



# Building a case against strategic equifinality

## Hybrid ideal type service organizations in a developing country

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### Abstract

**Purpose** – The purpose of this paper is to build a case against strategic equifinality. This is accomplished by employing hybrid ideal types approach and testing the effect of these strategic types on firm performance among service firms in the context of a developing country.

**Design/methodology/approach** – Data were collected via a self-administered survey. The final sample of this study encompassed 169 ideal type hybrid companies operating in the tourism industry in Mugla, Turkey.

**Findings** – The research findings indicate that prospectors and hybrid prospector-analyzer (PA) orientations outperform defenders based on several financial and non-financial performance measures. However, all other strategic orientations show identical performance.

**Research limitations/implications** – The research findings imply that adopting a hybrid strategy is a viable option. In addition, SMEs in developing countries should exercise some caution when deciding to adopt a defender strategy.

**Originality/value** – This study uses hybrid ideal types for service firms in a dynamic business environment in a developing country.

**Keywords** Developing countries, Ideal types, Strategic orientation, Organizational performance, Configurational theories, Equifinality

**Paper type** Research paper

### Introduction

The unquenched desire to find a fit between a company's business strategy and its environment has produced several configurational theories (e.g. Miles and Snow, 1978; Mintzberg, 1973; Porter, 1980) in the past three decades. These theories encompass an arsenal of well-planned and consistent responses to diverse environmental events, investment strategies and competitive advantages (Hofer and Schendel, 1978; Garcia Lillo and Marco Lajara, 2002; Parnell *et al.*, 2012). Particularly, the works of Mintzberg (1973) and Miles and Snow (1978) offer richly described ideal types as a unique configuration of contextual, structural and strategic factors (Doty *et al.*, 1993).

For instance, the typology of Miles and Snow (1978) suggests organizations adopt one of the four strategic types (prospector, defender, analyzer or reactor) in order to attain organizational effectiveness. While this typology is examined in perhaps 100s of studies, there are several unresolved issues that present a gap in the literature. The first



issue is related to the use of categorizations instead of ideal types. For example, Doty *et al.* (1993) note that such a categorization may have some severe limitations. This is mainly because viewing strategic configurations as categories can lead to equating the effectiveness of marginal representatives of these categories to their central members.

Extant literature also falls short of addressing another important conundrum in the work of Miles and Snow (1978): the existence of hybrid ideal types. Doty *et al.* (1993) focus on the issue of hybridization by explaining why some organizations may indeed be forced to adopt hybrid forms. That is, organizations can represent a hybrid of several strategic orientations. There is a scarcity of studies that use hybrid forms of competitive strategies and relate these hybrid strategies to organizational performance (Claver-Cortes *et al.*, 2012). The limited use of hybrid form approach to test Miles and Snow's typology presents another opportune area for inquiry.

Configurational theories are generally built on the assumption of equifinality (Jennings *et al.*, 2003; Payne, 2006). That is, firms may achieve the same level of organizational performance by using different strategies. However, there is a scarcity of studies that look at equifinality in service firms in the context of developing countries by using hybrid ideal types. This is an important issue because some scholars focussing on developing countries argue that configurational theories are not directly applicable to the context of these countries (Jusoh and Parnell, 2008). In addition, service industries (i.e. tourism) in developing countries such as Turkey are affected by political conflicts (i.e. domestic terrorist attacks, Iraqi War of 2003) and economic crises (i.e. the 2001 economic crisis (Okumus and Karamustafa, 2005), the Great Recession of 2008), which in turn can influence businesses' strategies and performance. Our paper sets out to fill the gaps identified above by building on the works of Doty *et al.* (1993), Jennings *et al.* (2003) and Jusoh and Parnell (2008), among others, by building a case against strategic equifinality. More specifically, the purpose of this study is to investigate whether hybrid form ideal type firms achieve equifinality in the context of a developing country, namely Turkey.

This study makes the following specific contributions to the extant body of knowledge. First, it tests the equifinality argument in the context of a developing country. This is an important step forward because developing countries experience a higher rate of change and dynamism in their respective environments. In addition, some developing countries like Turkey are prone to prolonged effects of economic crises and political conflicts (Okumus and Karamustafa, 2005). Second, this study posits a priori why some hybrid ideal type firms are expected to outperform others. That is, rather than stating a general hypothesis of equifinality, this research study explains why some hybrid ideal type service firms in a developing country are better off adopting certain strategic orientations over other strategies.

### Theoretical background

This section first briefly summarizes the four strategic orientations of Miles and Snow (1978). Next, it lays out the theoretical underpinnings of ideal types and equifinality. Last, several hypotheses are proposed about why some hybrid ideal type firms are expected to exhibit better performance than other firms.

#### *Miles and Snow's typology*

Prospector type companies' actions are focussed on the external environment as these companies are known to continuously analyze the external environment (Dess *et al.*, 1997;

Segev, 1987). They are leaders in creating new products and developing new methods (Garrigós-Simón *et al.*, 2005; Hambrick, 1983). Prospectors drive “change and uncertainty in the marketplace to which competitors are forced to react” (Stathakolopoulos, 1998, p. 539). Adopters of this strategic orientation frequently improve their products and services and strive to be the first entrant in the market.

Unlike prospectors, defenders are very internally oriented companies. When it comes to new product development, they are conservative (Cunningham, 2002). Instead of developing new products or services, these firms tend to focus on price and quality. Their main concern is “increasing the efficiency of the present activities” (Miles and Snow, 1978, p. 29). They prefer more stable and secure product and service areas. Therefore, these companies do not keep abreast of developments in the industry. Rather, these companies maintain a niche with a very limited assortment of products or services where they can offer superior products, at a higher quality and better prices than their competitors (Snow and Hrebiniak, 1980).

