (Baack and Boggs, 2008). As the hotel industry is in constant flux and competition is intensifying with the introduction of new destinations (Pereira-Moliner et al., 2010), deciding how to engage this environment strategically becomes increasingly difficult.

Sixth, although there is no significant difference the links between prospectors and the focus strategy and between defenders and the cost leadership strategy support limited prior investigations (Segev, 1989; Miller, 1986; Hambrick, 1983). The conceptual connection between the two generic strategy typologies is intriguing. As Valos and Vocino (2006) put it, the approaches proposed by Porter, and Miles and Snow are based on mechanic and organic underlying dimensions respectively. Hence, evaluating relationships between the two typologies is worthwhile. Organizational culture influences strategic choices as well (Saffold, 1988; Schein, 2004). Cultures in prospector businesses are often characterized by a stronger emphasis on innovation and outcomes. Cultures in defender businesses are characterized by greater stability (Baird et al., 2007) and structure (Porter, 1980).

Distinctions between the typologies in Turkey are apparent, given the cultural propensities of Turkish managers such as centralization and autocracy (Iseri and Demirbag, 1999). Moreover, there tends to be a stronger correlation between a growth differentiation strategy and market orientation grouping higher performing businesses, as compared to their lower performing counterparts (Pelham, 1999). *Ceteris paribus*, prospectors place more emphasis on marketing capabilities, quality orientation, product scope and development and differentiation focus (Morgan et al., 2003). The distinctions between the typologies in Turkey may be linked to the market philosophy of the hotels, including product-oriented and customer-oriented philosophies, and manufacturing, selling, and societal orientations respectively (Tosun et al., 2008).

Seventh, high performing cost leaders and high performing differentiators are often found in different environments (Kim and Lim, 1988). In this study there are several relationships among Porter's strategies, uncertainty, and performance. These include links between market uncertainty and cost, between market uncertainty and focus, and between technological uncertainty and both

financial and non-financial performance. However, correlations between market uncertainty and performance—both financial and non-financial—were not significant.

Finally, generic strategies are linked to a number of business functions, including technology, innovation, organizational design, human resource management (Aragón-Sánchez and Sánchez-Marín, 2005), top management teams (Escribá-Esteve et al., 2009), inside-out capabilities and information technologies (Di Benedetto and Song, 2003), and total quality management (Dansky and Brannon, 1996). Tourism organizations in Turkey are mostly family businesses (Okumus and Karamustafa, 2005). The most common challenges in Turkish hotels include seasonality, low occupancy rates, short stays, high dependency on foreign tour operators, transportation/logistics challenges, inadequate infrastructure, a lack of qualified staff, a lack of sound marketing strategies, and a high percentage of lower-income tourists (Tosun et al., 2008; Okumus and Karamustafa, 2005; Okumus and Kilic, 2004). These problems constitute obstacles to the institutionalization of firms in the industry.

## 7. Conclusions, limitations and future research

This study investigates linkages among business strategy, environmental uncertainty and organizational performance in Turkish hotels, employing generic strategy typologies from Porter, and Miles and Snow. Prospectors, analyzers, and defenders outperformed reactors along both financial and non-financial performance measures. Linkages between environmental uncertainty and both financial and non-financial performance were partially supported.

The results of this study provide several key implications for managers in hotels and other tourism organizations. Considering the Miles and Snow typology, defender and prospector strategies appear to be the best options for Turkish hotels. With regard to Porter's typology, the polar extremes of cost leadership and differentiation appear to be more appropriate. In other words, hybrid (e.g., analyzer) and combination strategies (e.g., cost leadership and differentiation) do not appear to be the best options. Following Porter's admonition, hotels in Turkey seeking to combine approaches are likely to end up "stuck in the middle," a finding supported by previous work (Acquaah and Yasai-Ardekani, 2008; Kim et al., 2004).

Competitive strategies at Turkish hotels appear to be influenced by environmental uncertainty although correlations between market uncertainty and performance—both financial and non-financial—were not significant. Earlier studies (e.g., Namiki, 1989; Parnell, 1997) failed to identify consistent and significant differences in performance across the Miles and Snow business strategies. In the present study, however, uncertainty appears to play a more substantial role (see also Avci et al., 2011).

These findings also help explain how managers conceptualize the relationships among typologies proposed by Miles and Snow, and Porter, perceived environmental uncertainty, and financial and

non-financial performance. For example, defenders that also pursue a cost leadership strategy tend to enjoy more success in terms of both financial and non-financial performance. Prospectors that employ a focus strategy also tend to perform well. In addition, relationships exist between generic strategies and the constructs of organizational learning (Ribbens, 1997; Oslan and Yaprak, 1995) and knowledge management (Franken and Braganza, 2006), factors that tend to receive relatively little attention in Turkish firms (Aydoğan et al., 2011; Erigüç and Yalçın, 2007; Köseoglu et al., 2010a,b).

The findings presented herein suggest that joint ventures between multinational firms and Turkish hotels might be fruitful. Turkish hotels tend to emphasize cost leadership and lack requisite organizational and technological capabilities. In contrast, their larger counterparts abroad may be able to provide structural, technological, or management expertise (Meyer and Estrin, 2001).

Several shortcomings should be acknowledged. The present study considers only a small region of Turkey, one with strong tourism ties; replications in other emerging nations are needed. The present study also assessed environmental uncertainty only from a subjective perspective (i.e., perceived environmental uncertainty). Moreover, almost one-half of the participating managers graduated from schools without tourism programs and therefore may not be knowledgeable about the fundamental dynamics of the hotel industry. Hence, studies limited to subjects with tourism training might produce different results. Moreover, the sample includes only 3-star, 4-star, and 5-star hotels. Replications in other categories are warranted.

Analytical and interpretational problems arise when constructs and surveys are modified or translated to fit samples in other cultures. Although the survey was pretested in the present study, changes in survey instruments require scholars to make judgments that can influence outcomes, an ongoing challenging in cross-cultural research (Parnell et al., 2012; Punnett and Shenkar, 1994). Survey research is feasible when language barriers can be overcome, but it can be problematic when significant cultural or linguistic differences exist. While methodological consistency in cross-national research is the ideal, some constructs developed in advanced Western nations—such as the notion of perceived environmental uncertainty—may not be completely understood in emerging nations. The development of alternative culture-specific constructs might be required to accurately explain management behavior.

The prospects for additional research are attractive. For instance, strategy-uncertainty-performance connections are assessed in the present study by considering the demographic features of managers and hotels. A number of investigations have demonstrated the link between hotel characteristics and competitive strategies (Jonsson and Devonish, 2009). Additional studies can consider this link in greater detail.

The present study can be repeated in other developing countries such as Russia, China, Thailand, Colombia, Brazil and India. Moreover, the inclusion of cultural factors can provide additional insight into the uncertainty-strategy-performance nexus.

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