COMPETITIVE STRATEGIES AND FIRM PERFORMANCE: CASE STUDY ON GAZIANTEP CARPETING SECTOR

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Abstract

In this paper, the effect of competitive strategies on firm performance is empirically inspected by considering value chain activities in Gaziantep carpeting industrial cluster. The findings of research reveal that there is no significant relationship between competitive strategies and firm performance in Gaziantep carpeting industry. The results of research suggest that in order to improve firm performance and to get sustainable competitive advantage in global markets, competitive strategies should be used resolutely and cost and differentiation strategies implemented simultaneously by decision makers.

Keywords: *Competitive strategies, Carpeting, Gaziantep*

REKABET STRATEJİLERİ VE FİRMA PERFORMANSI: GAZİANTEP HALI SEKTÖRÜ ÜZERİNDE BİR DURUM ÇALIŞMASI

Özet

Bu çalışmada, Gaziantep halıcılık sektöründe rekabet stratejilerinin işletme performansı üzerindeki etkisi değer zinciri aktiviteleri de gözönüne alınarak ampirik olarak incelenmiştir. Araştırma sonucunda Gaziantep halıcılık endüstrisinde rekabet stratejileri ve firma performasları arasında belirli bir ilişkinin olmadığı ortaya çıkmıştır.Araştırma sonuçlarına göre, firma performansını geliştirmek ve global pazarlarda sürdürülebilir rekabetçi stratejilerin avantajlarını elde edebilmek için karalılıkla kullanılmalı ve maliyet ve farklılaşma stratejileri karar vericiler tarafından birlikte uygulanmalıdır.

Anahtar Sözcükler: *Rekabet stratejileri, Halıcılık, Gaziantep*

Introduction

The progression of globalization in manufacturing and service industries, accompanied by the changing competitive situation in the world markets, the changing characteristics of trade relations, and the effects of policies and governmental frameworks have created a new dynamic business environment and a fair market structure, which is shaped by liberalization, interdependence, and technological enhancements.

An industrial cluster is a group of firms that are specialized by sector, located in close geographic proximity and consists of mostly small and medium sized enterprises. In recent years, clusters of small firms have been viewed optimistically as a source of growth in developing countries. Despite the small size of many of the firms, these clusters make sizeable contributions to developing countries' economies in terms of employment, output, and exports. Therefore clustering is an important aspect of the economies of developing countries and deserves further study.

In view of that highly competitive market, companies must quickly grasp surprising opportunities, respond to threats and outmaneuver their rivals to endure and succeed. Strategy can be defined as the direction and scope of an organization over the long- term that provides advantage for the organization through its pattern of resources within a demanding environment. Strategies exist at several levels in organizations, ranging from the overall business to individuals working. However, the levels of strategies are divided into three broad categories, namely corporate, business and functional levels (Thompson,1986)

To obtain firm performance within the scope of sustainable competitive advantage, decisions on shaping firm's competitive strategies are one of the main issues for managers under firms' business level strategy. Because, the formulation and completion of competitive business strategies that will improve performance are one of the competent methods to achieve firm's sustainable competitive advantage. Therefore, the impact of competitive strategies on firm performance is a major issue of unease the policy makers and has been playing important role to refine firm performance for a long time. Competitive advantage is the result of a strategy helping a firm to maintain and sustain a favorable market position. This position is translated into higher profits compared to those obtained by competitors operating in the same industry (Calcagno, 2007). Indeed, understanding which resources and firm behaviors lead to competitive advantage is considered to be the fundamental issue in strategic management studies (Porter,1980;Ghemawat,1986).

The carpet industry and particularity in the particularly the carpet manufacturing has great importance on economic development in Gaziantep. In Gaziantep and its close vicinity, there are 289 carpet mills which employ directly or indirectly more than 50.000 employees. These mills represent more than %80 of the Gaziantep carpet

industry and %80 of them are vertically integrated, they spin their own yarns and weave the carpets. Although , Gaziantep carpeting industry has key significance for economy, there has been only a partial attention given to competitive strategies that will enable the industry to sustain its competitive position in the global markets. In an effort to make a role towards this direction, this study aims at examining the competitive strategy and performance relationship with a special emphasis given to the value chain activities of the firms, which plays an important role in order to identify and develop the competitive advantage in the context of carpeting manufacturing companies in Gaziantep. The required data are gathered from field study, accompanied by a collection of interviews and expert opinions. In the light of data, Gaziantep carpet industry is analyzed under the scope of the factors given in the framework of the Porter's Diamond Model.