Analyzers exhibit characteristics that are a blend of defenders and prospectors (Miles and Snow, 1978). Analyzers maintain a balance but also benefit from changes in the competitive environment (Hambrick, 1983; Miles *et al.*, 1978). Thus, these organizations achieve a balance by not only maintaining a limited product line but also by tracking changes occurring in production and manufacturing (Snow and Hrebiniak, 1980). These changes have to do with observing competitors’ actions and strategies, and developing conservative business strategies. As a result, analyzers are not the first entrants in a market for products and services but rather they carefully analyze rivals’ actions (Slater and Narver, 1993; Williams and Tse, 1995). Later, analyzers focus on products and services which are promising and engage into imitating the design, manufacturing and distribution of these products (Miles *et al.*, 1978).

Finally, reactors are organizations that do not have a consistent market orientation. These companies generally try to respond to pressures coming from the external business environment (Snow and Hrebiniak, 1980). Therefore, they are not able to achieve a sustainable competitive advantage over their competitors. In addition, they are not as aggressive as their competitors in protecting their present market share and product structure (Snow and Hrebiniak, 1980). Indeed, these organizations are aware of changes and uncertainties in the business environment but reactors are not very successful in coping with these external forces.

#### *Ideal type hybrid organizations*

Doty *et al.* (1993) contend that one of the major deficiencies other studies face, when testing Miles and Snow’s (1978) typology, is the treatment of configurations as categories rather than as ideal types. An ideal type is a theoretical construct that represents a holistic configuration of organizational factors (Doty *et al.*, 1993). Miles and Snow support this alternative interpretation when they explicitly state that they were presenting the “pure” form of each configuration (Miles and Snow’s, 1978p. 301). Doty *et al.* (1993) point out that when configurations are treated as categories, marginal members of the categories are predicted to be as effective as their counterparts which are located in the center of the ideal type. On the other hand, when configurations are treated as ideal types, organizations that marginally resemble the types are predicted to be much less effective than ideal type organizations (Doty *et al.*, 1993). In addition, since Miles and Snow (1978) allow for hybridization of strategic orientations, Doty *et al.* (1993) state that acknowledging hybridization implies that the

theory must also be tested with the contingent hybrid types and the hybrid type models of configurational fit and performance. Another study that helps justify the need of hybrid ideal type organizations of Miles and Snow is conducted by DeSarbo *et al.* (2005) who derive four empirical strategic groups of the typology of Miles and Snow (1978). For instance, DeSarbo *et al.* (2005) report that Groups 1 and 4 were similar in that they contained both prospectors and analyzers in each group. Group 3 contained only defenders and reactors. On the other hand, Group 2 consisted of a mix of prospectors, analyzers and defenders but it was also the smallest group with 104 firms out of 709 observations. As a consequence, the present study uses a theoretical hybrid ideal type approach to provide a further reasoning for the findings of DeSarbo *et al.* (2005).

### *Strategic equifinality*

The assumption of equifinality is implicit in configurational theories because these theories identify multiple ideal types of organizations that maximize fit and effectiveness (Doty *et al.*, 1993). Equifinality is best explained in the words of Katz and Kahn (1978) who wrote that “a system can reach the same final state (e.g. the same level of organizational effectiveness) from differing initial conditions and by a variety of paths” (p. 30). This assumption allows for the existence of a “feasible set of equally effective, internally consistent patterns of context and structure” (Van de Ven and Drazin, 1985, p. 335).

In the 1980s and early 1990s organizational literature offered little guidance about the issues and assumptions surrounding equifinality (e.g. Doty and Glick, 1994; Fry and Smith, 1987). It was not until 1997 when Gresov and Drazin (1997) put forward a classification of different forms of equifinality. These forms of equifinality depend on the set of functional demands, which are borne by environmental forces and the amount of structural latitude available to managers to meet those demands (Marlin *et al.*, 2007). Marlin *et al.* (2007) further point out that while Gresov and Drazin (1997) focus on the equifinality of structures, these authors' ideas shed some clarity and further add to the general concept of equifinality which is implicit in conceptual frameworks in strategic management (e.g. Miles and Snow, 1978; Porter (1980). This is because, as with structure, matching strategy to the demands of the environment should result in higher performance. A large body of work contends that adopting the three types of strategic orientations (analyzer, prospector and defender) should lead to identical performance (i.e. equifinality) so long as these strategy types take actions to make organizational adjustments in a consistent way (Conant *et al.*, 1990; Hrebiniak and Joyce, 1985; Jennings *et al.*, 2003; Smith *et al.*, 1989; Snow and Hrebiniak, 1980). Thus, Marlin *et al.* (2007) maintain that different strategic approaches can be viewed as functionally equivalent if these strategies meet the same functional environmental demands and lead to equal performance.

