Strategy types of service firms: evidence from Greece

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Abstract

Purpose – The purpose of this study is to empirically examine different types of service firms, featuring strategy orientations and the performance of different emphases.

Design/methodology/approach – To answer the questions the paper raises, data of 80 Greek firms of the services sector are analysed with the help of factor analysis, cluster analysis and analysis of variance.

Findings – The findings reveal three types of firms pursuing different strategy orientations for dealing with competition (i.e. the hybridists: 44 firms, the confused strategists: 25 firms and the non-strategists: 11 firms). Furthermore, they suggest that performance is dependent on these strategy types.

Research limitations/implications – The study provides new evidence outside the manufacturing industry and the US context, which dominates the literature. Nonetheless, further empirical research will help to generalise the findings within the services sector in Greece and/or comparable national contexts, especially within the European Union.

Practical implications – The empirical results highlight the discussion of pure vs hybrid forms of competitive advantage pursued by service firms operating at home. A message of the utmost importance for practitioners is that the hybrid form of competitive advantage, which places high emphasis on low cost, is the prevailing and the best-performing strategic choice.

Originality/value – The study focuses on strategy types of firms to offer a view on the basis of competitive advantage within the services sector of a dynamic European Union member state. By excluding the well-known pure and stuck-in-the-middle alternatives, the evidence highlights the lack of a strategy and combined choices of strategic orientations, which differ in terms of performance. It appears that the dominant argument of strategic purity is not applicable to all firms in all countries.

Keywords Service industries, Cluster analysis, Analysis of variance, Greece

Paper type Research paper

1. Introduction

Porter's (1980) model of generic competitive strategies has been widely recognised as a dominant paradigm in strategic management and marketing literatures. In essence, the theory of this model is comprised of two elements: first, a scheme for describing firms' competitive strategies according to their market scope (focused or broad) and their source of competitive advantage (cost or differentiation); and, second, a theoretical proposition about the performance outcomes of these strategic designs (Campbell-Hunt, 2000). According to Porter (1980, 1985), only strategic purity leads to superior performance. Combining generic strategies causes most businesses to be "stuck-in-the-middle" and experience poor performance.

Although new theories have emerged since 1980, research still shows interest in the issue of whether firms can successfully pursue pure strategies or even combinations of these strategies. Nonetheless, the central hypothesis of this dominant paradigm is still under review because researchers seek to explain why the empirical findings are inconsistent in some countries, whereas in other countries they look for sufficient

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evidence to take an initial position (i.e. accept or reject the hypothesis). In particular, Porter's descriptive scheme (original or refined) has been widely tested for empirical validity, primarily within the US. Little, however, has been done within Europe. Especially in Greece, only two empirical studies are reported, one on the impact of strategies (pure and hybrid) on profitability for manufacturing firms competing at home and the other on the strategy types of exporting firms and their relations to export profitability.

This study contributes to the research on generic strategies in two respects. First, the use of data from a European country, namely Greece, constitutes a contrasting example that projects a view beyond the US context, which dominates the literature. Second, the focus on the services sector provides vital evidence at the national level (this sector is of great importance for the Greek economy) and at the international level (this sector is under-researched, as Larsen *et al.* (2007) state).

The paper is divided into five major sections. After this introductory section, the research framework is discussed in detail. In the third section, the research methodology is presented, whereas the next section deals with the analysis and results. The final section concludes with implications for academic research and practitioners.

2. Research framework

Porter's (1980) original model of three distinctive generic business-level strategies (low cost, differentiation and focus) has been widely acknowledged as a dominant paradigm in the strategic management and marketing literatures (see Table I). Each of these strategies is concerned with how a firm develops an advantage with respect to competitors in the same industry or similar environments of a domestic market along with the relative merits in terms of performance outcomes. According to Porter (1980, 1985), a firm can only achieve above-average performance by adopting a pure generic strategy, that is, by making a choice between them; otherwise it will become stuck-in-the-middle.