In order to realize our aims, we have structured the paper as follows. First, we begin with a brief literature review the following section accompanying the literature review consists of the methodology. In the third section, we show the main results drawn from our statistical analysis and also discuss our findings. Finally, we present the main conclusions and suggest possible future research.

Literature Survey

The effect of competitive strategies on firm performance is analyzed in numerous studies. According to Porter (1980, 1985), firms with a clear strategy outpace firms without a strategy. This argument constitutes the base of his competitive strategies. The literature on strategy defines three essential conditions for the firm success attaining a competitive position or series of competitive positions that lead to superior and sustainable financial performance. Porter (1980) also contends that generic strategies which are namely, cost leadership, product differentiation, and focus strategies, are mutually limited or at least non-complementary, and there are rare companies that can adopt more than one of these strategies simultaneously because of its high cost.

Dess and Davis (1984)'s findings support that firms adopting at least one of the generic strategies have superior performance than firms that do not (firms that have a stuck-in-middle position). Karnani (1984) derives that a superior cost or differentiation position leads to a larger market share, which in turn leads to higher profitability.

White (1986) handles the strategy-organization- performance context within Porter's competitive strategies' typology. White (1986) concludes that business units that employ pure cost strategies achieve higher return on investment (ROI) when they have low autonomy, and the sales growth of pure differentiation strategies benefits from strong functional coordination for key functions under the responsibility

of business unit manager. Wright (1991) denotes that the adoption of both low cost and differentiation strategy can lead to highest performance.

Bush and Sinclair (1992) conducting a field research in hardwood lumber industry, supports that overall cost leadership is not satisfactory in a mature industry. Whereas, the study reveals that successful companies are those that combine cost leadership with differentiation.

Yamin and et al. (1999) examine the relationships among competitive strategy, competitive advantage, and organizational performance in their research. Similarly, looking firm performance through the profitability perspective, Johnson (2002) has studied the relative advantages of a cost leadership strategy versus a differentiation strategy. Ariyawardana (2003) employs the resource-based and strategy-based views of the competitive advantage paradigm in order to explain the performance of value-added tea producers in Sri Lanka.

Tehrani (2003) discusses the impact of five types of competitive strategies (product differentiation, low cost, marketing differentiation, focus product differentiation, and focus low cost) on preeminent performance among sixteen segments of high-tech industries in the US and EU. The results indicate that the relationship between competitive strategy and performance depends on the geographies the firm operates in, since US firms that adopt product differentiation, low cost, and focus product differentiation had superior performance than others while in Europe only the low cost firms outperformed other firms.

Kaya (2004) examines the relationship among advanced manufacturing technologies (AMT), competitive strategies, and firm performance. The study, which is conducted in manufacturing firms, located in Gaziantep, reveals that AMT usage and adoption of differentiation strategy are both positively and significantly influential on firm performance. Another significant finding is that Implementation of a dual strategy (combination of cost leadership and differentiation) has a positive impact on performance especially when AMTs usage is higher.

The studies have generally concentrate on one sector and found results can not be generalized to other industries.

Methodology and Hypotheses

The fundamental aim of this research is to develop an integrative model to describe the existing appearance of the Gaziantep carpeting industry in terms of strategy choice, and prioritization of value chain activities and their performance impacts and to provide suggestions that may improve the sector's competitive advantage.

To realize this wide aim, this research tries to find answers for the following research questions.

- To discover the level of importance given to different competitive strategy types- i.e. cost leadership, differentiation, combined strategies- by the managers in the carpeting industry.

- To discover the priorities given to the different functions of value chain activity types- i.e. logistics, production, marketing, human resource management, etc.- by the managers in the textile and apparel industry.

- To reveal the relationships between the level of importance given to the competitive strategies and to each of the value chain activities, and firm performance.

Based on literature review and field study in industry, the conceptual model of the study is constructed considering the competitive strategies. Model consists of three different main parts including dependent, independent, and mediating variables. Independent variables of the model describe competitive strategies (cost leadership, differentiation and focus) that affect the dependent variable (firm performance- return on assets (ROA), return on equity (ROE), return on sales (ROS). On the other side, Porter's value chain activities stand as mediating variables.

