

# Strategic Responses of Banks to Their Institutional Environment<sup>1</sup>

## Bankaların Kurumsal Çevrelerine Stratejik Tepkileri

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*Abstract: This study is intended to explore the institutional environment of banks and their strategic responses their institutional environment. Institution environment is defined as laws, regulatory structures, governmental agencies and interest groups. The reforms, incentives, constraints and increasing competition, especially after the 2001 economic crisis, have caused banks to face various institutional environment pressures. Some of the banks ended their activities in the face of these pressures, while others continued their activities with various strategic responses. The institutional theory is used to examine the national and organizational environments that are assumed to be influential in the banking sector, with qualitative research method being used in the study. The strategic responses of banks to their institutional environment were explored by using a conceptual model developed by Oliver. This conceptual model proposes five strategic responses (acquiescence, compromise, avoidance, defiance and manipulation). Research questions were explored through in depth interviews with senior executives of 10 banks supplemented by some survey questions. The findings of the study indicate that mimetic and coercive pressure in the institutional environment and strategic responses of banks to environmental uncertainty in the organizational environment has been influential for the competitive advantage.*

*Keywords: Strategic Responses, Institutional Environment, Institutional Theory, Banking*

*Öz: Bu çalışmanın amacı bankaların kurumsal çevresini ve kurumsal çevresine yönelik stratejik tepkilerinin incelenmesidir. Kurumsal çevre yasalar, düzenleyici yapılar, devlet kurumları ve çıkar grupları olarak tanımlanmaktadır. Özellikle 2001 yılı ekonomik kriz sonrası gerçekleştirilen reformlar, teşvikler, kısıtlar ve artan rekabet bankaların çeşitli kurumsal çevre baskılarıyla karşılaşmasına neden olmuştur. Bankaların bir kısmı bu baskılar karşısında faaliyetlerine son verirken, bir kısmı ise çeşitli stratejik tepkilerle faaliyetlerine devam etmiştir. Çalışmada nitel araştırma yöntemi ile bankacılık sektöründe etkili olduğu varsayılan ulusal ve örgütsel ortamları incelemek için kurumsal teoriden faydalanılmıştır. Bankaların kurumsal çevrelerine yönelik stratejik tepkileri Oliver tarafından geliştirilen kavramsal bir model kullanılarak araştırılmıştır. Bu kavramsal model beş stratejik yanıt (kabullenme, uzlaşma, kaçınma, meydan okuma ve yönlendirme) önermektedir. Araştırma soruları 10 bankanın üst düzey yöneticileri ile derinlemesine yüz yüze görüşmeler ve destekleyici soru formları yoluyla sorgulanmıştır. Çalışmanın bulguları kurumsal çevredeki taklidi ve zorlayıcı baskıların ve bankaların stratejik tepkilerinin rekabet üstünlüğünde etkili olduğunu göstermektedir.*

*Anahtar Sözcükler: Stratejik Tepkiler, Kurumsal Çevre, Kurumsal Kuram, Bankacılık*

## 1. Introduction

Organizations are surrounded by an institution environment shaped by the regulatory, normative and cognitive pressures of social actors (DiMaggio & Powell, 1983) and on one hand, they try to act efficiently in order to gain competitive advantage in this environment and on the other hand to gain legitimacy (Meyer & Rowan, 1977). Most of the time, organizations respond to these pressures in a variety of reactions (Oliver, 1991). In order to understand organizations and their reactions, it is necessary to understand the institutional environment in which they are located; because it is important to understand the institutional environment in the formation of institutions. In recent years, current studies in the field of strategic management are approaching from a system perspective in explaining the competitive advantage, and foreseeing the examination of the institutional environment of the enterprises. Nevertheless, how the pressure that is effective in shaping the institutional environment and the strategic responses to the pressure is shaped maintains its importance as an empirical research question. In this context, it is tried to understand how organizational practices are shaped against the institutional environment by conducting research in the banking sector.

It is important to understand how the accumulation that has been historically created and has influenced in order to have an idea of the current state of institutions and their environment, which are important actors of the social structure (Campbell, 2004). Because institutions have the potential to affect their environment and the institutions that emerged after them, and this requires an understanding of institutional change. According to Oliver (1992: 564), various organizational practices can emerge in the new structure formed by the institutional change in a certain organizational field. This situation also highlights the importance of understanding historical practices that led to institutional change. Assuming that institutional changes can take place at the breaking points of the past, the national financial crisis of 2001 can be considered important for the Turkish banking sector (Öniş, 2009). The most important economic crisis in Turkish history in 2001, followed by extensive legal regulations applied by the state led to serious structural changes in the banking sector. In particular, the impact of the market mechanism on the banking sector has become more apparent and has led to the competition of public banks with commercial purpose, such as commercial banks. This development, which is

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accepted as a critical period in the institutional change of the Turkish banking sector (Bakır & Öniş, 2010), is especially important in understanding the strategies of the public banks in terms of competitive advantage. There are a limited number of researches on the institutional environment of the banks and the strategic responses the banks to their institutional environment in Turkey. In this study, it is considered as an interesting research question that after the institutional change, what strategic responses the Turkish banks used to gain competitive advantage against which institutional environment pressures. In this context, the answers to the following questions are sought: What are the environmental pressures that are effective in the Turkish banking sector? Is there a difference between the strategic responses of public banks and commercial banks against institutional environmental pressures? What are the implications of strategic responses on bank performance in the banking sector?"

