

**COMPETITIVENESS OF PROFESSIONAL SERVICES: CASE  
OF TURKISH ADVERTISING AGENCIES**

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IŞIK UNIVERSITY  
2008

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Submitted to the Graduate School of Social Sciences  
in partial fulfillment of the requirements for the degree of  
Doctor of Philosophy  
in  
Contemporary Studies in Management

IŞIK UNIVERSITY  
2008

# COMPETITIVENESS OF PROFESSIONAL SERVICES: CASE OF TURKISH ADVERTISING AGENCIES

## **Abstract**

This study seeks to examine the extent to which internal factors affect the competitiveness of professional service firms. A case of Turkish advertising agencies is selected because of the advertising industry's highly knowledge and skill intensive characteristics and the increased competition among the firms in recent years. In addition to resources, organizational and managerial capabilities and the knowledge of the firms will be investigated to understand the degree of their effects on the process of their competitiveness. By conducting a case study methodology, a comparison among three multinational and three national agencies that have superior, moderate and less satisfying performances is used to explain the relationship between the sources of competitiveness and firm performance.

# PROFESYONEL HİZMET SUNAN FİRMALARIN REKABETÇİLİĞİ: TÜRK REKLAM AJANSLARI ÖRNEĞİ

## Özet

Bu çalışma, profesyonel hizmet sektöründeki firmaların rekabetçiliğini etkileyen içsel faktörleri ortaya çıkarmayı hedeflemektedir. Firmaların sadece kaynakları değil, örgütsel ve yönetsel becerileri ve bilgileri de incelenmekte ve bütünsel bir yaklaşım içinde firmaların rekabetçiliğini etkileyen faktörler analiz edilmektedir. Araştırma, reklam sektöründeki firmalara odaklanmıştır. Reklam sektörünün bilgi ve yetenek yoğun bir sektör olması ve özellikle Türkiye'deki reklam ajansları arasında son yıllarda artan bir rekabet yaşanması bu sektörde verimli bir araştırma yapabilmeyi mümkün kılmaktadır. Üç uluslararası ve üç yerel olmak üzere seçilen altı örnek ajans ile yapılan örnek olay çalışmasıyla, profesyonel hizmet veren firmaların performanslarını etkileyen, rekabet avantajı yaratmaya yönelik faktörler incelenmektedir.

To my precious son, Balkar.

## **Acknowledgements**

I would like to express my deepest and sincere gratitude to my major professor and thesis advisor Professor Hacer Ansal. In the last two and a half year when I was struggling with my thesis (the days of blood, sweat and tears!) she was always with me, and was motivating and inspiring. I feel very fortunate for studying under her supervision.

I am pleased to thank Professor Toker Dereli and Professor Cavide Uyargil who contributed much to the development of this research starting from the early stages of my dissertation work. They provided insightful suggestions and expertise. I also thank to all my professors at Işık University who helped and guided me well during my long journey. I also thank Munise Işık who was always considerate and helpful when I needed her assistance.

I would also like to thank to my colleagues at Dođuş University, School of Advanced Vocational Studies, who always supported me in the most stressful times of the dissertation process. First and foremost I would like to thank Gülsen Kahraman, the director of School of Advanced Vocational Studies at Dođuş University who patiently provided the vision, encouragement and advise necessary for me to complete my dissertation. My special thanks go to Yasemin Karagül and Mehmet Tolga Taner who advised me for the dissertation defense and helped me to make necessary corrections. I wish my best to them in their dissertation studies.

I would like to acknowledge my husband, Akın and our son, Balkar for their love, support and patience in the last 5 years. Nothing in a simple paragraph can express the love I have for both of them.