Mediating variables of the model are represented by the value chain, which was generated by Michael Porter (1985) and frequently used in the strategy literature. The value chain describes the full range of activities which are required to bring a product or service from conception, through the intermediary of production, to delivery to final consumers, and final disposal after use (Kaplinsky,2007). Value chain activities which consist of two main parts (supporting and primary activities) and nine different functions (firm infrastructure, HRM, procurement, logistics, operations, marketing and service) play the meditating role between independent and dependent variables.

Competitive strategies introduce a powerful tool for the strategists and decisions makers to diagnose and enhance competitive advantage. On the other side, value-chain analysis allows the managers to separate the underlying activities a firm performs in designing, producing, marketing, and distributing its product or service (Porter, 1985).

Kalaycı (2005) and Alpkan (2003) found that sales, sales growth, net profit and gross profit were among the financial measures preferred by the researchers conducted their studies in Turkish manufacturing firms. Thus, in the light of the recent literature, return on assets (ROA), return on equity (ROE), return on sales (ROS) are selected for this research as the main indicators of firm performance. ROA reflects the efficiency of the firm to make use of total assets. ROE represents the returns for shareholders of common stocks and is generally considered an

important financial indicator for investors. ROS reflects the profitability of a firm. Dependent variables of the model consist of firm performance indicators which refer to common measures of profitability like ROA, ROE and ROS.

Many of the studies support the hypothesis that competitive strategies have a positive impact on firm's financial performance (Day,1998; Miller, D., & Friesen, P.H,1986; Yamin, S., Gunasekaran,A.,& Mavondo, F.T,1999) Based on the literature review and the proposed model, main hypotheses are generated as follows.

Table 1: *Research Hypotheses*

H1	The level of importance given to the Cost Leadership Strategy increases firm performance.

H_{1a}: The positive relationship between the Cost Leadership strategy and firm performance is mediated by the level of importance given to firm infrastructure.

H_{1b}: The positive relationship between the Cost Leadership strategy and firm performance is mediated by the level of importance given to firm human resource management.

H_{1c}: The positive relationship between the Cost Leadership strategy and firm performance is mediated by the level of importance given to firm procurement.

H_{1d}: The positive relationship between the Cost Leadership strategy and firm performance is mediated by the level of importance given to firm logistics. development.

H_{1e}: The positive relationship between the Cost Leadership strategy and firm performance is mediated by the level of importance given to firm operations.

H_{1f}: The positive relationship between the Cost Leadership strategy and firm performance is mediated by the level of importance given to firm marketing.

H_{1g}: The positive relationship between the Cost Leadership strategy and firm performance is mediated by the level of importance given to firm services.

H2	The level of importance given to the Differentiation Strategy increases firm performance.

H_{2a}: The positive relationship between the Differentiation strategy and firm performance is mediated by the level of importance given to firm infrastructure.

H_{2b}: The positive relationship between the Differentiation strategy and firm performance is mediated by the level of importance given to firm human resource management.

H_{2c}: The positive relationship between the Differentiation strategy and firm performance is mediated by the level of importance given to firm procurement.

H_{2d}: The positive relationship between the Differentiation strategy and firm performance is mediated by the level of importance given to firm logistics.

H_{2e}: The positive relationship between the Differentiation strategy and firm performance is mediated by the level of importance given to firm operations.

H_{2f}: The positive relationship between the Differentiation strategy and firm performance is mediated by the level of importance given to firm marketing.

H_{2g}: The positive relationship between the Differentiation strategy and firm performance is mediated by the level of importance given to firm services.

H3	The level of importance given to the Focus Strategy increases firm performance.

H_{3a}: The positive relationship between the Focus strategy and firm performance is mediated by the level of importance given to firm infrastructure.

H_{3b}: The positive relationship between the Focus strategy and firm performance is mediated by the level of importance given to firm human resource management.

H_{3c}: The positive relationship between the Focus strategy and firm performance is mediated by the level of importance given to firm procurement.

H_{3d}: The positive relationship between the Focus strategy and firm performance is mediated by the level of importance given to firm logistics.