## 2. Theoretical Background

Considering the resources of the enterprises alone as inadequate and the proven relation of the institutional environment of strategies according to various studies are important in researching the theoretical fundamental competitive advantage of this study, which inspires the research questions of this study. As a matter of fact, the current studies in the field of strategic management are approaching from a system perspective in explaining the competitive advantage and foresee the question of the institutional environment of the enterprises. The studies in the field of organization emphasize the importance of complying with the rationalized institutional rules in order to maintain legitimacy of organizations in modern societies, to reach critical resources and to survive by reducing environmental uncertainty and draw attention to the impact of the institutional environment (Meyer & Rowan, 1977: 341). In other words, it has been argued that the institutional rules formed in the macro environment shape the organizational structures (Scott, 1987: 493-497). Thus, organizations can become isomorphic through environmental factors with technical and institutional elements (Scott & Meyer, 1991). While the technical environment is an environment where enterprises try to maintain their assets in a competitive environment, the institutional environment is defined as an environment which includes rules, norms, beliefs and standards formed outside the enterprises. In order to sustain their lives, business cannot only be efficient in technical circles, but can also be legitimized by adapting to their institutional environment (Meyer, Scott, & Deal, 1983: 2-5).

These statements, which marked the institutional theory, enriched the debates by DiMaggio and Powell (1983: 111-114) that the institutional environment was not an *iron cage*. According to the authors, whereas all relevant actors in competition and cooperation (such as suppliers, customers, regulators) continue their activities in an organizational field with various structures, they realize that they are subject to common pressures in a common environment as their interaction becomes stronger in the following periods and they structure their organizational field. Thus, the legitimate ways of dealing with uncertainties are gradually being adopted among the organizations and gaining value in the institutionalized environment (DiMaggio & Powell, 1983: 115-117). Although organizations are different from each other in the first years of the development of the organizational field, they are getting similar in order to gain legitimacy in their external environment in time, and these similarities can emerge as a result of coercive, imitating and normative institutional pressures. *Coercive pressure* force organizations to behave in a specific way by public regulations, laws, rules, codes, organizations holding power, or norms and values of society. *Mimetic pressure* arose from the desire of organizations to resemble other successful organizations in situations where the goals cannot be explained sufficiently and in the context of uncertainty. In situations where the environment is uncertain, organizations may choose to take organizations as a role model, which they find successful and whose legitimacy are accepted. Because of the high cost of solutions in the uncertainty environment, they find it less costly to adopt the approach of imitating behaviors that have been tried and accepted by another organization. *Normative pressure* is made by rationalizing the practices and standards in which professional institutions are predominantly determined (DiMaggio & Powell, 1983: 118). DiMaggio and Powell (1983: 119-123) stated that organizations may be in passive harmony against the institutional environmental pressure and may also display active behaviors. Organizational research has shown that organizations have changed over time as a result of institutional environment pressure, constituted an isomorphic structure and given different strategic responses to the pressure of the institutional environment. One of these studies is Oliver's (1991:145-146) conceptual framework that supports the strategic choices of organizations. In the study, the author mentions five different strategic responses, which are the *acquiescence strategy*, *compromise strategy*, *avoidance strategy*, *defiance strategy* and *manipulation strategy*, from passive compliance and to active resistance in the process of adaptation to the institutional environment. The organizations respond to environmental pressures by choosing from among these five different strategies in line with their objectives.

With the strategy of acquiescence, organizations define the actions, norms, and historically repeated practices that are rationalized in the institutional environment as social status and can turn these behaviors into habits. Or organizations can imitate the other institution models, which they see success against environmental uncertainty, consciously or unconsciously (Meyer & Rowan, 1977: 343-345; DiMaggio, 1988). With the compromise strategy, organizations can achieve limited compliance with the expectations of various pressure groups and stakeholders and institutional expectations and/or organizations may demand some privileges, which will reveal their power, from the external pressure groups to impose their will. With the avoidance strategy, organizations can keep their activities in reality by pretending to be subservient to the demands of the institutional environment and/or organizations may choose to direct their actions to a different area in order to protect them from institutional pressures. As another strategic response, the defiance strategy is defined as organizations wanting to change the institutional pressure more actively compared to the other strategic

responses. Finally, the manipulation strategy is the most active strategic response of organizations to institutional environment pressure. With this strategy, the organization prefers to use institutional links that hold critical resources to reduce institutional pressure and increase legitimacy.

