

STRATEGIC PLANNING ACTIVITIES OF THE MANUFACTURING FIRMS IN KOCAELI, TURKEY

Türkan DOĞAN

Kocaeli Üniversitesi

Lütfihak ALPKAN

Meral ELCI

Selim AREN

Gebze Institute of Technology

Abstract

This study aims at uncovering the characteristics of the strategic planning activities conducted by the manufacturing firms operating in Kocaeli, the second mostly industrialized region of Turkey. A survey is carried out on 400 firms' executives -who accept to respond to our questionnaires- out of 1567 industrial enterprises registered at Kocaeli Chamber of Industry. As for the characteristics of the strategic planning activities the following factors are studied; planning periods, types of strategic goals set by managers, and written and oral sources of information used during the planning process.

Findings show that planning horizon in Turkey has been extended since mid-1990s, and that it is in the large companies is significantly longer than the SMEs, but still the average planning term in large firms is not more than 3 years. Authority and responsibility in strategic decision making has been decentralized since mid-1990s.; involvement of the stakeholders increased. The mostly used sources of information are the customers and the MIS reports and the mostly adopted strategic goal is to increase the total sales.

Key Words: *Strategic planning, strategic goals, planning horizon, sources of information.*

INTRODUCTION

Strategic planning is a creative process of deciding how to set and achieve overall and long term organizational goals. It is the most widespread managerial tool with which an organization formulates its strategies (Rigby, 2001). There are in the past literature many studies describing the processes for strategy planning (e.g., Anthony and Govindarajan 2004; Kaplan and Norton 2001, 2004). Strategic planning produces at the end of these processes a strategic plan which is a practical guide that defines goals and assigns organizational resources to gain reasonable returns in the long term. (Alpkan, et al., 2003). It requires managers to collect and analyze data, and develop alternative future scenarios concerning the actual and desired positioning of the company (Boyd, 1991).

Considering the multiplicity of the strategic alternatives pertaining to the planning periods and strategic goals to be set, and sources of information to utilize, this study focuses mainly on depicting these characteristics of the strategic planning activities conducted by the manufacturing firms operating in Kocaeli, one of the mostly industrialized regions of Turkey. Kocaeli lies in the north-western part of Turkey. It is the second most important industrial center of Turkey, coming only second to Istanbul. Initially Kocaeli have grown as the industrial hinterland of Istanbul. During the last two decades, Kocaeli became a very important part of the "industrial belt" of Turkey. More than 70 percent

of the income generated within Kocaeli is industry related and this corresponds to 14 percent of Turkey's total manufacturing output. Chemicals, metals, machinery and automotive industries are the most prominent branches in the region while the relatively recent growth in automotive industry has been fuelled by international vehicle producers such as Chrysler, Toyota, Ford, Honda, Hyundai and Isuzu investing in Kocaeli. There are 1567 industrial enterprises registered at Kocaeli Chamber of Industry, employing 171,714 workers. Kocaeli has a strategic importance in the Turkish industrial output.

In this paper, our objective is to provide answers to the following research questions. To answer these questions, we studied 400 manufacturing firms from various sectors including chemicals, metal works, machinery, food, automobile manufacturing, pharmaceutical, plastics, energy industry, machine tools and the like.

1. What have been done concerning strategic planning in manufacturing firms in Kocaeli? And, what are the tendencies and the activities about strategic planning in this region?
2. Who makes the strategic decisions within the firms, and how these decisions are taken?
3. What are the overall strategic goals set?
4. Do the strategists understand the difference between strategic planning and short term operational planning?
5. When making strategic plans, which oral and written sources of information are utilized by the strategists?

This paper proceeds in the following manner, in the second section a brief review of the strategic planning literature is provided, in the third section data collection and analysis methods are explained, and finally findings and results are given in the last two sections.