H_{3e}: The positive relationship between the Focus strategy and firm performance is mediated by the level of importance given to firm operations.

H_{3f}: The positive relationship between the Focus strategy and firm performance is mediated by the level of importance given to firm marketing.

H_{3g}: The positive relationship between the Focus strategy and firm performance is mediated by the level of importance given to firm services.

Questionnaire was employed as the data collection method. For this purpose, a questionnaire was developed and conducted face to face. A questionnaire is an efficient data-collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest (Sekeran,1992).

Questionnaires for this study were prepared A4 paper with 6 different pages. A covering letter from researcher was attached to emphasize the importance of this study for the sector. The questionnaire consisted of five sections and 140 questions representing (a) the demographic characteristics of the respondents, (b) firms' characteristics, and (c) the study variables. The statements were structured as simply as possible, in wording and language that would be perceived as logical by all the elements included in the population.

Unit of analysis is the firm for this research. Gaziantep carpeting industry is chosen as research field. The sample consisted of firms located in Gaziantep.The district comprises a number of carpeting firms; as indicated by Gaziantep Chamber of industrial (GTO), 90% of these firms operate in this region (GTO, 2010). The sample consisted of small, medium and large-sized carpet firms, registered within the GTO, operating in Gaziantep Metropolitan Area. All of the firms are contacted, in advance, by telephone and their participation is requested from their owners/ managers. 165 firms accepted to participate in the study which can be regarded as the suitable and acceptable sample size for collection of the research data.

Results and Discussion

This chapter presents the analysis of the instruments used to measure the constructs in the model, as well as the assessment of the model itself. Accordingly, the results of the statistical analysis are established in three phases. The study begins with denoting sample characteristics then carrying on with statistical analysis for testing the developed research model including descriptive statistics and multiple regression analysis.

Sample Characteristics

According to results, 18.9% of respondent firms for Gaziantep is at the age of 1-5. On the other hand, 22% of the respondent firms for Gaziantep differences in age circulation also varied among respondent firms with 13.8% Gaziantep between the ages of 6 to 10; 24.2% and 17% between the ages of 11 to 15; 22% and 11% between the ages of 16-20.

15.9 % of the respondents were CEO and high or middle level managers while 31.7% and 17.1 % are high and middle level managers, respectively.

15.9% companies are incorporated while 74.5% of are limited companies. The rest of the companies, 1.8% is general partnership, %3.1 is individual and 0.62 is others.

48.8% of companies participating in this study employed less than 50 employees while 95.1% employed less than 250 employees. Only 65 companies have more than 250 employees.

Statistical Analysis for Testing the Research Model

To analysis the data and testing the research model several statistical methods were employed. First, along with descriptive statistics, coefficient alpha was used in assessing the internal consistency of each construct.

Descriptive statistics are used to describe the basic features of the data in a study. This is usually the first form of analysis where averages are calculated, frequency distributions are given and percentage distributions are provided. In this study, it is used simple tabulation of the responses on a statement-to-statement basis. This is the most basic form of information but it provides an indication of the frequency or the number of times one variable was considered at a time (Zikmund,2007)

As a first step, preface analyses were conducted to inspect entity problematic comments or violations of assumptions. Descriptive statistics including mean and standard deviation showed that there were no outliers and invalid data resulting from invalid responses or input error. And primary activities questions have high reply ratio and high mean and relatively low standard deviation results.

Since the data for this research was generated using scaled responses, it was deemed necessary to test for reliability. The widely used Cronbach's coefficient alpha was employed to assess internal consistency (Gatewood, R., & Field, S.,1987; Bryman, A., &Cramer, D., (1997) . While higher cutoffs, such as .80, are expected as the rule of thumb Bryman and Cramer stated that reliability as low as.70 is normally acceptable in basic research. Based on the coefficient values, the items tested were deemed reliable for this research (D'Amboise, G., , 11 (1), 8- 17, (1993)

As seen from Table 9, all alpha coefficients ranged between 0.671 and 0.922 These results indicate that the data has a high level of internal consistency within the multi-item scales.