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## **Chapter 1**

### **Introduction**

The aim of this study is to explore the internal factors affecting the competitiveness of firms in professional service industry. Although there is a vast amount of literature examining the competitiveness and internationalization of manufacturing firms, little research has been conducted to examine service competitiveness, particularly competitiveness of professional services (Ochel, 2002; Hitt *et al.*, 2006). However, today's economy has been mainly driven by service industries and professional firms (Fernandez, 2001). Services are also becoming highly internationalized due to rapidly growing service industries in advanced nations, development of new types of services as a result of technological advancements (such as information technologies), and the emergence of new type of large and sophisticated service companies (such as Google) (Kotler, 2003). The intellectual capital is the main driver of this new economy which is often described as weightless, human oriented and knowledge intensive.

Service industries comprise nearly 90% of the U.S. economy which is seen as the largest economy in the world (The Wall Street Journal, 2007). According to the Coalition of Service Industries (CSI) (2008) which is a leading organization of the U.S. service sector, services jobs reached nearly 80.2% of the U.S. private sector employment in 2006. It is stated that services added 15 million new U.S. jobs between 1996 and 2006. It is expected that 90% of all new jobs until 2012 will be created by new services.

The service sector currently includes some of the most intensive international competition. Especially the professional services provided by architects and engineers, computer firms, law partnerships, accountants and business consultants, advertising agents, etc. have been largely internationalized and exceed their home-country borders (Nachum, 1996). Hitt *et al.* (2006) evaluate the growth and internationalization of professional services as “the most profound business phenomenon of the 20th century”



(p.1137). Therefore, there is a need for redefining the sources of competitiveness in the light of services and professional business services in particular. Moreover, as pointed out by the previous studies (Garelli, 2006), there is a need for focusing on more intangible variables; such as reputation, knowledge, creativity, client relationship, etc. in the so-called this intangible economy since these factors become as important as those hard figures we have used to see in manufacturing studies; like market share, productivity, profits, etc (Porter, 2000; Depperu and Cerrato, 2005).

By using a holistic approach that analyzes resources, capabilities and knowledge of firms at the same time, this study conducts a qualitative research in a single professional business sector, namely advertising sector where tacit knowledge and intangible variables are more important. Like many other professional business services, knowledge is the core resource for advertising sector; as both input and output. The advertising agencies operating in Turkey are investigated because of the accelerated growth of the advertising sector in Turkey and its highly competitive structure due to the dominance of the multinational firms in the recent years. The research seeks to find out what the factors of competitiveness for advertising agencies are and how they change in national and multinational levels.

Chapter 2 examines one of the controversial concept; competitiveness in detail. The problems related with its nature and its measurement are discussed. But more specifically, this chapter involves with firm-level studies of competitiveness. The nature of services and professional service industry and their competitiveness constitute the large part of the chapter and are presented comprehensively. At last, Chapter 2 introduces the theoretical frame of this study and explains the factors and their measurements used in the research.

Chapter 3 covers the methodology of the research. It explains the research method; case study, and its rationale. In addition, the units of analysis are introduced and research protocol is presented. Chapter 4 focuses on advertising sector and presents the basic characteristics of advertising business and the development of international advertising business. Local and international structures of advertising business are discussed in two separate sections. Chapter 5 presents the each case study

consecutively. Each case has background information prior to their stories to provide the readers to get a deeper understanding about the each case.

Chapter 6 covers the detail analysis and comparisons about the cases. The results and the final conclusions are submitted at Chapter 7. Like all studies, this study has some limitations and they are discussed at this chapter. At last, important implications for further research and for professional managers are also presented.

## **Chapter 2**

### **Literature Review**

This study entails a broad analysis of the studies in the fields of strategic management, economics and organizational management to examine competitiveness in a professional service industry. Hence, competitiveness as a multidimensional concept will be examined first, and then firm level competitiveness and the related theories will be discussed. Since the main focus of the study is professional business service firms and advertising agencies in particular, the nature of professional services, their process of generating competitive advantages, and the related studies about professional services and advertising sector from the competitiveness perspective will be investigated in more detail.