THEORETICAL FRAMEWORK

Comprehensive planning activities are assumed to lead to an increase in the organizational performance (e.g. Alpan, 2000; Alpan, Bulut, Mert, 2005). The principle of comprehensiveness is the intensity of efforts to collect and analyze information about internal strengths and weaknesses and external opportunities and threats in order to be able to craft the appropriate strategies that best meet simultaneously both external adaptation and internal integration needs. Thus comprehensiveness expresses the abundance of managerial efforts to cope with these problems or environmental uncertainties (Miller, et al., 1998). Managers can deviate from rationality by avoiding

problems, in the respect of neither to initiate nor to take decisions, yet they like to preserve the status quo (Raiffa, 1994). Thus, strategic decision making and planning consist of a set of vast cognitive activities involving information gathering, analyzing and deciding (Yukl, 2002).

The strategic planning process has been depicted as the development of decision-making rules that guide future organizational actions. Strategy formation can be viewed as the interplay between external and internal dynamics of changing environment with leadership mediating these two variables (Mintzberg, 1978). If the scanning intensity is insufficient, the strategists confront some serious problems (Yukl, 2002). Thus there has been a tendency to emphasize the role of strategic planning propensity of managers in recent years (Andersen, 2000). Managers must correctly perceive the nature and dictations of the environment and try to develop detailed and long term plans. Environmental scanning and the perceptions on the environment have powerful effects on strategic planning approaches and strategic orientations of managers (Goll and Rasheed, 1997; Pelham, 1999; Barringer and Bluedorn, 1999).

As for the large firms that prepare and implement strategic plans with longer terms, data collection is much more critical. Possible sources of information for gathering strategic data include oral communications and written publications on present and future situation of the environment. Detailed information collection precedes decision making which is related to making strategic choices, giving priorities and allocating resources accordingly (Mintzberg, 1973; Ansoff, 1975; Barringer and Bluedorn, 1999). These choices usually seek to increase the firm's abilities to explore and adapt to the external environment, and to exploit and align to the internal conditions (Mengüç and Auh, 2006). Therefore in this study, we examine the planning periods, types of strategic goals set, and written and oral sources of information used during the planning process in one of the mostly industrialized zones of Turkey.

METHOD AND FINDINGS

Data collection and Participants

Unit of analysis in this study was the individual manufacturing firms located in Kocaeli industrialized zone of Turkey. Data were collected via questionnaires from the managers working at these manufacturing firms, as the key respondents. Out of 1567 firms, 400 of them returned with a response rate of 25 %. The positions of the respondents are 30,49 % middle managers, 64,08 % upper manager and 3,36 % owners.

The responding managers' profile is depicted in Table 1.

Table 1. Managerial Level of the Respondents

Respondents by Position	Number of Respondents	%
Upper manager	248	64,08
Medium managers	118	30,49
Owner	13	3,36
Board members	8	2,07
Total	387	100,00

Table 2 shows the legal types of the participating firms. Out of a total of 400 firms, 245 are anonymous corporations, and 141 are limited corporations. In this situation, we are able to state that 96.6 % of the participating firms are corporations with limited liability for their shareholders.

Table 2: Legal Types of the responding firms

Firm Type	Number of Firms	%
Anonymous firms	245	61,3
Limited firms	141	35,3
Sole proprietorship firms	7	1,8
Collective firms	2	,5
Other	5	1,3
Total	400	100,0

Table 3 shows the numbers of personnel in the participating firms. 396 out of the 400 companies provided data on their employee size. In 163 firms, the number of employees is less than 50 people which is 41,2 % of the total. Exactly the same numbers are accurate for those companies that employ between 50 and 250 people, i.e. medium sized firms. Accordingly, as is the case for all over the world, the majority of the responding firms consists of small to medium sized enterprises.

Table 4 depicts the distribution of the participating companies by age. According to this data, firms in existence for less than 10 years constitute 28.2 % of the total. Firms within the age group between 10 to 19 years represent only 27 % of them. Average firm age is 25.4 years.