There are studies investigating the relationship between institutional pressures and strategic response in different contexts (Goodstein, 1994: 351-353; Ingram & Simons, 1995: 1466-1467; Klehe, 2004: 328-329; Clemens & Douglas, 2005: 1206-1027; Clemens & Papadakis, 2008: 483-485; Peng & Chen, 2011: 93-101). In some of these studies, the importance of the institutional environmental factors that direct the strategic reactions of the organizations are discussed, and in some of them the power of the resources and capabilities of the organizations in changing the institutional environment factors is discussed. The common point of these efforts is to reach the results that support Oliver's (1991:152-170) conceptual framework that supports the strategic choices of the organizations and to address the parts of the model that is needed. However, in spite of the pressure effect in shaping the institutional environment in the literature, the relationship between the strategic responses and performances of the enterprises maintains its importance as an empirical research question. In the present study, it was hoped to make research in the Turkish banking sector and thus to contribute to the gap in the literature.

### **3. Institutional Environment Pressures in the Turkish Banking Sector**

The national crisis of 2001 was influential in shaping the present institutional environment of the Turkish banking sector, which dates back to the middle of the 19th century. With the financial crisis of 2001, which is defined as the biggest economic crisis in the history of the country (Öniş, 2009), the banking sector witnessed various structural changes. Sector-specific transformations, such as intensification of regulatory and supervisory factors that will enable public banks to serve with development and commercial understanding, acceleration of reform efforts of commercial capital to strengthen the commercial banking system and supervision of banks with rating agencies and market mechanisms, have played a critical role in forming the outline of the current institution environment of the banking sector. As a matter of fact, in the aftermath of the global crisis of 2008, the country's restructuring efforts within the framework of the transition program aimed at strengthening the Turkish economy, which was adopted after the financial crisis in 2001, was effective in taking less damage compared to other developed and developed market economies (Gül, 2014; Ermis, 2018). Undoubtedly, in these studies that shaped the institutional environment, the laws of the period were effective. Law No. 4603 ([www.mevzuat.gov.tr/MevzuatMetin/1.5.4603.pdf](http://www.mevzuat.gov.tr/MevzuatMetin/1.5.4603.pdf) Retrieved 20. 10. 2018), Law No. 4684 ([www.resmigazete.gov.tr/eskiler/2001/07/20010703.htm](http://www.resmigazete.gov.tr/eskiler/2001/07/20010703.htm), Retrieved 10. 11. 2018) and Law No. 4743 ([www.mevzuat.gov.tr/MevzuatMetin/1.5.4743.pdf](http://www.mevzuat.gov.tr/MevzuatMetin/1.5.4743.pdf), Retrieved 05. 09. 2018) lost the sovereignty of the development-oriented institutional logic prevailing in the sector and necessitated the market-oriented commercial logic to become dominant (Özseven & Danışman, 2017). With the Law No. 4603, it was envisaged that the public banks would be profitable and efficient as commercial banks doing business according to the requirements of international competition, limitation was given to these practices of the commercial banks that offered their funds as a loan to the business groups to which they are highly dependent and the problematic banks were taken over by the Banking Law No. 5411 ([www.mevzuat.gov.tr/MevzuatMetin/1.5.5411.pdf](http://www.mevzuat.gov.tr/MevzuatMetin/1.5.5411.pdf), Retrieved 14.09.2018). All these arrangements brought differences in the functions of banks, their roles in the economy, organizational structures and strategies, and the criterion of success for all banks, especially for public banks, was competitiveness and profit. Operational efficiency in accordance with market conditions has become a strategic priority in all banks' practices without any distinction between public or commercial banks. This situation caused the public banks to compete as private commercial banks. The tendency to provide a competitive advantage such as financial profit, product diversity, customer satisfaction and individual banking practices has been important for public banks (Çağlayan & Durmuş-Özdemir, 2018; Karaçam, 2012; Öngör, 2013: 166-175). In fact, branches of banks have become distribution channels in order to reach their customers and loans have been determined according to the competition conditions (Vurucu & Arı, 2014: 279).

Critical significance of important transformations in the formation of the institutional environment makes the understanding of practices in the Turkish banking sector after 2001 valuable. Since the institution environment of the Turkish banking sector has not witnessed significant breakdowns in the last eighteen years, the legal regulations and practices after the 2001 crisis and the coercive institutional pressures that direct and restrict the activities of banks are important in understanding the institutional environment of today's banking sector. This is because they can lead to the change of the dominant institutional logic in the banking sector (Özseven & Danışman, 2017) and accordingly the differentiation in the strategies of banks (Çağlayan & Özdemir, 2018). As a matter of fact, the role of the comprehensive legal arrangements implemented after the national crisis in 2001 was a major factor in shaping the institutional environment of today's Turkish banking sector. For example, after 2001, in the management of public banks, the market mechanism began to gain more place (Bakır & Öniş, 2010) and public banks, as commercial banks, were competing with various strategies. For this reason, compulsory and enforceable laws appeared out of the banks' will emerge as coercive institution environmental pressures that direct and restrict the activities of banks (Arslan & Hotamışlı, 2007). Table 1 shows the actors who play a role in legal regulations governing and supervising the activities of banks and their legal and regulatory responsibilities.