There has been much empirical research since Porter first made this assertion 30 years ago. Over the years, the original descriptive scheme urging against the simultaneous pursuit of more than one generic strategy has been widely tested for

Generic strategies	Short description
Low cost	The strategy of low cost involves giving consumers value comparable with that of other products at a lower cost (Porter, 1986). This strategy can provide above-average returns because its adherents may lower prices to match those of their most efficient competitor and still earn superior profits (Miller and Friesen, 1986)
Differentiation	The strategy of differentiation requires that the firm either creates a product or provides a service that is recognised as being unique, thus permitting the firm to command higher-than-average prices. Because of the loyalty created for a brand, demand is price-inelastic, leading to higher profit margins for the manufacturer (Aulakh *et al.*, 2000)
Focus	The strategy of focus involves serving a specialised segment in terms of a limited geographic market, a certain kind of customer or a narrow range of products, more effectively or efficiently than competitors who are competing more broadly. However, this strategy involves achieving low cost, differentiation or both (Karnani, 1984)

Table I.

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empirical validity. In a somewhat parallel way, the issue of strategies being mutually exclusive or not has raised considerable debate in the empirical literature. Evidence on hybrid, mixed, integrated or combination strategies (i.e. using two or three of the generic strategy dimensions simultaneously) show that they may constitute attractive choices for dealing with competitive forces (e.g. Hill, 1988; Miller and Friesen, 1986).

Overall, Porter's (1980) work has marked a key transition by beginning to integrate organisation-specific factors into a model of firm performance dominated by the industrial organisational perspective (Parnell, 2006). Although new theories have emerged (e.g. resource-based theory), the Porter-based perspective, either original or re-conceptualised, remains an interesting subject of analysis (Thornhill and White, 2007). The fundamental strategy question this perspective raises is "Does strategic purity pay?".

As we will discuss in detail, the answer is still under review, as some countries continue to lag behind others in exploring the dominant paradigm of competitive strategy.

In some nations, like Korea (i.e. the work of Kim and Lim (1988)), the People's Republic of China (i.e. the work of Liff *et al.* (1993)) and especially the US (where the model was created), the empirical evidence is ample. Nonetheless, there is an absence of a broad empirical consensus on this basic strategy question (Campbell-Hunt, 2000). Some studies find evidence in favour of purity (Thornhill and White, 2007), others for a hybrid strategy (e.g. Hall, 1980; White, 1986; Wright *et al.*, 1990, 1991). Thornhill and White (2007) state that the inconsistent findings are due in large part to the ways in which different studies were designed, the constructs operationalised, and the hypotheses framed and tested. New research tries to revisit this important question and improve on the prior empirical research.

In other countries, like those within the European Union (EU), the evidence is limited (i.e. Ireland: the study of McNamee and McHugh (1989); Portugal: the study of Green *et al.* (1993) and the study of Marques *et al.*(2000)). As a result, research studies are now trying to produce sufficient evidence in favour of or against strategic purity. In a later stage, researchers are expected to look for consistency in the empirical findings. Greece is a very good example of a European country, having a time lag of almost 25 years. Only two empirical studies on the subject are reported, which conclude that the hybrid form of competitive advantage appears to be dominant but more successful for Greek firms operating at home and not in foreign markets.

In particular, the first study (Spanos *et al.*, 2004) explores the impact of pure and hybrid strategies on profitability for manufacturing firms competing at home. Evidence supports that hybrid strategy combinations (denoting competitive behaviour emphasising more than one generic strategy dimensions) appear to be more successful than pure generic strategies (denoting competitive behaviour emphasising only one generic strategy dimension), whereas the latter are found to be less profitable even when compared with firms having no clear strategy. The second study (Salavou and Halikias, 2009) investigates the strategy types of exporting firms and their relations to export profitability. The findings reveal three types of firms pursuing different strategy orientations for dealing with competition in export markets, namely the marketing-based strategists, the hybridists and the non-strategists. Furthermore, they show that the marketing-based strategists (placing high emphasis on differentiation and average emphasis on low cost and differentiation focus) achieve higher export profitability than the hybridists (placing high emphasis on low cost and differentiation focus and average emphasis on differentiation) whereas the non-strategists (i.e.

strategy-less firms), despite their weak presence, achieve high export profitability for the most part.