### **Hypotheses development**

In the previous section, it has been acknowledged that extant literature is replete with arguments as to why the three strategic orientations of Miles and Snow (1978) (i.e. prospectors, defenders and analyzers) should demonstrate identical performance. However, Hambrick (1983) raises an important issue by pointing out that there are certain differences in performance among some strategic behaviors. These performance differences depend on the environment and the measures of organizational performance being used. Hambrick (1983) reports that prospectors

perform well in dynamic environments by taking advantage of growth opportunities. On the other hand, defenders perform best in stable environments, and in industries that are mature and which do not depend on innovation. Inherent to their characteristics, prospectors have a greater capacity to adapt to environmental trends than analyzers and defenders (Veliyath and Shortell, 1993) which may explain the performance of prospectors. This argument is confirmed among small and medium enterprises (SMEs) in Spain by Aragon-Sanchez and Sanchez-Marin (2005) and Camison (1997). In the context of SMEs, Camison (1997) finds that prospector orientation demonstrates a better performance compared to analyzers and defenders. The present study consists primarily of SMEs which denotes that prospectors should be the best performing orientation. However, when both large and small firms are considered, then organization size favors some other strategic orientations. For example, Smith *et al.* (1989) find that defenders perform better when they are small companies. On the other hand, prospectors perform best when they are large companies.

Thus far, the above discussion has indicated that performance of ideal type strategies is generally contingent upon how these strategies meet the functional demands of the environment. Consequently, depending on the type of the environment, some ideal type organizations may perform better than others. For example, there are several studies, which show that prospectors fare better than defenders (e.g. Aragon-Sanchez and Sanchez-Marin, 2005; Camison, 1997; Matsuno and Mentzer, 2000; O'Regan and Ghobadian, 2006). However, previous studies in this line of inquiry do not seem to specify a priori which ideal type organizations should outperform their counterparts. That is, formation of a theoretical case against equifinality of the typology of Miles and Snow is still in its early stages. As mentioned before, the threat to equifinality assumption can be justified by Doty *et al.* (1993) who claim that some contingencies may have an influence on equifinality where one or more strategic ideal types perform better than the other ideal types.

To build a case for contingency theory, in this study, we identify a key boundary condition that potentially poses a threat to the equifinality argument. The present paper acknowledges an important contingency related to the economic environment in a developing country, namely, Turkey. Turkey has faced two economic crises (in 2001 and in 2008) in the new millennium. In addition, the Iraqi War in 2003 and the domestic terrorism attacks had a negative impact particularly on the performance of the service sector. Based on the turbulent economic conditions in Turkey, prospectors are expected to outperform defenders, which is in line with arguments of Hambrick (1983). This is because, prospectors are viewed as organizations that take a high level of risk but also have a potential to earn a higher return. On the other hand, defenders are conservative organizations that focus on improving organizational routines and on controlling costs. However, the unstable environment in Turkey does not favor defenders of service firms because firms in the tourism industry are still relatively young and they also face demand shocks borne by foreign tour operators. As a consequence, given uncertainty pertaining to the economic and political conditions in developing countries, service firms that represent prospector strategy should realize a better firm performance relative to defenders. This discussion leads to the following hypothesis:

*H1.* Prospector ideal type organizations will outperform defender ideal type organizations in a developing country context.

It can also be argued that adopting a hybrid ideal type can deliver either superior or identical organizational performance compared to other “pure” ideal type orientations such as prospectors and defenders. One of the studies that supports that view is conducted by Wright *et al.* (1990) who propose a hybrid orientation labeled “balancer.” Their findings demonstrate that balancer orientation outperforms other strategic orientations of Miles and Snow (1978). This study develops two additional hybrid ideal types of organizations: prospector-analyzers (PAs) and analyzer-defenders (ADs). The PA orientation is of particular interest because these firms are expected to be a hybrid between prospector and analyzer orientations as business conditions change. Therefore, PAs should be able to achieve firm performance that is identical to prospectors and analyzers given the state of environmental conditions. On the other hand, ADs organizations are considered a hybrid between an analyzer and defender ideal types. By virtue of their hybridization, these organizations show characteristics that are adaptable to both stable and changing environments while increasing the efficiency of their business routines. As discussed above, the business environment in Turkey has a high level of dynamism which also includes uncertainty. As a consequence, due to their environmental adaptation capabilities, ADs should demonstrate a similar performance compared to all other four ideal type orientations. Based on the above discussion, the following hypotheses are proposed:

- H2.* PA ideal type organizations will outperform defender ideal type organizations in a developing country context.
- H3.* There will be no significant difference between the firm performance of prospector ideal type organizations and PA ideal type organizations in a developing country context.
- H4.* AD orientation will display an identical performance compared to defender, analyzer, PA and prospector ideal type organizations in a developing country context.

## Methodology

### *Empirical context and data collection*

The context of this research project is a developing country, namely Turkey. The industry of interest is the tourism industry, which is one of the major industries and largest foreign exchange generators for Turkey. The United Nations World Tourism Organization (UNWTO) (2013) ranks Turkey sixth in the World in terms of international tourist arrivals in 2011 with 34.7 million visitors. The impressive growth of tourism in the past decade has come with some major macroeconomic and industry-specific challenges such as seasonality, low hotel occupancy rates, high dependency on foreign tour operators, transportation and logistical issues, insufficient infrastructure, shortage of qualified staff, lack of long-term marketing strategies, a high proportion of visitors with low income, and the effects of national and global financial crises (Okumus and Karamustafa, 2005). Particularly, the financial crisis in 2001 had a major impact on organizational strategies and their implementation in several industries. Due to this crisis, there was a substantial fall in Turkey's Gross National Product from US\$201.4 billion in 2000 to US\$148 billion in 2001. The outbreak of Iraqi War in 2003 had a negative influence on the tourism industry in Turkey.

Ongoing terrorist attacks by the separatist terrorist group PKK since the 1980s and the global financial crisis of 2008 are two other major setbacks for the tourism industry in Turkey. To sum up, operating in a mode that requires an alert stance against political and economic crises is a key factor that determines business practices of Turkish tourism firms as well as their strategic orientations.