Table 2: *Reliability Coefficient of the Study Variables (Final Questionnaire) for Gaziantep*

Variables	Number of Items	Cronbach's α
Independent Variables (The Competitive Strategies)		
• Cost leadership	6	.844
• Differentiation	10	.829
• Focus	3	.671
Mediating Variables (Value Chain)		
• Firm infrastructure	10	.878
• HRM	9	.870
• Procurement	6	.870
• Technology Development	6	.882
• Inbound Logistic	5	.922
• Operations	11	.915
• Outbound Logistics	4	.849
• Marketing and Sales	8	.816
• Services	4	.899
Dependent Variable		
• Firm performance	3	.921

Regression Analysis and Hypotheses Testing

For this study, regression analysis was used to find out the effect of independent variables (the variables of generic strategies and value chain activities) on the dependent variable, namely firm performance. Regarding the test of the hypotheses, the independent variables in the hypotheses and the firm performance were entered into the regression equations. R Square, F Value, Significance of F Value, Standardized Beta Coefficients, t-Values and the significance value were measured and some of them are presented in the Tables briefly.

Each individual variable of the value chain activities is regressed against on cost, focus and differentiation, as it is argued on the research model. As indicated below equation, differentiation has the highest coefficient value (1.29) in the firm infrastructure regression equation and t value of 13.05. The next important variable in the regression equation is cost variable (-0.72). And cost variable has a negative

coefficient of -9.49. The last independent variable in the equation is focus which has a beta of -0.37 and t value of -5.47. The model has high R^2 statistics. These results are support by the findings of the correlation analysis. As can be seen from the under situation firm infrastructure has statistically significant relations with two out of three generic strategies, namely focus and differentiation. Therefore, it is clear that firm infrastructure as a variable of supporting activities is significantly affected by the main generic strategies, and the effect of differentiation is higher than cost and focus.

Firm Infrastructure = - 0.72*Cost - 0.37*Focus + 1.29*Differ (R^2 = 0.82)

In the procurement regression model, differentiation has positive coefficient with a value of 0.63 and t value of 6.89. The cost has also positive coefficient with a value of 0.27. In this equation there is negative relationship between focus and procurement. Therefore, it is clear that procurement as a variable of supporting activities is significantly precious by the main generic strategies, and the the effect of differentiation is higher than cost and focus.

Procurement = 0.27*Cost - 0.29*Focus + 0.63*Differ (R^2 = 0.51)

By considering the results of the correlation analysis, the findings of the regression analysis regarding the HRM variable, shows that although there is positive and significant association between cost and HRM, cost strategy does not create any significant effect on HRM. In contrast to the cost, other two generic strategies (focus and differentiation) significantly affect the HRM.

HRM = 0.035*Cost - 0.19*Focus + 0.75*Differ (R^2 = 0.47)

The result of regression model of operations is shown in the below. Focus variable negatively affects operations. On the other hand, there are positive link between cost and differentiation and dependent variable (operations). Differentiation has the highest beta coefficient (0.64) in the regression model with a relatively high t value of 7.85. These results are supported by the findings of the correlation analysis. Therefore, it is clear that operations as a variable of primary activities is significantly affected by the main generic strategies, and the effect of differentiation is higher than cost and focus.

Operations = 0.26*Cost - 0.34*Focus + 0.64*Differ (R^2 = 0.50)

In the logistics regression equation, differentiation has a very high beta coefficient (0.93) with t value of 11.58. In this model cost and focus variables have negative signs, indicating reverse relationship with the dependent variable. These results are partially support by the findings of the correlation analysis. As can be seen from the logistics variable has positive and statistically significant associations with only two out of three generic strategies. However, according to regression analysis, all three generic strategies significantly affect the logistics.

Logistics = - 0.25*Cost - 0.49*Focus + 0.93*Differ (R^2 = 0.44)

Marketing regression equation shows coefficients of independent variables in the below. Focus variable has a negative relationship with dependent variable. The other independent variables have positive signs. R^2 of model is 0.47. These results are supported by the findings of the correlation analysis. As it can be seen from the table 10, marketing variable has positive and statistically significant (p'<.01) associations with all three generic strategies. Therefore, it is clear that marketing as a variable of primary activities is significantly affected by the main generic strategies.