Based on the limited evidence within the national context of Greece, this study explores the generic strategy approach using data on the services sector. This sector represents an interesting case (note that it currently constitutes approximately 47 per cent of the total number of Greek enterprises and contributes 65 per cent to total employment and 75 per cent to GDP) that helps to project a view beyond the manufacturing sector and the US context, which dominate the literature. Being a dynamic member state of the EU since 1981, Greece has achieved considerable progress during the 1990s, which resulted in its formal accession to the European Monetary Union (EMU) in 2001. Nonetheless, the relatively small size of the Greek market and the growing competition by foreign companies providing technologically advanced, branded offerings underline the priority Greek firms should give to become competitive. Surprisingly, very little systematic work on the role of strategy as an important contributor to firm performance has been carried out so far. In particular, the issue that hybrid strategies constitute the only feasible and attractive strategic alternatives for Greek firms has been recently raised and as such deserves thorough investigation. Arguments posing that Greek firms' earlier preference for conservative, low-cost, if not opportunistic, strategies is no longer viable, along with the fact that the overwhelming majority of Greek firms have an inherent disadvantage in pursuing pure differentiation, particularly when compared with established foreign competitors, needs further confirmation.

Based on the aforementioned observations, the present study addresses two interrelated questions: What types of strategy is followed by firms, to establish the basis of competitive advantage, within the services sector? Is firm performance dependent on the strategy types, and, if so, how? To answer the first question, this paper treats generic strategies as dimensions rather than mutually exclusive categories. By doing so, the strategy types shall reflect different levels of emphasis on the three generic strategy dimensions of low cost, differentiation and focus suggesting various strategy orientations pursued by firms. The answer to the second question will confirm or refute limited evidence in Greece that different forms of strategy have different effects on performance.

3. Research methodology
3.1 Sample and data collection
Based on the most recent report of the National Statistical Service of Greece presented in Table II, Greek service firms employing more than 20 persons number 3,932 (http://observatory.eommex.gr/eommex/takseis_4.pdf). However, the study of the 500 most profitable firms reports 178 service firms (www.icap.gr/Documents/E-BookGR/BusinessLeaders/indexBLG.html), as shown in Table III.

These firms were contacted through phone calls in order to distribute information about this research study. Letters referring to the scope of the research study were sent by fax or e-mail, asking for participation. Out of the 178 firms contacted, 81 agreed to cooperate (46 per cent response rate) and constitute the sample of the present study (see Table IV). Data were collected by a structured questionnaire offered on the internet. Before answering the questionnaires and sending them back, the respondents were contacted through phone calls to ensure that all questions are easy to understand. Only one questionnaire was deemed to be unusable due to missing data on key constructs.

Subsectors	Number of employees			
	20-29	30-49	50-99	>100
Hotels and restaurants	543	400	200	162
Transportation, storage and communication	271	184	116	103
Intermediate financial institutions	25	27	27	42
Real estate, chartering, entrepreneurial activities	313	238	187	177
Education	37	38	28	19
Total	34	24	23	26
Various	315	192	99	82
Total	1,538	1,103	680	611

Table II.
Greek service firms by
size in 2004

Subsectors	Number of firms
Hotels and restaurants	25
Transportation, storage and communication	26
Intermediate financial institutions	56
Real estate, chartering, entrepreneurial activities	13
Health	9
Various (radio stations, football, informatics, energy, etc.)	49
Total	178

Notes: No educational establishments are reported (as in Table II). From the 209 service firms
reported, we exclude 31 firms in two subsectors (electricity, natural gas, water: 13 and construction: 18)
to be in accordance with the National Statistical Service of Greece

Table III.
The most profitable
Greek service firms in
2007

Subsectors	Number of firms
Hotels and restaurants	11
Transportation, storage and communication	12
Intermediate financial institutions	25
Real estate, chartering, entrepreneurial activities	6
Health	4
Various (radio stations, football, informatics, energy, etc.)	23
Total	81

Table IV.
Sample structure

With reference to the firms under analysis, they are in operation for 40 years on average.
However, some of them are newly established, while others are far older (e.g. founded in
1840). In addition, the sampled firms employ on average 883 people. Only a small
percentage of these firms (32 per cent) are listed on the Athens Stock Exchange, whereas a
large percentage of these firms belong mostly (more than 51 per cent) to Greek ownership.
Finally, 61 per cent of these firms are independent companies and not part of a group.