Mugla province served as the research setting of this study by virtue of its significance as one of the top two vacation destinations in Turkey along with Antalya. This destination offers an appropriate setting to test equifinality due to the seasonality of tourism firms and the sensitivity of tourism firm performance to developments both in economic and political arena. The population of interest consisted of 755 tourism establishments (hotels, restaurants and travel agencies) in the Mugla Region. These firms can be classified as SMEs because more than 83 percent of them have a staff of less than 200 employees. This study employed a purposive sampling method which encompasses all three, four and five star hotels, travel agencies and tourism-licensed restaurants registered in Mugla, Turkey. The business addresses of these organizations were provided by the administrators of Mugla Tourism Provincial Administration.

Authors mailed surveys to the general managers of all firms mentioned above. In addition, one of the authors personally visited hotels, restaurants and travel agencies to drop off and collect the surveys. A total of 282 usable responses were obtained for a final response rate of 37.3 percent. Postal mail surveys accounted for a total of 190 responses. In addition, one of the authors hand collected 92 surveys. Literature informs that the single informant approach has some limitations when measuring organizational-level constructs (Conant *et al.*, 1990). On the other hand, this approach permits a larger number of organizations to be surveyed (Conant *et al.*, 1990). In addition, using managers as respondents provides the most accurate evaluation of organizational strategies (Lyon *et al.*, 2000).

Authors of this paper conducted a  $\chi^2$  independence of classification analysis as in Conant *et al.* (1990). Results revealed that non-response bias did not exist and the sample was representative of the overall tourism industry in terms of organizational size and business types. In addition, to rule out any possibility of common method variance, the present authors conducted Harman's one-factor test (Podsakoff and Organ, 1986). All variables were entered into an exploratory factor analysis (EFA) which showed that no factor accounted for the majority of variance in these variables. The highest variance was 18.9 percent which leads to the conclusion that the variance can be attributed to the scales of interest rather than to the measurement method.

#### *Survey instrument*

The instrument consists of two main sections which measure strategic orientations and firm performance. In addition, the questionnaire includes measures of the macro business environment along with some firm characteristics. The first section of the questionnaire pertains to four strategic orientations. Scales for these orientations include 12 statements related to prospectors, six statements describing defenders, nine statements pertaining to analyzers, and nine items capturing the reactor strategy. These statements were adapted from the long-standing studies of Conant *et al.* (1990), Miles *et al.* (1978), Miles and Snow (1978), Segev (1987), and Snow and Hrebiniak (1980). The second section encompasses firm performance which is captured by financial and non-financial performance measures. This study used the following four financial performance measures: sales, market share, cost and profitability (Jennings *et al.*, 2003;

Jusoh and Parnell, 2008). The present study employed the following five measures related to non-financial performance, namely: customer loyalty, customer satisfaction, employee satisfaction, employee turnover and company image. Non-financial performance measures came from the studies of Laitinen (2002), Phillips (1999a), Phillips (1999b) and Harris and Mongiello (2001). In all statements, the survey asked participating informants to evaluate their organization's performance relative to their competition on a five-point Likert scale ranging from 1 = definitely disagree to 5 = definitely agree. In addition, participants responded to questions about the business macro environment and organizational size. The environment included four items which capture political, social, economic and external (global) environment and utilizes the same scale as performance statements. Here, respondents were asked about their perceptions about the influence of the macro business environment on their firms' performance. Organizational size is a categorical variable that consists of five categories about the number of employees (1 = <50, 2 = 51-100, 3 = 101-150, 4 = 151-200, and 5 = more than 200).

#### *Variables*

*Dependent variables.* To test study's hypothesis, the authors of this study employ a scale of overall firm performance which is represented by the nine performance variables (financial and non-financial). Authors conducted a reliability analysis, which showed that the overall firm performance scale had an acceptable Cronbach's  $\alpha$  of 0.82 based on the 0.70 threshold value of Nunnally (1978). Consequently, overall firm performance was used as the key dependent variable in this study. The paper still employed the two sets of performance measures at a multivariate and variable levels to enhance the informativeness of this study.

*Control variables.* Based on the arguments of contingency theorists, some studies assume that organizational performance is a result of the fit between certain organizational characteristics and contingencies that are a reflection of the state of the firm (Burns and Stalker, 1961; Jennings *et al.*, 2003). In their study, Jennings *et al.* (2003) discussed three major contingencies, which consist of the environment (Burns and Stalker, 1961), organizational size (Child, 1975) and strategy (Chandler, 1962). Since the present study focusses on business strategy, there exists a need to control for the other aforementioned contingencies: organizational size and the environment.

In a meta-analysis of determinants of financial performance, Capon *et al.* (1990) report that firm size is one of the key correlates of firm performance. Jennings *et al.* (2003) note that as organization size increases, size leads to formalized roles, emphasis on predictability which in turn results in a more rigid organizational behavior. Ortega (2010) finds that larger companies tend to outperform smaller ones due to economies of scale and bargaining power. In this study, authors measure company size as number of employees (Liozu and Hinterhuber, 2013; Ortega, 2010). The business macro environment is the second contingency variable in this study. While the environment has been investigated in several studies, it is challenging to capture this multidimensional construct with a single variable. While extant research shows that businesses in Turkey are primarily concerned about the political environment because it interacts with other contextual environments (Aydin, 2005; Onis and Bakir, 2007). Therefore, this study uses a scale to capture several aspects of the business macro environment. This study employs the first three measures of the Political, Economic, Social, and Technological (PEST) analysis taxonomy. The present study also adds



a fourth measure that is called external (global) because global developments affect the regional context in which firms operate (Onis and Bakir, 2007). These authors further explain that historically businesses in Turkey have had to watch the influence of two major external anchors: The International Monetary Fund (IMF) and the European Union (EU). Consequently, the environment scale consists of four items related to political, economic and social environments as well as changes in the global environment. This study checked the reliability of the four statements about the environment and verified that the environment scale had an acceptable internal consistency (Cronbach's  $\alpha = 0.72$ ) (Nunnally, 1978).