#### **2.1 The Concept of Competitiveness**

Competitiveness is one of the most popular and controversial terms in modern economics. The term was derived from the Latin verb “**competere**” which means to make every effort for something in rivalry (Garelli, 2006). By the effects of free trade and globalization of goods, services, people, skills, and ideas, competitiveness has become synonymous with economic strength of an entity (Murths, 1998).

Competitiveness is in principle a firm level concept (Garelli, 2006). However, it is often evaluated at the national level by looking at a country’s international performance depending on its firms’ international market share, export shares, international profitability and achievement of economic growth in the long run (Yap, 2004). As Porter (1990) argues, a nation’s standard of living is increasingly dependent on the competitiveness of its firms. Competitiveness is vital if the nation’s firms are to

take advantage of the opportunities opened up in the international arena. Especially for small nations, competitiveness can allow firms to overcome the limitations of their small home markets and achieve their maximum potential (Zahra, 1999). Competitiveness is also unavoidable if a nation's firms are to guard against the threats posed by the international economy (Buckley, Pass, and Prescott, 1990). The lower costs for transportation, and the use of information technologies which increase speed and communication have accelerated international competition and it has become fiercer than ever before (Garelli, 2006).

The main goal of competitiveness is to increase overall level of prosperity of a nation, by increasing profitability of its firms and enhancing well-beings of its citizens (Garelli, 2006). Although the term is widely known, there is little consensus among the scholars about its definition. For some, it is a dangerous obsession or "a poetic way of saying productivity" (Krugman, 1994) and for some; it is synonymous with a firm's long-run profit performance (Buckley *et al.*, 1990). Almost all definitions given for competitiveness (IMD Yearbook, 2005) interpret the concept as an output of firm's activities and focus on its elements of productivity, efficiency and profitability. However, competitiveness also includes some important qualitative considerations such as knowledge, brand image, human skills, value systems, etc. which have certain effects on the performances of firms (Garelli, 2006). Therefore, competitiveness is much more a wider concept to be evaluated only as an output or a result measured by some quantifiable measures such as growth rate or productivity (Teece, *et al.*, 1997).

In their detail analysis of the literature, Ambastha and Momaya (2004) also conclude that the major reason for the debate on competitiveness is the lack of understanding its multifaceted characteristics. Garelli (2006) also stresses the importance of evaluating competitiveness as a multifaceted concept which includes hard, quantifiable economic issues such as growth rates, but also some qualitative, softer issues such as impact of education and value systems.

Recent studies on this area (Barney, 2001; Ambastha and Momaya, 2004; Garelli, 2006; Lowendahl, 2000). suggest using a holistic approach that covers the assets, resources as well as abilities, skills, and potentials to define the competitiveness. According to Garelli (2006, p.3), "*Competitiveness is the ability of a nation,*

*company or individual to manage the totality of competencies to attain prosperity or profit*” The phrase of “**managing the totality of competencies**” implies that being competitive is related with what we have got inside as a nation, a company or a person. Thus, the recent definition suggests attaining an inside-out approach rather than outside-in approach as used in previous studies (i.e., Porter, 1990). Garelli (2006) asserts that this definition combines all the drivers of prosperity and brings a holistic view to analyze competitiveness. While nations (governments) support their firms to generate economic added value by creating appropriate structures, they are also responsible from transforming the results of firms’ activities into valuable tools for prosperity of people. Figure 2.1 illustrates the interaction of these three drivers of prosperity included in the definition.