3.2 Measurement of variables
Competitive methods are measured by a ten-item, five-point Likert-type, scale adapted
from Dess and Davis (1984). This measure is based on perceived assessments of the
respondents. More specifically, respondents were asked to indicate the importance of

each of the ten competitive methods to their firm's overall strategy. As such, these competitive methods are used to characterise a particular generic strategy dimension. In other words, each strategy dimension can be inferred on the basis of the importance given to specific competitive methods available to the firm. For example, if a firm sets lower prices for its products as compared with the prices of competitive products, it implements a specific competitive method (i.e. competitive pricing), which characterises the low cost strategy dimension. In the present study, this variable captures three dimensions, namely low cost, differentiation and differentiation focus (see Table V).

The results of EFA using SPSS (Statistical Package of Social Sciences) are derived to explore the underlying factor structure of this measure without prior specifications of the number of factors and their loadings (see Table V). CFA using EQS (Bentler and Wu, 1995) is then employed to test the hypothesised structure formed by EFA; this contains inferential statistics that allow for a stricter and more objective interpretation of validity (Gerbing and Anderson, 1998) than EFA does. More specifically, two sets of statistics are used for the verification of unidimensionality and convergent validity (Venkatraman, 1989, p. 1) the significance of the factor loadings (z-values $> \pm 1.96$ and $p < 0.05$), that is the estimated correlation between a particular item and the latent construct it represents, and 2) the overall acceptability of the measurement model in terms of its fit to the data, using a X^2 test and adjunct fit indexes (e.g. CFI, IFI, MFI), which should exceed the cut-off point of 0.90. Table VI reports the results in support of unidimensionality and convergent validity of the competitive methods measure. In addition, the inter-item reliability coefficient of this measure is 0.76, which is acceptable according to the organisational attribute reliability standards suggested by Van de Ven and Ferry (1980).

Firm performance is captured by two measures based on perceived assessments of the respondents. In the first measure, respondents evaluate on a one-item, seven-point Likert-type scale developed by the authors the overall firm performance on a three-year basis (from 1: very low to 7: very high). In the second measure, respondents evaluate on

	Factor loadings[a]		
			Factor 3
	Factor 1	Factor 2	Differentiation
Variable	Low cost	Differentiation	focus
Operating efficiency	0.59		
Competitive pricing	0.52		
Control of partners in providing services	0.74		
Minimising use of outside financing	0.80		
Brand identification		0.66	
Innovation in marketing techniques and methods		0.60	
Advertising		0.76	
Capability to provide specialty products or services			0.86
New product development			0.59
Innovation in processes of providing services			0.78
Total variance explained (%)		57.51	

Note: [a]Principal components analysis with varimax rotation
Competitive methods: Please indicate the importance of the ten competitive methods (e.g. operating efficiency, competitive pricing) to your firm's overall strategy (response format: 1 "not at all important" to 5 "extremely important")

Table V.
Exploratory factor analysis

	Factor loadings
Low cost	
Operating efficiency	0.47
Competitive pricing	0.40
Control of partners in providing services	0.82
Minimising use of outside financing	0.64
Differentiation	
Brand identification	0.74
Innovation in marketing techniques and methods	0.51
Advertising	0.86
Differentiation focus	
Capability to provide specialty products or services	0.79
New product development	0.42
Innovation in processes of providing services	0.36

Notes: Model summary statistics: X^2 (29) = 38.44, p = 0.11, CFI = 0.94, IFI = 0.95, MFI = 0.94. All factor loadings are significant at $p < 0.05$

Table VI.
Confirmatory factor analysis: unidimensionality and convergent validity tests

a one-item, 7-point Likert-type scale developed by the authors the overall firm performance on a three-year basis as compared with their main competitors (from 1: very low to 7: very high).

4. Analysis and results
This study analyses the data in three steps. In the first step, factor analysis is performed to identify generic strategy dimensions. Based on these dimensions, the second step involves the use of cluster analysis in forming groups of firms pursuing different strategy orientations (i.e. strategy types). In the final step, one-way ANOVA is employed to investigate potential relationships between the strategy types and firm performance. In the following, we describe the three steps in greater detail.