Table 3. Firm Sizes

Number of Personnel	Number of Firms	%
small (-50)	163	41,2
medium (50-250)	163	41,2
Large (+250)	70	17,7
Total	396	100,0

Table 4. Firms' age groups

Firm age (year)	Number of Firms	%
Less than 9	111	28,2
10-19	106	27,0
20-29	78	19,8
30-39	98	24,9
Total	393	100,0

The Planning Periods

As can be seen from Table 5, most (40.3 %) of the firms make a strategic plan for a 1 to 3 year period. The percentage of firms that make the strategic plan for a 3 to 5 year interval is 18.6 %. Furthermore 107 firms have labeled the plans they create for periods of one year or less as strategic plans. The numbers of firms that plan for longer than 5 year terms are 55 and represent 14.1 % of the participating firms. In comparison to the situation in 1995 according to the findings of Eren et al. (2000), it is evident that there is a significant reduction in the number of firms making plans for less than 1 year period, and still labeling it as "strategic". Moreover, there is a significant increase in the number of firms that plan for more than 5 years. In brief, the tendency to plan for longer periods increases in Turkish firms. Table 6 shows that firm size is a significant indicator of planning time horizon. ANOVA results indicate that smaller sized firms plan for shorter terms, larger firms for longer terms. Still, even the larger firms' planning horizon is not so long (being less than 3 years in average) indeed.

Table 5. Planning horizon (year)

Year	Number of Firms	% (in 1995)*	% (in 2006)
Less than 1	107	34,7	27,0
1-3	160	36,1	40,3
3-5	74	19,4	18,6
More than 5	55	6,9	14,1
Total	397	97,2	100,0

* Eren et. al.(2000)

Table 6. Comparing Firm Sizes to Planning Periods

Firm	Size	Average Strategic Planning Periods (year)
Small (1-49)		1,92
Medium (50-249)		2,24
Large (250 +)		2,73
ANOVA results	<i>F:17,70</i>	<i>p:0,00</i>

The Strategic Planning Responsibility

The responsibility of strategic decision making according to Table 7, belongs predominantly to the members of the board of directors (27 %), then to the general managers (18%), specialists in the strategic planning department (11%), vice general managers (10%), and so on. However, from another point of view, if we aggregate the percentages of general managers and vice general managers to see the level of dominance of the board of execution, we find that this board's dominance (28%) is almost equal to that of the board of directors.

Comparison between these findings with those of Eren et al (2000), show us that while the dominance of the board of execution diminishes in about 10 years time from 45 % to 28 %, and that of the strategic planning department from 20% to 11%, the involvement of lower level managers, consultants, and others increases from 15% to 34%. This can imply that in the last decade, strategic decision making, in the Turkish business context, is decentralized and the involvement of inner stakeholders, namely, shareholders and lower level managers and specialists increased.

Table 7. Distribution of the strategic planning responsibility among the organizational units

Organizational units	%(in 1995)*	%(in 2006)
Board of directors	17,5	27
General manager	22,2	18
Strategic planning department	20,6	11
Vice general manager	23,8	10
Functional units	7,1	9
Operational units	3,2	8
Consultants	0,8	5
Others	4,8	12
Total	100	100

* Eren et al.(2000)

Table 8. Background of the Strategic Decision Makers

Area of experience/expertise	Number of Firms	%
Manufacturing/Purchasing	185	46,6
Marketing/Selling	129	32,5
Accounting/Finance	50	12,6
R&D	24	6,0
HRM	9	2,3
Total	397	100

The specific work experience and background of the owners and/or top managers that predominantly possess the strategic decision making authority and responsibility in the Turkish manufacturing firms is mainly (44.6 %) in the area of manufacturing and purchasing. Manufacturers/purchasers are followed by the marketers (32,5%) and then accountants (12,6%). The dominance of R&D and HRM specialists is very slight.

Sources of Information

Table 9 depicts the mostly used oral information sources. Findings indicate that the most important oral source is the expectations, complaints, and desires that the customers express. When compared to the findings of Eren et al. (2000), it is apparent that the usage of civil servants and politicians as a critical source of information for strategic decisions decreased a lot, and the importance of information coming from customers and suppliers increased significantly.