Table 1. Current Legal Regulations in Turkish Banking Sector

Fields	Actors	Authority and Responsibilities	Legislative Regulations
Regulations Related to Banking Law	<ul style="list-style-type: none"> <li>• Deposit Banks Established in Turkey</li> <li>• Investment Banks</li> <li>• Branches of Banks in Turkey which Established Abroad Financial Holding Companies</li> <li>• The Banks Association of Turkey</li> <li>• Banking Regulation and Supervision Agency</li> <li>• Savings Deposit Insurance Fund of Turkey</li> </ul>	<ul style="list-style-type: none"> <li>• Legislations Related to Banking Law (Establishment and Operation Licenses)</li> <li>• Internal Audit and Risk Management Information Systems and Banking Procedures</li> <li>• Measurement and Evaluation of Capital Adequacy of Banks</li> <li>• Financial Reporting</li> <li>• Institutional Governance</li> </ul>	<ul style="list-style-type: none"> <li>• Banking Law No. 5411</li> <li>• Law No. 5472 regarding Law Amending the Banking Law</li> <li>• Banking Law No.4389</li> <li>• Law No. 29511 on Implementing Regulation Amending the Regulation on Measurement and Assessment of Capital Adequacy of Banks</li> <li>• Draft Regulation on the Leverage Ratio of Banks Prepared Based on the Banking Law No. 5411</li> <li>• IFMS 24001 Banking and Finance Quality Management Certificate</li> <li>• ISO 9001 ve 2000 Certificate of Quality</li> </ul>
	<ul style="list-style-type: none"> <li>• Relevant Minister</li> <li>• Banking Regulation and Supervision Agency</li> <li>• Central Bank</li> <li>• Fund Committee</li> <li>• Credit Institution</li> <li>• Foundation Associations</li> </ul>	<ul style="list-style-type: none"> <li>• Permit of Establishment or Opening Branch and Representation Office in Turkey</li> <li>• Creating an Audit Committee</li> </ul>	
Law and Regulations Related to Debit Cards and Credit Cards	<ul style="list-style-type: none"> <li>• Organizations Building Card Systems</li> <li>• Organizations Issuing Card and Making Card Acceptor Agreement and Contracted Merchant Cardholders</li> </ul>	<ul style="list-style-type: none"> <li>• Operations Subject to Activity Permit</li> <li>• Obligations of Card Issuing Organizations</li> <li>• Obligations of Cardholders</li> <li>• Obligations Regarding Organizations Making Card Acceptor Agreement</li> <li>• Agreement Type and General Operation Terms</li> <li>• Audit and Measures to be Taken</li> <li>• Cooperation between Organizations and Institutions</li> <li>• Legal Obligations and Necessary Penalties</li> </ul>	<ul style="list-style-type: none"> <li>• Law No. 5464 regarding Bank Cards and Credit Cards</li> <li>• Law No. 5915 on Amendments to the Law of Bank Cards and Credit Cards</li> <li>• Draft Regulation Amending Regulation (EC) No 26333 on Transactions of Banks' Loan Transactions</li> <li>• Law No. 6495 on Amendments to Certain Laws and Decree Laws Communiqué No. 2016/8 for Maximum Interest Rates to be Applied in Credit Card Transactions</li> <li>• Communiqué amending the Communiqué No 29511 on the Calculation of the Amount Subject to Credit Risk by Internal Rating Based Approaches</li> <li>• Regulation No: 29750 on the Amendment of the Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Reserved for them</li> </ul>
	<ul style="list-style-type: none"> <li>• Banking Regulation and Supervision Agency</li> <li>• Organization Card System</li> <li>• Organization Issuing Card</li> <li>• Organizations Making Card Acceptor Agreement</li> </ul>	<ul style="list-style-type: none"> <li>• Determination of Credit and Risk Group</li> <li>• Terms for Use of Credits</li> <li>• Monitoring of Loans</li> <li>• Limitation of Loans</li> </ul>	
Law Related to Payment And Securities Reconciliation Systems, Payment Services And Electronic Money Establishments	<ul style="list-style-type: none"> <li>• Payment and Securities Reconciliation Systems</li> <li>• Payment Services</li> <li>• Payment Establishments and Electronic Money Establishments</li> </ul>	<ul style="list-style-type: none"> <li>• Permit of System Operator Activities</li> <li>• Permit of System Operator Activities and Termination When Necessary</li> <li>• Monitoring of the System and Measures to be Taken</li> <li>• Performing Transfer Operation</li> </ul>	<ul style="list-style-type: none"> <li>• Law No. 6493 on Payment and Securities Reconciliation Systems, Payment Services and Electronic Money Institutions</li> <li>• Regulation No. 6493 on Payment Services and Electronic Money Exports and Payment Institutions and Electronic Money Institutions</li> <li>• Communiqué No.6493 on the Management and Supervision of Information Systems of Payment Institutions and Electronic Money Institutions</li> </ul>
	<ul style="list-style-type: none"> <li>• Electronic Money Establishment</li> <li>• Real or Legal Person Giving Payment Order</li> <li>• Participant Authorized to Transfer Order</li> </ul>	<ul style="list-style-type: none"> <li>• Performing of Payment Services</li> <li>• Providing Electronic Money Export</li> </ul>	
Regulations related to Banking Regulation and Supervision Agency	Banking Regulation and Supervision Agency	<ul style="list-style-type: none"> <li>• Duties and Authorities and Rules of Procedures of Banking Regulation and Supervision Agency,</li> <li>• Performing Necessary Inspection and Supervision by Committe</li> <li>• Secretariat of Treasury, Cooperation with Institutions such as Savings Deposit Insurance Fund and Central Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation on the Principles and Procedures for the Supervision by the Banking Regulation and Supervision Agency established by the Banking Law No. 5411 and 5464 and the Bank Cards and Credit Cards Law No. 5464</li> </ul>