Factor analysis of the questionnaire data on competitive methods is used to develop generic strategy dimensions. The results of both the Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) presented in Table VI identify three factors corresponding to three generic strategy dimensions (i.e. certain patterns of employing specific methods for competition). In particular, the first strategy dimension of low cost involves pursuing activities based on operating efficiency, competitive pricing, control of partners in providing services and minimising use of outside financing. The second strategy dimension of differentiation includes activities referring to brand identification, innovation in marketing techniques/methods and advertising. The third strategy dimension, differentiation focus, places emphasis on the ability to provide specialty products or services, new product development and innovation in processes of providing services. Taken overall, these dimensions reflect, to a large extent, the principal features of Porter's (1980) strategic dimensions and corroborate recent empirical findings in Greece (Salavou and Halikias, 2009).

Following the confirmation of the construct validity of the competitive methods measure, averages of items pertaining to the three factors extracted are used to form the variables of low cost, differentiation and differentiation focus strategies. Table VII

presents descriptive statistics together with the correlation coefficients among the generic strategy dimensions.

In order to explore the possibility that firms pursue different strategy orientations, a cluster analysis is performed using the generic strategy dimensions as independent variables. To eliminate the potential effects of scale differences among the variables and allow them to contribute equally to the definition of clusters (Ketchen and Shook, 1996), the variables of low cost, differentiation and differentiation focus are standardised (note that the standardisation process transforms the distribution of elements along variables so that each has a mean of zero and a standard deviation of one). The K-Means cluster analysis, which adopts the quick cluster routine of SPSS for Windows/Release 12, is used for the clustering of the data. Quick Cluster is an alternative to the more common hierarchical clustering that offers efficient use of computer resources while identifying clear and distinct clusters (Avlonitis and Gounaris, 1999). After examining the two-, three- and four-cluster solution, the choice of the three-cluster solution is considered as the most acceptable one based on maximum external isolation and internal cohesion, and parsimony of explanation (Klastorin, 1983). To further assure that this is a meaningful and useful set of clusters, reliability is evaluated. The sample is randomly split and the two halves are independently analysed (Hambrick, 1983). Consistency across sample halves indicates reliability, as indicated by Hair *et al.* (1992). In addition, this cluster solution is validated in two ways. First, one-way ANOVAs relating cluster membership to the three strategy dimensions prove to be a strong validator of the homogeneity-within-and-difference-between criterion ($p \leq 0.01$). Second, a multiple discriminant analysis (Klastorin, 1983) is used with cluster membership as the grouping variable and the three variables of low cost, differentiation and differentiation focus as the independent ones. This analysis reveals that 96.3 per cent of the cases are correctly classified, lending further support to the appropriateness of the three-cluster solution. Table VIII reports the results of significant tests (i.e. one-way ANOVAs) relating cluster membership to the original ten comprising the three strategy dimensions (see Avlonitis *et al.*, 2001). Cluster means are significantly different on all the original items at the 0.00 level. Note that this analysis, together with the work of Salavou and Halikias (2009), facilitates the interpretation of each cluster, as shown in Table VIII.

The first cluster, also labelled in the extant literature as non-strategists, constitute strategy-less service firms in the sense that low cost, differentiation and differentiation focus are weakly pursued (see Table IX). This group, although the smallest in size (11 firms) most probably implements an opportunistic, "day-to-day" model of doing business. Spanos *et al.* (2004) believe that part of the Greek firms used to adopt, and still do to a certain extent, the no-strategy alternative (Inkpen and Choudhury, 1995). This constitutes a strategic choice for many family-owned businesses of a country, where certain conditions, such as the disasters of the 1940s, gave birth to a process of

	Mean	SD	Variable 1	Variable 2
Low cost	5.04	1.11		
Differentiation	5.17	1.12	0.38[*]	
Differentiation focus	5.23	1.33	0.44[*]	0.39[*]

Table VII.
Descriptive statistics and Pearson correlations among generic strategy dimensions

Note: [*]Correlation is significant at the 0.01 level (two-tailed)