Marketing = 0.23*Cost - 0.26*Focus + 0.63*Differ (R^2 = 0.47)

Cost and focus variables have negative coefficients with the service variable in the below regression model while differentiation has a high and positive coefficient. All coefficients are statistically significant. These results are supported by the findings of the correlation analysis. As can be seen from the service variable has positive and statistically significant (p'<.01) associations with all three generic strategies, namely cost, focus, and differentiation. Therefore, it is clear that service as a variable of primary activities is significantly affected by the main generic strategies.

Service = - 0.33*Cost - 0.33*Focus + 0.94*Differ (R^2 = 0.44)

Sales regression equation shows coefficients of independent variables. Cost and focus variables negatively and significantly affect the dependent variable (sales). Once again differentiation has a very high beta coefficient of 0.94. The model's R^2 is 0.53. These results are supported by the findings of the correlation analysis. As can be seen from the sales variable has positive and statistically significant (p'<.01) associations with all three generic strategies, namely cost, focus, and differentiation. Therefore, it is clear that sale as a variable of primary activities is significantly affected by the main generic strategies.

Sales = - 0.76*Cost - 0.19*Focus + 0.94*Differ (R^2 = 0.53)

The box in the below reveals the results of all independent variables in the performance regression model. The regression equation seen in the box was created from the main research model. On the research model it is argued that generic strategies affect value chain activities, and value chain activities, in turn, affect firm performance. Thus, all generic strategies and value chain activities are entered into the regression quotation as independent variables, while from performance is a dependent variable.

According to results, procurement, HRM, operations, and sales have negative coefficients. On the other hand, firm infrastructure, logistics, marketing, and service have positive link with the performance variable. The only significant variable in the model is the firm infrastructure variable with a t value of 2.17. The overall model fit is low (R^2 = 0.034). The association between firm infrastructure and firm performance is

supported by the correlation analysis as well. As can be seen from the correlation matrix, among the independent variables, firm infrastructure has the highest correlation coefficient with $p<.01$ significance level.

Performance = 0.18*Firm infrastructure- 0.028*Procure - 0.0079*Hrm - 0.063* Operation + 0.0097*Logistic +0.11*Market + 0.0027*Service - 0.075*Sales ($R^2 = 0.034$)

Combining the three possible strategies with value chain activities yields a total of 21 possible combinations, as described in Table 1. The results drawn from the regression analysis of constructed hypotesis are presented at Table 3.

Table 3: *Summary of Hypotheses Testing*

	Hypotheses	
H1	The level of importance given to the Cost Leadership Strategy increases firm performance	
	H_{1a}: Cost Leadership strategy and firm infrastructure positively affect firm performance	Partially Supported
	H_{1b}: Cost Leadership strategy and HRM positively affect firm performance	Not Supported
	H_{1c}: Cost Leadership strategy and procurement positively affect firm performance	Not Supported
	H_{1d}: Cost Leadership strategy and logistics positively affect firm performance	Partially Supported
	H_{1e}: Cost Leadership strategy and operation positively affect firm performance	Not Supported
	H_{1f}: Cost Leadership strategy and marketing positively affect firm performance	Partially Supported
	H_{1g}: Cost Leadership strategy and service positively affect firm performance	Not Supported
H2	The level of importance given to the Differentiation Strategy increases firm performance	
	H_{2a}: Differentiation strategy and firm infrastructure positively affect firm performance	Partially Supported
	H_{2b}: Differentiation strategy and HRM positively affect firm performance	Not Supported
	H_{2c}: Differentiation strategy and procurement positively affect firm performance	Not Supported
	H_{2d}: Differentiation strategy and logistics positively affect firm performance	Not Supported
	H_{2e}: Differentiation strategy and operations positively affect firm performance	Not Supported
	H_{2f}: Differentiation strategy and marketing positively affect firm performance	Partially Supported
	H_{2g}: Differentiation strategy and service positively affect firm performance	Not Supported
H3	The level of importance given to the Focus Strategy increases firm performance.	
	H_{3a}: Focus strategy and firm infrastructure positively affect firm performance	Partially Supported
	H_{3b}: Focus strategy and HRM positively affect firm performance	Partially Supported
	H_{3c}: Focus strategy and procurement positively affect firm performance	Not Supported
	H_{3d}: Focus strategy and logistics positively affect firm performance	Partially Supported
	H_{3e}: Focus strategy and operations positively affect firm performance	Not Supported
	H_{3f}: Focus strategy and marketing positively affect firm performance	Partially Supported
	H_{3g}: Focus strategy and service positively affect firm performance	Partially Supported

As seen from Table 3, while some of hypotesis are rejected, some of them are accepted partially. The analyzes of the research hypotheses reveal that there is no

statistically significant relationship between the combination of competitive strategies and value chain activities and firm performance in Gaziantep carpeting industry. On the other hand, some variables of value chain activities is signified by relating to the firm performance.