	<ul style="list-style-type: none"> <li>• Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment and Implementation of Quality Assurance System</li> <li>• Configuring Control</li> </ul>	
Regulations Related to Protection of Financial Customers	<ul style="list-style-type: none"> <li>• Bank</li> <li>• Financial Institutions which Provide Consumer Loans</li> <li>• Organizations Issuing Card</li> </ul>	<ul style="list-style-type: none"> <li>• Drawing Up a Contract Between Organizations and Consumers</li> <li>• Classification of Products and Services Offered to the Consumer</li> <li>• Determination of Special Provisions Regarding Products and Services</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation on the Procedures and Principles Regarding the Charges to be Obtained from the Financial Consumers Prepared in accordance with the Law No. 6502 regarding Protection of Consumers</li> <li>• Financial Access, Financial Education, Financial Consumer Protection Strategy, entered into force with the Prime Ministry Circular No. 2014/10</li> </ul>
	<ul style="list-style-type: none"> <li>• Ministry of Trade,</li> <li>• Bank</li> <li>• The Banks Association of Turkey</li> <li>• Association of Financial Institutions</li> <li>• Financial Consumer</li> </ul>	<ul style="list-style-type: none"> <li>• Determination of Contract Principles and Submission to Consumers</li> <li>• Determining the Fees of Products and Services in Accordance with the Consumer's Income Status</li> </ul>	

Source: Table 1 was developed by the author by making use of

[www.bddk.org.tr/WebSitesi/turkce/Mevzuat/Mevzuat.aspx](http://www.bddk.org.tr/WebSitesi/turkce/Mevzuat/Mevzuat.aspx), Retrieved 14.08.2018 and

[www.tcmb.gov.tr/wps/wcm/connect/TR/TCMB+TR/Main+Menu/Banka+Hakkinda/Mevzuat/bankacilik](http://www.tcmb.gov.tr/wps/wcm/connect/TR/TCMB+TR/Main+Menu/Banka+Hakkinda/Mevzuat/bankacilik), Retrieved 22.03.2018

As summarized in Table 1, banking activities in Turkey are carried out within the framework of legal practices of many institutions such as Banking Regulation and Supervision Agency, Banks Association of Turkey, Central Bank, Fund Board and Credit Institution. These regulations, which are thought to shape the Turkish banking sector, have been significantly expanded as a result of the 2001 national crisis. In this context, all banks operating in the sector, including public banks, have restructured their loans, products, customer portfolios, organizational structures, personnel and branching policies according to market conditions. In addition, national and international economic conditions, which are compulsory to comply with and emerged out of banks' will, may emerge as coercive institutional pressures. As a matter of fact, according to KPMG's Turkish Banking Sector Report 2019, the Turkish economy has experienced changes in the business conditions of the Turkish banking sector in 2018 due to the uncertainties in global financial conditions. According to the report, in 2018, where global uncertainties remained high, the Turkish banking sector continued to grow with the effect of the rise in exchange rates, but in some of its operational practices, they had to demonstrate saving-prone practices ([www.finansgudem.com/haber/bankacilik-sektorunde-2019-beklentileri/1379715](http://www.finansgudem.com/haber/bankacilik-sektorunde-2019-beklentileri/1379715), Retrieved 02.01.2019). Low domestic savings, high level of external financing need and underdevelopment of domestic capital markets, high levels of resource and intermediation costs due to high levels of inflation and high levels of informal economy are the economic conditions affecting the sector at national level (<https://assets.kpmg/content/dam/kpmg/tr/pdf/2019/01/sektorel-bakis-2019-bankacilik.pdf>, Retrieved 05.01. 2019).