Items measuring generic strategy dimensions	Non-strategists[a]	Confused strategists[a]	Hybridists[a]	F	p-value[b]
No of companies, ($n = 80$)	*11*	*25*	*44*		
Operating efficiency	(5.36)	5.88	[6.34]	5.52	0.00
Competitive pricing	(4.09)	4.36	[5.45]	5.68	0.00
Control of partners in providing services	(3.64)	3.76	[5.57]	19.73	0.00
Minimising use of outside financing	(2.64)	3.84	[5.09]	10.29	0.00
Brand identification	(3.18)	5.96	[6.32]	36.69	0.00
Innovation in marketing techniques and methods	(3.64)	4.92	[5.48]	9.06	0.00
Advertising	(2.64)	4.44	[5.34]	13.45	0.00
Capability to provide specialty products or services	5.18	(4.04)	[6.07]	18.99	0.00
New product development	(4.00)	4.36	[6.18]	24.79	0.00
Innovation in processes of providing services	4.18	(3.64)	[6.00]	23.00	0.00

Notes: [a]Figures represent mean values in each cluster. Maximum values are in brackets, while minimum values are in parentheses (based on Duncan multiple-range test, $p < 0.10$). [b]Significance level (p-value) is based on one-way analysis of variance

Table VIII.
Strategy types based on competitive methods – analysis of variance

	Non-strategists	Confused strategists	Hybridists
Generic strategy dimensions			
Low cost	Low	Low	High
Differentiation	Low	Medium	Medium
Differentiation focus	Low	Low	High

Table IX.
Strategy types of Greek service firms

"hesitant industrialisation" (Liouri and Pepelasis-Minoglou, 2002). As it appears, this group provides an interesting contrast to the other two groups, which experience more elaborate strategic profiles.

The second cluster, the confused strategists, forms a group of 25 firms, placing a medium emphasis on one generic strategy, namely differentiation (see Table IX). These firms seek competitive advantages based on marketing ingredients (i.e. brand identification, innovation in marketing techniques and methods and advertising) and have no interest in low-cost elements or a narrow competitive scope. As it stands, this strategy type does not match those citied in the extant literature. However, after careful scrutiny, this type appears to represent an underdeveloped form either of a stuck-in-the-middle strategy (denoting average emphasis on all strategy dimensions) or of a pure strategy (denoting high emphasis on differentiation). Deliberately or not, firms of this group have most likely confused, if not vague, orientations towards the basis of competitive advantage.

The biggest group of 44 firms is composed of the hybridists, denoting competitive behaviour emphasising two generic strategies simultaneously (see Table IX). Firms of this group strongly pursue low-cost elements and a narrow competitive scope while placing secondary importance on marketing ingredients. This strategy type reflects similar strategic choices followed by European firms competing at home (see mixed strategies in the studies of Jacome *et al.* (2002) and Marques *et al.* (2000)). In addition, it

matches the most prevalent strategy profile followed by Greek firms competing either at home (see hybrid strategies in the work of Spanos *et al.* (2004)) or in foreign markets (see firms also labelled as hybridists in the work of Salavou and Halikias (2009)). Overall, it appears that this strategy type indeed reflects what holds true in practice (Marques *et al.*, 2000).

Tables X and XI present additional characteristics, which facilitate the further understanding of the type of firms within each group. Inspection of Table X reveals that the groups exhibit some variations in size, age, ownership and capital structure. For example, at the one end, the hybridists are the largest in size, the youngest in age and the least independent. At the opposite end, most of the non-strategists are independent (73 per cent) and not listed on the Athens Stock Exchange (91 per cent). In addition, they are comparatively smaller in size and older in age.

The inspection of Table XI in comparison with Table IX reveals a gap between what the firms in each group believe they do and what they actually do. In particular:

- Regarding the hybridists, 20 per cent of them believe they implement a low cost strategy, even though they all strongly pursue this strategic option. In addition, 80 per cent of them believe that they implement either a differentiation or a niche strategy, even though all strongly pursue a differentiation focus strategy.

- With reference to the non-strategists, they believe that they adopt distinct generic strategies, but, in reality, they only pursue all the strategies weakly.

- As far as the confused strategists are concerned, the majority of them (71 per cent) unjustifiably believe that they adopt either a low cost or a niche strategy. In addition, the 29 per cent of those who believe that they adopt a differentiation strategy place only a medium emphasis on it.