There are three types of organizations that are represented in this study: hotels, restaurants and travel agencies. Since hotels are generally larger companies, and some are affiliated with international chains, these organizations may have access to more resources such as reservations systems and training which may in turn help them achieve a better performance compared to travel agencies and restaurants. Therefore, researchers use company type as a categorical control variable to ensure that the effect of ideal type strategic orientation on firm performance is robust.

*Independent variable.* The independent variable in this study is hybrid ideal type strategic orientation. This variable is derived in two steps. First, this paper uses a hybrid nominal groups approach in which the companies can belong to more than one typology (i.e. strategic orientation). For instance, a given company can be a hybrid company by being both a prospector and an analyzer. A company whose mean score to a given set of strategic orientation statements is close/similar to multiple orientations (i.e. within less than one standard deviation of the group mean for more than one strategic orientation) is classified as a hybrid firm. The following example may serve to illustrate. Let us assume that a given firm has a mean of 4.23 for "prospector" statements and 4.08 for "analyzer" statements. If these two scores (4.23 and 4.08) are within one standard deviation of the sample mean of prospector and analyzer orientations then the firm in question belongs to a hybrid strategic orientation labeled PA. The second step involves dropping organizations that are marginal representatives of each strategic orientation (Doty *et al.*, 1993). A mean score of 4.00 or lower on any of the strategic orientation statements constitutes a case for "marginal representation." This procedure retained 169 observations which are ideal type hybrid organizations. In addition, this study dropped reactors from further consideration because there were only four reactor companies in the initial sample and none of these organizations were ideal type organizations.

#### *Data analysis*

This study used one-way multivariate analysis of covariance (MANCOVA) to test the mean differences in performance between hybrid ideal type tourism firms. The key reason for using MANCOVA over analysis of covariance (ANCOVA) is MANCOVA's ability to reduce the probability of Type I error that can be experienced when multiple ANCOVAs are examined individually (Hair *et al.*, 2006). Authors checked for homogeneity of variance via Levene's test, which indicated that all 14 variables had homogenous variances. Given its ability to handle unequal group sizes, the Tukey-Kramer *post hoc* test was chosen to investigate simple main effects for all hybrid strategic orientations. Due to the directional sign of our hypotheses, we conducted one-tailed *post hoc* pairwise comparisons by taking the halves of reported *p*-values.

## Results

Hybridization analysis indicates that a considerable number of firms would fall into one of the two hybrid organization ideal types (i.e. PA and AD). For instance, the PA hybrid type was represented by 38 firms (see Table I). If the “majority rule” of Conant *et al.* (1990) were to be applied, 24 of these 38 firms would fall under “prospector” orientation. Since the analyzer orientation is considered a mix of prospector and defender, this orientation placed 29 firms under the PA hybrid type and 22 firms under the AD hybrid type. No companies belonged to the PD orientation, which makes theoretical sense since prospectors and defenders are viewed as the two ends of the strategic orientation continuum.

As it can be seen in Table I, ideal type analysis retained a total of 169 observations among which analyzers make up the largest strategic orientation ( $n = 58$ ). MANCOVA results reveal that there is a significant difference in overall firm performance among tourism organizations based on their strategic ideal type (see Table I). The environment and firm type had a significant main effect on overall firm performance. To test the predictions of *H1*, this study looks at the difference in overall firm performance between prospectors and defenders. Results show that prospectors have a higher mean of overall firm performance relative to defenders which lends support for *H1* (see Table I).

*H2* predicts that PAs will demonstrate better performance than defenders. Results in Table I indicate that PAs had a higher mean overall firm performance than defenders which is consistent with *H2*. The research findings indicate that there is no significant difference in overall firm performance between prospectors and PAs which offers support for *H3*. *H4* states that ADs should achieve a similar overall firm performance compared to other ideal type organizations, namely prospectors, PAs, analyzers and defenders. Study results demonstrate that there is no significant difference in overall firm performance between ADs and the other four ideal type organizations, which confirms *H4*.

Variable						F-value
Overall Performance	Wilks' $\lambda = 0.88$					5.18*
Controls						
Environment	Wilks' $\lambda = 0.90$					17.39*
Organizational Size	Wilks' $\lambda = 0.95$					1.30
Firm type	Wilks' $\lambda = 0.93$					6.16*
Hypothesis	Relationship					Supported
<i>H1</i>	Prospector > defender					Yes
<i>H2</i>	PA > defender					Yes
<i>H3</i>	Prospector = PA					Yes
<i>H4</i>	AD = prospector, PA, analyzer, defender					Yes
	1	2	3	4	5	
	Prospector	PA	Defender	AD	Analyzer	
	( $n = 29$ )	( $n = 38$ )	( $n = 25$ )	( $n = 19$ )	( $n = 58$ )	
Overall performance	3.85	3.73	3.08	3.55	3.45	
	1 > 3	2 > 3				

**Notes:**  $N = 169$ . PA, prospector-analyzer, AD, analyzer-defender; “>” Denotes pairs that are significant at  $p \leq 0.05$ ; \* $p < 0.05$

**Table I.**  
Ideal hybrid type strategic  
orientation and overall  
firm performance

This study conducts additional analysis to investigate whether there is any difference on the basis of both financial and non-financial performance among hybrid ideal type orientations. Table II shows that companies, which followed one of the five ideal types of strategic orientation differed based on financial performance (Wilks'  $\lambda = 0.73$ ,  $F = 2.33$ ,  $p < 0.01$ ). The environment and firm type also have a significant effect on financial performance. At a variable level, market share and profitability reveal a significant difference among strategic orientations. A pairwise comparison Tukey-Kramer test indicates that other strategic orientations outperformed defenders in several financial aspects. That is, defenders lag behind prospectors, PAs and analyzers on the basis of market share. In addition, prospectors and PAs have a higher level of profitability than defenders.