Conclusions and Suggestions

The processes of economic integration of the entire world through the removal of barriers to free trade and capital mobility, as well as through the diffusion of knowledge and information have triggered the globalization since last three decades.

The findings from this study has contributed new knowledge to the literature regarding the role of industry clusters in growing local economies and their prospects as an urban/regional economic development strategy. Along with the increasing internationalization of production, distribution, and marketing of goods and services have accelerated this progress . The main elements of globalization have also point to an important phenomenon, the competitiveness. Today, sustainable competitive advantage has become one of the crucial targets in the dynamic market and business environment. Thus, to obtain competitive advantage as a firm, sector and even nation developing successful business strategies is one of the important missions of decision makers.

The problem of choosing the right strategy that will enable the firm to compete in the global arena is a common phenomenon faced by all of the actors in the Gaziantep carpeting. The industry is recorded as the largest sector of Turkish economy. It accounts for over 20% of industrial production. It is the single largest employer in the industrial sector employing about 2 million people. The net foreign exchange earnings in this sector are one of the highest and, together with carpet, account for over 21.3% of total export earnings at over US $ 22.5 billion.

The industry is highly localized in Gaziantep Metropolitan Area .The industry, on thesis, provides an impressive profile. Thus, the current situation of Gaziantep carpeting industry constitutes the emerging point of this research.

It is proposed to reveal the shortcomings of the Gaziantep carpeting industry by examining competitive strategies, and to offer some suggestion to enhance sector's competitive advantage. Thus, this research attempts to point out the effect of competitive strategies on firm performance in Gaziantep carpeting industry.

In order to achieve this target, a conceptual model was designed by considering Porter's competitive strategies and value chain activities, and a multiple regression analysis was employed to test the relationship between competitive strategies (cost leadership, differentiation, and focus) and firm performance by considering value chain activities (primary and support activities) as stated in the model.

The conceptual model of research depicts the relationships between dependent and independent variables. Independent variables of the model comprise competitive strategies that affect the dependent variable (firm performance). Thus, the study hypotheses that there is a positive relationship between competitive strategies (cost leadership, differentiation and focus) and firm performance. At the same time, it is expected that value chain activities may also positively affect firm performance, and mediate the relationship between competitive strategies and firm performance.

The regression equations, stated in previous chapter, depict the results of all independent variables in the performance regression model. The results show that procurement, HRM, operations and sales have negative beta coefficients. On the other hand, firm infrastructure, logistics, marketing and service have positive associations with the performance variable. The only significant variable in the model is the firm infrastructure variable with a t value of 2.17. The overall model fit is low (R^2 = 0.034).

When considering the whole results of the hypotheses tests, it should be noted that among the value chain activities especially two variables, namely the firm infrastructure and marketing activities, positively affect the firm performance. It should also be mentioned that the supported hypotheses were only partially supported, as the generic strategies (cost, focus and differentiation) do not significantly affect the firm performance.

Logistics activity positively affects the firm performance when it is considered with cost leadership and focus strategies. Whereas HRM and service activities affect firm performance, when they are considered with only focus strategy.

These results also portray that the firms, operating in Gaziantep carpeting industry, should promote some particular activities, namely procurement and operations activities, although they are not supported by hypotheses.

The above confirms that competitive strategies do not help explaining a significant amount of variance in firm performance. In accordance with the research aim, competitive strategies may not be regarded as the value-adding strategies in Gaziantep carpeting industry, as tested and confirmed in this study. Managers of Gaziantep carpeting industry have to reconsider deliberately the firm's competitive strategies to obtain sustainable competitive advantage.

Finally, conceptual model of the research can be extended by considering new dimensions by adding environmental factors as control variables. Moreover, the model can be elaborated by incorporating the marketing performance of the firms to assess the firm performance from different view.

The study makes both academic and practical contributions, and suggests several applications for the further research.

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