	Non-strategists	Confused strategists	Hybridists
Number of employees (mean value)	848	650	1,042
Age (mean value)	44	43	36
Companies listed on the Athens Stock Exchange (%)	9	28	39
Companies whose equity belongs more than 51 per cent to Greek owners (%)	73	84	84
Independent companies (as opposed to those being part of a group) (%)	73	68	52

Table X.
Characteristics of strategy types

	Non-strategists (%)	Confused strategists (%)	Hybridists (%)
Low cost	20	25	20
Differentiation	30	29	30
Focus	50	46	50

Table XI.
Generic strategies implemented

Notes: Each respondent was asked to choose one out of three strategies his firm implements to deal with main competitors. The three strategies were not labelled as low cost, differentiation and focus but were described in detail to avoid misunderstandings

The final step of the analysis involves the investigation of potential relationships between the strategy types and firm performance. As such, one-way ANOVA uses the three strategy types as the independent variables and the two measures of firm performance as the dependent ones. Table XII reports the findings, which indicate statistically significant differences across the clusters on both measures of firm performance. More specifically, the hybridists are the best performers compared with the non-strategists and confused strategists. The non-strategists are the worst performers.

Taken overall, this study identifies three strategy types of service firms, featuring strategy orientations and the performance of different emphases.

First of all, it reveals a different perspective on the basis of competitive advantage within the Greek context, which excludes pure strategic alternatives from the spotlight (see Table XIII). This is in line with prior studies using data on Greek firms competing either at home (Spanos *et al.*, 2004) or in foreign markets (Salavou and Halikias, 2009). Nonetheless, this study helps to trace differences in the strategic positioning of firms on a national basis. For example, Greek service firms pursue hybrid strategies, whereas Canadian service firms pursue strategic purity (Thornhill and White, 2007).

Second, this study supports that the best-performing Greek form of competitive advantage is the hybrid, denoting a high emphasis at least on low cost (i.e. the hybridists). This empirical finding based on the Greek services sector confirms what also holds true for the Greek manufacturing sector (Spanos *et al.*, 2004). Consequently, low cost was and still remains an essential ingredient of the advantage that some Greek firms create relative to their counterparts from more advanced economies. Along this line, it is not surprising that the hybrid form denoting high emphasis at least on differentiation (see Table X) is not present in this study. However, one should keep in mind that a strong emphasis on differentiation helps Greek firms to achieve higher profitability when competing in foreign markets (Salavou and Halikias, 2009). Therefore, the basis of competitive advantage may be indeed sector- and/or market-specific.

	Non-strategists	Confused strategists	Hybridists	F	p-value[b]
Firm performance (first measure)	5.00	5.67	6.14	4.76	0.01
Firm performance (second measure)	5.00	5.88	6.20	4.16	0.01

Notes: [a]Figures represent mean values in each cluster, [b]Significance level (p-value) is based on one-way analysis of variance

Table XII.
Differences between performance and strategy types – analysis of variance

	Low cost	Differentiation	Focus
"Pure strategy" type 1	High	Low	Low
"Pure strategy" type 2	Low	High	Low
"Pure strategy" type 3	Low	Low	High
"Hybrid strategy" type 1	High	High	Low/medium
"Hybrid strategy" type 2	Low/medium	High	High
"Stuck-in-the-middle" type	Medium	Medium	Medium

Table XIII.
Strategy types of firms according to literature

Third, a significant finding of this study is that the strategy-less service firms (i.e. the non-strategists) achieve the lowest performance, providing support to recent evidence reported for Greek manufacturing firms competing either at home or in foreign markets. Taken all together, they contradict Inpken and Choudhurys' (1995) belief that strategy absence can be a constructive and positive phenomenon that contributes to a firm's effectiveness.

Finally, a finding of the utmost importance is the presence of a new profile (i.e. the confused strategists) bearing no resemblance to those provided in the literature. Based on its characteristics and outcomes, some would choose the latter option if a new question of no strategy versus some emphasis on strategy dimensions would be raised. Note that this profile is certainly different from the stuck-in-the-middle firms (denoting average emphasis on all strategy dimensions).

5. Conclusions and implications

The scope of this study is first to classify service firms according to strategy dimensions and second to identify differences in performance outcomes. By applying Porter's (1980) conceptual framework outside its origin (namely the US) to firms established in a dynamic EU member state, this study provides unique evidence that performance is dependent on three strategy types (i.e. the confused strategists, the hybridists and the non-strategists) reflecting either elaborate or no-strategy alternatives. This study spotlights that the dominant argument of strategic purity is not applicable to firms within the services sector in Greece.