In recent years, technological advances at an increasing global level were reflected in the Turkish banking sector and enabled banks to compete with similar practices. Especially digitalization has become the first priority in all banking business lines, while effective use of data and technology has become the main strategy. Other banks in the sector have shown to tend to imitate the banks, which increase their operational efficiency and prove their legitimacy with the internet banking and mobile banking applications. As of year-end 2018, the number of customers who actively use internet banking and mobile banking in the Turkish banking sector continued to increase at high speed. In other words, technological developments direct the banks to innovative solutions with similar practices as mimetic institution environment pressures in the sector (Arslan & Hotamışlı, 2007; <https://assets.kpmg/content/dam/kpmg/tr/pdf/2019/01/sektorel-bakis-2019-bankacilik.pdf>, Retrieved 05. 01.2019). Finally, the Turkey Banks Association (TBA) defined the banking profession in the Turkish banking sector as a part of its duties, and became a pioneer in the legitimacy of the profession. For this purpose, the Association has defined its duties “establishing policies and making decisions about the development of Turkish banking system and profession, determining the necessary professional principles and standards of the members of the Association by taking the appropriate opinion of the Banking Regulation and Supervision Agency, and ensuring that members work in accordance with the needs of the economy in the discipline required by the Association and profession by determining the professional principles” ([www.tbb.org.tr/tr/hakimizda/kurumsal/hakkinda/gorevleri/13](http://www.tbb.org.tr/tr/hakimizda/kurumsal/hakkinda/gorevleri/13), Retrieved 09. 01. 2019). For this reason, bank personnel continue their activities under normative institutional pressures based on the standards determined by other professional institutions, in particular TBA.

## 4. Methodology

### 4.1. Data Collection Method and Sample

The scope of the research required the combination of qualitative methods in the data collection process. In qualitative research; interviews, observations and documents were used. In the first part of the data collection stage, the websites of the Turkey Banks Association and banks were used to determine the research population. According to the September 2018 data of Report on the Bank, Employee and Branch Numbers in the Banking System of the Turkish Banks Association, 50 banks formed the population of the research. Among these banks, it was determined that a total of 12 banks were active in Antalya, and interviews were conducted with senior executives of 10 banks (3 public banks, 7 commercial banks). In addition to the interviews, documents collected from magazines and websites which are frequently followed in the banking sector are included in the data collection process.

Content analysis was used to evaluate the data with QSR NVIVO 10 program. The main purpose of the content analysis is to identify and compare the interviewed records and documents and to reach the concepts and relations that can explain the collected data. For this purpose, the data were first coded in the study. The purpose of the coding is to gather the data similar to each other within the framework of specific concepts and themes and to conceptualize them by organizing in a way that the reader can understand. For this purpose, two different encoders were used in the study, one researcher and one manager from the sector during the coding. Kappa Analysis was performed to measure the reliability of the comparative agreement between the encoders (Landis, 1977:165). In the analysis, the value obtained was 0.75 and "a significant conformity" was obtained.

### 4.2. Data Collection Tool

In this study, semi-structured interview form, observations and documents were used as data collection tool. When the related literature is examined, a limited number of studies have been reached. For this reason, the research form to be used in relation to the institutional environment pressure and strategic responses was developed by the researcher. In the first stage of the preparation of the interview form, a pool with 30 dimensions was created with the help of various studies benefiting from Oliver's (1991) conceptual typology. In order to reach the final form of the interview pool based on the expression pool, a total of 3 pilot studies were conducted at certain intervals. Pilot studies have been carried out with the help of the opinions and recommendations of 3 active managers and banking / finance faculty members who are active in the banking sector. As a result of the pilot study, deficiencies were determined and necessary corrections were made and the interview form was finalized. The questionnaire included questions about five different strategic responses from passive compliance and to active resistance.

The data collection process of the research was carried out in Antalya, which is one of the major holiday tourism orientation centers in the world tourism industry. There are several reasons for this. Since strategic decisions are taken by the senior management at the central level in the Turkish banks, there are no regional differences across the country in the practices of the strategic responses of the banks at an institutional level against the institutional environment pressure. Another reason is that Antalya has attracted attention as a province which has made significant contributions to the economic indicators throughout the country with the increasing banking and retail banking applications in recent years. Considering the Statistical Report data of the Banks Association of Turkey published according to the Provinces and Regions, it is observed that the total deposits of Antalya Province are approximately 41.395million TL, total loans are 73.739 million TL, the average deposits per branch is 100 million TL and the loan is 176 million TL. ([https://www.tbb.org.tr/Content/Upload/istatistikraporlar/ekler/968/Bankacilik\\_Sisteminin\\_Cografik\\_Dagilimi\\_2017.pdf](https://www.tbb.org.tr/Content/Upload/istatistikraporlar/ekler/968/Bankacilik_Sisteminin_Cografik_Dagilimi_2017.pdf) , Retrieved 06.02. 2019). Therefore, it is thought that the results of Antalya province will provide a significant photograph of the banking sector in Turkey.