The research findings presented in Table III demonstrate a difference in non-financial performance among hybrid ideal types at multivariate level (Wilks'  $\lambda = 0.69$ ,  $F = 2.12$ ,  $p < 0.01$ ). As in the previous instances, the environment and firm type had a significant influence on non-financial performance. The analysis of simple main effects indicates that customer satisfaction and employee satisfaction differed significantly across hybrid ideal type firms. The *post hoc* analysis demonstrates that prospectors and PAs outperformed defenders based on customer satisfaction. Defenders were also outperformed by prospectors, PAs and analyzers in terms of employee satisfaction. In addition, prospector firms had higher employee satisfaction compared to defenders, analyzers and ADs. PAs also displayed a better performance on employee satisfaction relative to analyzers.

The authors of this study conducted alternative analysis by including hybrid marginal firms to look at the relationship between strategic orientation and performance. While hybrid strategic orientation had a significant influence on overall performance, this difference was due to the mean overall firm performance difference between PAs and defenders. None of the other pairwise comparisons had

Variable						F value
<i>Financial performance</i>	Wilks' $\lambda = 0.73$					2.33*
Occupancy/sales						1.29
Market share						5.19*
Cost						2.02
Profitability						3.61*
Controls						
Environment	Wilks' $\lambda = 0.91$					2.56*
Organizational size	Wilks' $\lambda = 0.82$					1.41
Firm type	Wilks' $\lambda = 0.88$					3.63*
	1	2	3	4	5	
	Prospector	PA	Defender	AD	Analyzer	
	(n = 29)	(n = 38)	(n = 25)	(n = 19)	(n = 58)	
Occupancy/sales	4.52	4.16	3.68	4.21	4.14	
Market share	4.31	4.18	2.88	3.53	3.79	
	1 > 3	2 > 3			5 > 3 <sup>+</sup>	
Cost	2.31	2.47	1.64	2.32	2.17	
Profitability	3.76	3.58	2.44	3.00	3.05	
	1 > 3	2 > 3				

**Table II.**  
Ideal hybrid type  
strategic orientation and  
financial performance

**Notes:** N = 169. PA, prospector-analyzer, AD, analyzer-defender; ">" Denotes pairs that are significant at  $p \leq 0.05$ ; \*  $p < 0.05$

Variable						F-value
<i>Non-financial performance</i>	Wilks' $\lambda = 0.69$					2.14*
Customer satisfaction						3.25*
Customer loyalty						1.29
Employee satisfaction						5.77*
Employee turnover						0.95
Company image						0.44
Controls						
Environment	Wilks' $\lambda = 0.91$					2.37*
Organizational size	Wilks' $\lambda = 0.90$					0.54
Firm type	Wilks' $\lambda = 0.93$					0.75
	1	2	3	4	5	
	Prospector	PA	Defender	AD	Analyzer	
	(n = 29)	(n = 38)	(n = 25)	(n = 19)	(n = 58)	
Customer satisfaction	4.62*	4.45*	3.72	4.26	4.14	
	1 > 3	2 > 3				
Customer loyalty	3.52	3.45	3.76	4.16	3.24	
Employee satisfaction	4.48	4.21	2.84	3.58	3.64	
	1 > 3,4,5	2 > 3,5			5 > 3	
Employee turnover	2.97	2.89	2.84	3.11	3.00	
Company image	4.17	4.18	3.60	3.84	3.93	

**Notes:** N = 169. PA, prospector-analyzer, AD, analyzer-defender; ">" Denotes pairs that are significant at  $p \leq 0.05$ ; \* $p < 0.05$

**Table III.**  
Ideal hybrid type strategic  
orientation and  
non-financial performance

significant mean differences. As a consequence, authors of this study conclude that considering only the ideal representation of each strategy offers richer theoretical descriptions of realities of service firms in Turkey.

### Discussion and conclusions

This study has sought to investigate whether hybrid form ideal type firms achieve equifinality in the context of a developing country, namely Turkey. In particular, this study used hybridization approach for ideal type firms that employ Miles and Snow's typology to explain why equifinality may not hold for service firms in developing countries like Turkey. To this end, findings suggest that hybridization of ideal type strategies helps service firms create a buffer to ever-changing environment in Turkey which is affected by either political conflicts or economic turbulence every three to four years. This relatively short cycle of environmental uncertainty forces some of the service firms to adopt some "middle of the road" strategies such as PA, analyzer and AD. Cumulatively, these three strategies account for more than 2/3 of the ideal type strategic orientations in this study. This finding denotes that a considerable proportion of service firms are trying to "play it safe" and observe changes in the business environment as they craft and implement their strategies. The so called "middle of the road" strategy seems to give its fruits because PAs, analyzers and ADs display a performance that is comparable to the "stars" of the strategic orientation landscape – the prospectors who are the best performing type in several studies (Aragon-Sanchez and Sanchez-Marin, 2005; Camison, 1997; Matsuno and Mentzer, 2000; O'Regan and Ghobadian, 2006). While prospectors outperformed defenders in terms of overall firm performance, this "high risk, high, return" strategy did not help prospectors achieve a better performance relative to other strategic ideal types.