Table 9. Sources of Oral Information used in Strategic Planning

Oral Information Sources	%(in 1995)*	%(in 2006)
Customers	21,7	28
Distributors, Retailers, Dealers	15,7	15
Competitors	14,6	14
Civil Servants, Politicians	21,2	14
Suppliers	8,1	13
Other	18,7	16
Total	100	100

* Eren et al.(2000)

Table 10. Sources of Oral Information used in Strategic Planning

Written Information Sources	%(in 1995)*	%(in 2006)
MIS Reports prepared within the firm	10,4	19
Publications of the chambers of commerce and industry	21,5	14
Reports of the consulting firms	-	10
Official Journal and Regulations	-	10
Publications of Turkish Statistical Institute (TUIK)	23,9	10
Journals and periodicals	16	8
Publications of State Planning Organization	2,5	8
Publications of Universities	10,4	7
Other	15,3	15
Total	100	100

* Eren et al.(2000)

Table 10 shows the mostly used written information sources. Findings indicate that the most important written source is the Management Information Systems' reports prepared within the firm by the experts. When compared to the findings of Eren et al. (2000), it is apparent that the usage of the publications of Turkish Statistical Institute and those of the chambers of commerce and industry as critical sources of information for strategic decisions decreased a lot, and the importance of information coming from the reports prepared either by the above mentioned MIS experts and by the consulting firms increased significantly. The usage of university publications for the strategic decisions is still very limited.

Table 11 depicts the distribution of importance given to different strategic goals by the strategists in the manufacturing firms in Kocaeli. The most three most important goals are namely increasing total sales (15 %), increasing market value (13 %), and increasing market share (13%). This finding is parallel with what was observed by Eren et al (2000) in their survey on the strategies of large Turkish firms. They had reported that the importance given to the overall goal of increasing both total sales and market share together made up 30%.

Strategic Goals

Table 11. Prioritization among Strategic Goals

Importance given to increase...	%
Total Sales	15
Market Value	13
Market Share	13
ROS	11
Customer Satisfaction	11
(...decrease) Total Costs	9
Total Factors' Productivity	8
ROE	7
Employee Satisfaction	6
Other Goals	8
Total	100

Considering the similarities among strategic goals we can aggregate importance levels of the individual goals in some sets of strategies. For instance, we can produce 3 main sets, namely; growth, efficiency, and satisfaction goals. On one hand, growth related goals such as increases in sales, market value, and market share constitute 41 % of the importance given to the strategic goals. On the other hand, operational efficiency related goals such as cost reduction, and total factors' productivity constitute 17 % and financial

efficiency related goals such as ROS and ROE constitute 18 % of the importance given to the strategic goals; thus efficiency related goals make up totally 35 %. Satisfaction related goals (17 %) are rather less important for the strategists.

RESULTS

This empirical research on the strategic planning activities of the manufacturing firms in Kocaeli, Turkey produced some interesting findings:

- Planning horizon in Turkey has been extended since mid-1990s.
- Planning horizon in the large companies is significantly longer than the SMEs, but still the average planning term in large firms is not more than 3 years.
- Authority and responsibility in strategic decision making has been decentralized since mid-1990s.; involvement of the stakeholders increased.
- The work experience and accumulation of knowledge of the strategic decision makers is especially in the field of manufacturing and purchasing.
- The mostly used oral source of information is the customers.
- The mostly used written source of information is the MIS reports prepared within the firm.
- The mostly adopted strategic goals are sales growth goals.

As for the managerial implications, we may suggest that the trend of extension in the planning horizon which is parallel with the firm size should be accelerated and the level of decentralization in strategic decision making should be enlarged. Usage of oral and written information sources and especially scientific publications should be much more comprehensive.

As for the further research implications, we may suggest that similar research can be conducted repeatedly every 3 or 5 years to track the trends in strategic planning, not only for a specific region but for all over Turkey. Beyond determining the planning activities, in further studies, cause and effect relations among the external, organizational, and individual antecedents and performance impacts of these activities should be investigated.

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