In the study, subjective managerial evaluations were used to evaluate the performance of banks. Studies on business performance in strategic management point out that subjective managerial evaluation are as consistent as secondary data prepared by non-business resources (Dess & Robinson, 1984; Venkatraman& Ramanujam, 1986). In these studies, there is a high correlation between objective and subjective performance indicators. In the present study, it was considered appropriate to take into consideration subjective evaluations in determining the performance levels of banks. For this purpose, the original performance scale of Venkatraman (1989), whose validity and reliability is proven, has been utilized. Expressions in the scale were completed by revising the studies and pilot studies in the related literature for the banking sector and individual banking services.

## 5. Findings

### 5.1. Turkish Banking Sector

In 2018, where global and local uncertainties remained high, Turkish banking sector continued to grow due to the rise in exchange rates. In the first nine months of 2018, Turkish banking sector achieved a net profit of TL 41 billion with an increase of 11% compared to 2017, while the profitability ratios decreased. The asset size of the sector increased by 37.9% to 4,209 billion TL compared to 2017, total credit volume increased by 29.8% annually to 2,588 billion TL and the securities of the banks reached TL 490 billion. In the first nine months of the year, shareholders' equity increased by



18.3% to TL 408 billion, while net profit increased by 11.1% to TL 41 billion (www.home.kpmg/tr/tr/home/gorusler/2019/01/sektorel-bakis-2019-bankacilik.html., Retrieved 09.01. 2019). As of September 2018, some of the 50 banks in the Turkish banking sector changed their organizational structure and operational hand applications and reduced the number of personnel and branches as a result of technological developments. Ziraat Bank, a public bank, ranks first in the sector in terms of its active ranking, which is followed by commercial banks such as Turkey Is Bank and Turkey Garanti Bank, Akbank and Yapı Kredi Bank. Although it is an oligopolistic structure in the sector, it is observed that banks that can use the technological developments well can make a difference in terms of profitability and growth. In 2018, global and national macroeconomic developments led to a challenging year in the banking sector. In particular, with the exchange rate fluctuation in 2018, banks had difficulty finding financing from abroad and therefore experienced significant increases in their costs (https://assets.kpmg/content/dam/kpmg/tr/pdf/2019/01/sektorel-bakis-2019-bankacilik.pdf, Retrieved 05.01. 2019).

## 5.2. Strategic Responses and Performances of Turkish Banks towards Institutional Environmental Pressures

According to content analysis, the findings suggest that only the coercive and mimetic institutional environment pressure apply to all banks examined, that all banks have reacted only with the acquisition strategy to these pressures, and increased their performance with these strategies. Finally, content analysis findings show that public banks and commercial banks do not have any difference between their strategic responses and environmental pressure. The first finding of the study was the fact that all interviewed bank managers stated that the only strategic response to be associated with the performance was acquiescence (f = 99%) and that the banks preferred this strategy when the coercive institution environment increased (f = 98%). All managers interviewed within the scope of the research stated that the legal regulations that came into effect after 2001 had a directive effect on the activities of all banks in order to increase their operational efficiency, that the turbulence in global financial markets in 2018 had a restrictive effect on the sector that the increase in exchange rates and high inflation created an uncertain environment and that they preferred the acquiescence, which is the most passive strategic response, to all these coercive institution environmental pressures. Public bank manager SB3 made the following comments: *“There is no doubt that after our 2001 crisis, our bank started to work in accordance with market mechanisms as a public bank with the Law No. 4603. This process, which was previously difficult for our bank, has now provided us with positive effects. It is because the Turkish economy witnessed a period of tightening of global financial conditions in 2018. The banking sector was the first to be affected. The formula for surviving as a public bank was to compete in accordance with general banking practices. What laws and economic conditions bring to us, we also perform with practices similar to the practices of high-performing banks”*. The manager of a commercial bank, PB1, presented its strategic reactions to the global crisis as follows: *“In 2018, the global and domestic macroeconomic developments tired the banking sector. It is because the banking sector had to undergo a stable period due to the problems it faced in finding external resources through global developments. We managed to survive as a commercial bank by repeating our successful practices in the past crisis periods. I think most of the industry has been able to survive in general with similar practices like ours”*. Another commercial bank manager PB8 stated the following: *“Increase of the sensitivity of domestic economic dynamics in 2018 to global breakdowns reduced our resistance. Of course, at this point, we need corporate memories that have successfully managed past crisis experiences. We have just learned the competition of Turkey in the banking sector. It is best to follow the examples that showed success at break points...”*