In the context of developing countries, this paper finds partial support for weak-form equifinality. In this study, the main threat to equifinality assumption comes from four performance measures: profitability, market share, customer satisfaction and employee satisfaction. Based on these four measures, the defenders exhibit a lower mean performance compared to prospectors and PAs. These results imply that prospectors and PAs are rewarded for their innovativeness and risk taking in an unstable economic environment in a developing country context based on these four measures relative to defenders. As noted before, in developing countries, national and international crises may have a pronounced influence on business practices and organizational performance. Surprisingly, as representatives of a cautious strategic orientation, one would expect defenders to achieve a better cost containment given their focus on conservative business practices and efficient routines. However, even based on that criteria, defenders were not able to demonstrate better cost control skills. It is also worth noting that all ideal types had a mean that was lower than 2.5 based on cost. Employee turnover is one of the major issues in the tourism industry globally. This study verifies that employee turnover continues to be a challenge for service firms in developing countries as indicated by the mean scores on that item. Indeed, all hybrid ideal type organizations had their respective lowest means of non-financial performance on that item. However, even though prospectors had the highest scores on employee satisfaction compared to defenders, analyzers and ADs, this advantage did not lead to a better performance in terms of employee turnover for prospectors.

The motivation of this study was to respond to the call of Doty *et al.* (1993) for the use of ideal types approach by allowing for hybridization when measuring the relationship between strategic orientation and organizational performance. In addition, this paper sheds some clarity to the contention of Jusoh and Parnell (2008) about the applicability of configurational theories in developing countries. To this end, this paper's findings not only lend some support to Doty *et al.* (1993) but also show that the use of ideal types approach in service industries produces different results compared to the works of Jennings *et al.* (2003) and Garrigós-Simón *et al.* (2005). Thus, this paper provides additional insights into the relationship between hybrid ideal types and strategic equifinality of service SMEs in developing countries.

This study reveals that based on hybrid types approach; prospectors are the best performing ideal types in terms of financial and non-financial performance. Authors would like to stress, however, that both PAs and analyzers demonstrated performance which is comparable to prospectors. Furthermore, hybridization analysis shows that PAs outperformed defenders on three of the four financial performance measures and on two of the five non-financial performance measures. This finding clearly implies that in developing countries, businesses should elect to follow the analyzer orientation, since it yields financial and non-financial results which are comparable to that of prospectors and defenders. Furthermore, organizations may choose to adopt a hybrid form (PA) orientation when this ideal type better fits their firm-specific characteristics such as company structure, capability of the management team, and access to financial and labor resources to achieve organizational effectiveness.

One may further ask why the analyzer and PA orientations were more common among tourism firms since these two orientations comprise more than 50 percent of our sample. There are two explanations for this occurrence. The first reason could be that service firms in Turkey attempt to "keep an even keel" by following an analyzer or PA ideal type orientation where to be better prepared for changes in the business

environment. This can also be attributed to the fact that the dynamism in the macro and task environments in Turkey may force tourism firms to be more analytical when crafting their business strategies and implementing their critical business decisions. The second reason may be the industry type. For example, Jennings *et al.* (2003) looked into service firms, such as banks and hospitals, in the USA and indicated that the majority of their companies represented the analyzer orientation. The findings of the present study along with that of Jennings *et al.* (2003) shows that industry type has an important influence on strategic orientation both in developed and developing countries. Whereas, only 20 out of 120 manufacturing firms in Malaysia were analyzers.

The findings of this study indicate that the group size rudiment may not be applicable to reactors. This supports the statement of Doty *et al.* (1993) that reactors are often treated as a residual form instead of a *bona fide* ideal type. In the present study, the number of reactors in the initial sample was very low ( $N=4$ ). Later, when the authors used the ideal type approach the reactor orientation literally disappeared. Based on these findings, this study argues that tourism firms in Turkey may not have the luxury of following an “undefined” or “residual” strategic orientation. That also implies that firms cannot afford to simply react to changes in the business environment. Instead, a large majority of the sampled companies either try to adhere to one of the three ideal type orientations or develop a hybrid ideal type orientation such as PA or AD. That is, the industry type and economic environment jointly influence the type of the strategy a given firm follows.

#### *Practical implications*

Results of this study bear several managerial implications, which are outlined below. The results demonstrate that, in a developing country where companies operate in a dynamic business environment and in a series of political and economic crises, pure prospector or hybrid PA orientations are the most effective strategic types for tourism organizations to accomplish better firm performance. On the other hand, defender organizations are lagging behind in several performance categories (both financial and non-financial). This implies that business owners and managers in a developing country need to learn to operate their companies more in pure prospector or hybrid PA orientations. This may require them to change their companies' organizational culture and structure. Another implication is that even when “defenders” represent their true ideal type (as indicated by the high mean on defender statements), these companies continue to underperform prospectors and PAs. Thus, this study concludes that in a developing country setting, possessing defender characteristics precludes firms from reaching the same level of organizational effectiveness compared to other strategic orientations. This research study also responds to the call of Harrington and Ottenbacher (2011) to conduct more strategy related research in service industries (such as hospitality and tourism) to address challenges and future opportunities of the global world.