Given the limited evidence from Greece and outside the services sector, the specific empirical findings provide two worthy contributions to the generic strategies research. First, the use of Greek data represents an interesting case that helps to project a view beyond the US context, which dominates the literature. Despite the numerous attempts at examining the usefulness of Porter's classification scheme and its relation to performance, little has been done within Europe, and much less has been done in Greece. Second, to provide evidence for the services sector is vital. At the national level, research studies on strategy issues using data on this sector are still scarce and scattered (e.g. Lagoudis *et al.*, 2006; Thanopoulou, 1998; Theotokas and Harlaftis, 2004) despite the importance of the services sector for the Greek economy. At the international level, the literature on strategy issues related solely to this sector is still sparse (Larsen *et al.*, 2007). Most studies refer either to many sectors, such as: construction, manufacturing, retail, services, or to the manufacturing sector.

Overall, this empirical study offers meaningful implications for practitioners in Greece. Nonetheless, it could have a wider appeal, provided that these findings are confirmed in comparable national contexts within or outside the EU.

The first implication is that the hybrid form of competitive advantage denoting high emphasis at least on low cost is the prevailing and best-performing strategic choice for service firms. Therefore, a more elaborate strategic profile sustaining priority on low-cost elements might be for any Greek firm a powerful protection shield from established giants as well as a means to improve performance outcomes.

Second, managers of Greek firms having no strategy (i.e. non-strategists) are recommended to switch to any other strategic alternative. This of course presupposes that they are conscious of the absence of a strategy (see comments on Table XI). Empirical evidence in Greece, although limited, concludes that strategy-less firms, no matter where they compete (at home or in foreign markets) achieve the worst

performance. On top of that, some emphasis on strategy (i.e. confused strategists) results in higher performance than no emphasis (i.e. non-strategists).

Third, managers running Greek firms should approach the argument for strategic purity, which is applicable to other countries, with extreme caution. Evidence from this study and similar studies in Greece supports the argument against the implementation of single-strategy alternatives. Overall, what holds true in practice for Greece is that pure strategies are either not a preferable alternative (Salavou and Halikias, 2009) or less successful than hybrid and no-strategy alternatives (Spanos *et al.*, 2004).

Beyond these implications, we express some final queries. After 30 years of empirical research, the practice appears, every so often, to deviate from the theory reflected in Porter's (1980) original model. On top of that, the relationship between competitive strategy designs and performance appears to differ somewhat by country. For example, firms (within or outside the services sector) in Canada seek pure strategies (e.g. Thornhill and White, 2007), whereas those in Greece pursue hybrid strategies. As it stands, it looks reasonable that high-performing firms in dissimilar national contexts (Greece and Canada) prefer different types of strategic positioning.

Consequently, rather than dictating a recipe for the most attractive generic strategy, it is better to identify and explain all the alternative options (i.e. strategy-less, hybrid, pure) as well as the relation of each one to business performance. This would allow a firm to understand the trade-offs in strategic positioning and act accordingly.

This study has a number of limitations. The first shortcoming is that the sample is not random, as it comprises part of the most profitable firms within the Greek services sector. Generalisation of the research results should be made with caution. A fruitful direction of further research is to replicate the principal features of this study with samples of service firms in comparable national contexts. Especially within the EU, there is still need for a more complete specification of the link between competitive strategy and firm performance. Second, the study uses a sample of 80 firms (i.e. observations) and factor analyses ten items of a construct, which is close to the minimum requirements of the factor analysis technique (exploratory or confirmatory). In particular, the minimum is to have at least five times as many observations as the number of variables (or items of a construct) to be analysed, and the more acceptable sample size would have a 10:1 ratio (Hair *et al.*, 2006). Third, this study captures firm performance according to the perceived assessments of the respondents. Future research can help to confirm or refute the results of this study by using alternate performance indicators (i.e. objective). Finally, the relatively small sample size does not allow recognising differences between service subsectors. As it stands, this study adds value to the sparse literature on generic strategies related solely to the services sector. Nonetheless, investigating whether these particular findings hold true for each of the six subsectors would provide an interesting avenue for future research.

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