The second finding of the study was that all of the interviewed bank managers had a common perception that they had reacted with the acquiescence strategy when the mimetic pressures in the institutional environment increased (f = 90%) and thus they could improve their performance (f = 88%). The findings indicated that the technological developments and innovative business solutions in the sector caused banks to perform similar practices. In particular, there has been evidence that banks that obtained performance above average by applying internet and mobile banking were imitated in the sector. SB1, the manager of the public bank, emphasized the practices of using technology in retail banking services with the following sentences: *“...the developments in information technology bring about changes in customer demands and cause competition to increase. As the public bank, we are now in competition. So we have to work with technology. For this reason, we want our personnel, who are experienced in commercial banking practices, to monitor the technological activities of commercial banks continuously. Nowadays, while the customers are resisting coming to the banks, it is imperative for us to follow our successful competitors in internet and mobile banking services. In this case, we do not see any problem as a corporate.”* Pointing out that the use of technology has a positive effect on competition; PB4 summarized the activities they carry out in their banks as follows: *“In fact, our bank became the first bank in Turkey to offer its digital banking services to the Turkish community. We think there is no need for proofs, because we have the discipline to do business with global standards in accordance with technological developments. We are trying to keep our customer potential at the same level by integrating alternative financing models developing with technological developments to our bank services. Therefore, our competitors have to watch us. Who are we watching? Of course, the global innovative business models; because we believe that the lack of knowledge that the customer satisfaction in the banking sector is be directly proportionate to innovative trends. This is our vision...”*

## 6. Conclusion

The purpose of this study is to examine what strategic responses the Turkish banks use to gain competitive advantage against which institutional environment pressure. In the theoretical background of the present study, inadequate resources of the enterprises, and the institutional theory, which assume that the institutional environment is related to the strategies, are behind the investigation of the phenomenon of competitive superiority. In order to understand the reactions of the organizations, recent studies on institutional theory, which emphasize the need to understand the institutional environment in which they reside, draw attention to the questioning of the institution environment of enterprises within the framework of the system perspective in explaining the competitive advantage. However, how the pressures that are effective in shaping the institutional environment and the strategic responses to the pressures are shaped maintains its importance as an empirical research question. For this reason, it is aimed to understand how organizational practices are shaped towards institutional environment by conducting research in the banking sector. As a result of the qualitative data collection process carried out within the scope of the research, the content analysis findings indicated that the banks examined reacted with the acquiescence strategies for comply and imitate against the coercive and imitating institution environment pressures and that they increased their performance with these responses. In the literature, Goodstein (1994) and Ingram and Simon (1995), who used Oliver's (1991) conceptual framework, showed that enterprises would react more passively in strategic ways when the institutional environment pressure increased. As a matter of fact, in the conceptual framework of Oliver's (1991) strategic response, the acquiescence strategy is defined as the most passive strategy that provides adaptation to the environment. According to the author, organizations can imitate consciously or unconsciously the other institutional models they see successful against environmental uncertainty and/or organizations accept and comply consciously with the values and norms found in their institution environment (Meyer & Rowan, 1977: 343-345; DiMaggio, 1988). In particular, the structural changes of the public banks in the aftermath of the 2001 financial crisis led them to turn to competition tools with the other commercial banks in the sector by means of their operational activities in line with the market conditions. As a matter of fact, concerns about the expansion of the current account deficit and the increase in inflation in 2018 and global developments can be interpreted as causing the strategic responses of public banks to be the same as the commercial banks. It is because both global economic uncertainty and technological developments have been observed to make it difficult for the Turkish banking sector to do business and continue to create pressure on the sector ([www.finansgundem.com/haber/bankacilik-sektorunde-2019-beklentileri/1379715](http://www.finansgundem.com/haber/bankacilik-sektorunde-2019-beklentileri/1379715), Retrieved 02.01.2019). Therefore, it was not surprising that all of the bank managers defined the legal regulations, uncertainties in global financial markets, increase in exchange rates and the technological developments as a challenging institution environment, and applied acquiescence strategies to keep pace with these pressures in a passive manner.

In this study, the relationship between the strategic responses of banks and the environmental pressures affecting these responses have been tried to be analyzed based on the institutional theory. With the research results, it was tried to explain how the macro-level laws, market conditions, international economic conditions and technology have affected the context of micro-level banks. It is hoped that the results will contribute to the discussions based on the establishment of the relations between the levels of analysis in the field of organizational science. It is thought that this exploratory study will provide the researchers and the decision makers in the banking sector with perspectives on the competitiveness of institution environment pressures. It is expected that the development of new quantitative measurement tools specific to the sector by using the same interview form in a similar study in the future and testing of the current theoretical discussions with these measurement tools will be useful in the literature.



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