A majority of firms participated in this study are service-based SMEs. Therefore, this paper has implications for SMEs. The findings demonstrate that tourism organizations in Turkey which follow the defender orientation underperform prospectors and PAs. While these results provide only partial support for the equifinality argument of strategic archetypes and performance, the findings of this study are consistent with the extant strategic orientation research in the context of SMEs (Aragon-Sanchez and Sanchez-Marin, 2005; Camison, 1997). Thus, authors of this study concur with Aragon-Sanchez and Sanchez-Marin (2005) who indicate that

SMEs differ from large firms in some respects. First, the level of professionalism within SMEs may result in strategic behavior that is less structured and formal. Second, SMEs may engage less frequently in environmental scanning and as a result may have lower capability to respond to changes compared to large firms. As Gibcus and Kemp (2003) point out, strategy formulation in SMEs rests on the shoulders of owners/managers who choose strategies based on their competencies and the knowledge they possess. However, the strategy in SMEs is not clearly communicated and remains implicit (Mintzberg, 1989). In addition, the strategy is formed using a top-down approach with little input from other employees. Hence, Gibcus and Kemp (2003) recommend that a business owner/manager should disseminate their vision to other employees within the company. These authors also claim that the clarity of the formulated strategy and its proper execution across organizations should enable SMEs to achieve better financial performance. This is because employees in these organizations can make business decisions with the company's strategy in mind. Future studies are needed to uncover whether prospectors and analyzers are more successful in communicating their respective strategies across entire organization compared to defenders. An additional area of inquiry would be to identify specific financial measures that lead to longitudinal outperformance among service firms (Hua *et al.*, 2012) or using methods such as data envelopment analysis to assess efficiency of service firms (Manasakis *et al.*, 2013). It is suggested that future studies consider corporate social responsibility as a contemporary firm strategy (Nyahunzvi, 2013).

It is plausible that national culture may have an influence on strategic planning in Turkey. For example, some values in Turkish culture, such as submissive and paternalistic tendencies, and the avoidance of initiation and innovation which are rooted in the patriarchal benevolent and close-knit family system and authoritarian education system in Turkey (Glaister *et al.*, 2008; Sozen and Shaw, 2002). As a consequence, some researchers (Glaister *et al.*, 2008; Sozen and Shaw, 2002) argue that when it comes to decision making within organizations these values result in action avoidance. Coupled with the top-down decision-making approach in SMEs discussed before, it appears that strategic planning in Turkey is more leader-driven and short-term oriented. In the context of tourism industry, this view about strategic planning is supported by Tosun *et al.* (2008), who contend that when a hotel occupancy rate is low, hoteliers in Turkey are concerned about selling more rooms. The selling orientation exhibited by these hotels can be indeed tantamount to applying the defender strategy. In contrast to defenders, prospector hotels may engage in creative marketing strategies that consist of package rates which may increase the profitability of the hotel property. It should not be surprising that Tosun *et al.* (2008) recommend workshops on effective marketing practices to be organized for tourism companies.

#### *Limitations and future studies*

This study has several limitations which authors acknowledge. First, and foremost, the measurement of deviations from ideal type for a given company is represented by a mean of 4.0 or higher. In addition, the hybridization of firms is based on a mean difference and a standard deviation. While the employed cut-off values may seem arbitrary, this approach is still superior to simple categorical/nominal analysis of strategic orientations that many studies use. Another important limitation is that informants from surveyed firms shared their perceptions about their firms' strategic

orientations and performance. It is possible that their actual strategies and performance levels might be different from their stated responses particularly pertaining to non-financial measures such as employee satisfaction and employee turnover (Purcell, 1999). Consequently, future studies should collect factual objective data about firms' strategic orientations and performance. Future studies can also include other relevant aspects for service industry such as service quality and innovation (Carmona *et al.*, 2012). Looking at firm-specific characteristics from the lens of dynamic capabilities is another avenue for future inquiry (Doordarshi *et al.*, 2013). Another plausible approach about collecting data on firm performance would be the method of Lau (2011) who collected firm performance data one year after administering the initial survey. Another constraint is that due to its regional sampling frame, results of this study may have limited application in urban markets such as Istanbul or Izmir where hotels are open year round and there are more properties that are international chains. On the other hand, a large majority of tourism firms in Mugla Region are open only seasonally between May and October. Therefore, future studies can investigate whether city hotels have different strategic orientations due their affiliation with international hotel chains (Xiao *et al.*, 2012).

More than 30 years after Miles and Snow (1978) coined their typology, it still presents ample opportunities to investigate the influence of strategic types on firm performance. It is worth emphasizing that the measurement of strategy configurations as "ideal" types rather than as categorizations of a taxonomy may shed some additional light into theories pertaining to strategic equifinality. In addition, allowing for hybridization and adding more contingency variables may create richer theoretical explanation of the strategic orientation and firm performance phenomenon. Another avenue for future research is to find out about unique organizational capabilities and marketing competencies that lead to organizational performance of service firms (Tavitiyaman *et al.*, 2012). Only then we can have a fine grained explanation of drivers organizational performance: strategy, firm capabilities or maybe both.

This research study undertook one of the perspectives of this rich theoretical description to demonstrate that contingencies such as context (a developing country), dynamic environment (a series of major political conflicts and economic recessions crises), and even firm type (hotels vs travel agencies) may lead to differences in overall firm performance. However, the authors of this paper also acknowledge that this cross-sectional analysis is not able to fully capture the fine interplay between contingent factors in the environment and the extant theoretical constructs (i.e. firm performance). One of the resolutions for this shortcoming might be replicating this study in different business environments (turbulent vs stable) and contexts (both developed and emerging countries) to better evaluate and advance the equifinality arguments of configurational theories in the strategic management literature by employing the ideal types approach.

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