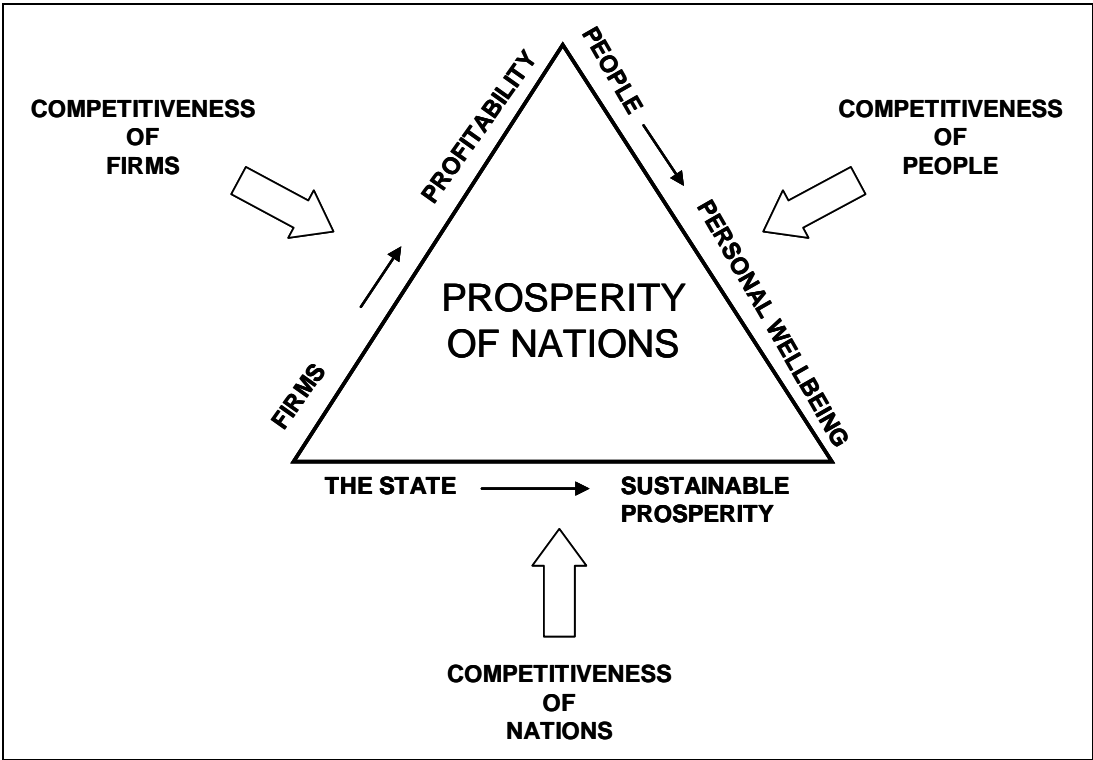


Figure 2.1 Competitiveness Drives Prosperity

Source: Garelli, 2006, p.xiv

### **2.1.1 Evolution of the Concept of Competitiveness**

Competitiveness is relatively a modern term; it has been regarded as a field of economics only since the 1980s (Garelli, 2006). However, since Adam Smith and classical trade theories, there have been many important contributions that provide the ground work for the development of the competitiveness concept (Cho and Moon, 2000). These studies can be grouped into three approaches: **Traditional trade theory**, **Industrial organization theory** and **Strategic management theory** (Ambastha and Momaya, 2004).

Traditional trade theories, especially the law of comparative advantage provides useful insights into the development of the competitiveness (Garelli, 2006). This theory asserts that economic welfare is dependent on the production of goods and services that a country (or a firm) has comparative advantage in (Cho and Moon, 2000). The theory implies that a nation or a firm should not focus on the activities it can perform better or cheaper than its competitors, rather on those where its relative advantage is larger (Metcalf, 1999). The theory advocates that competitiveness or comparative advantage is mainly determined by factor endowments, increased savings and investments, innovations in products and production processes, and intensity of entrepreneurial activity (Cho and Moon, 2000). Thus, the traditional theories contribute that specialization in products, accumulation of resources, improvement and innovation in production processes, and entrepreneurship skills are key drivers of competitiveness (Garelli, 2006).

Since the traditional trade theories of competitiveness are mainly involved in issues related with production and creating efficiency, they were insufficient to address the qualitative differences in products, marketing and service abilities of firms and the strategies by which industries attain competitiveness (Peterson and Barras, 1987). Because trade models failed to address such issues, an additional school of thought has come into the ground and combined both the supply and demand perspectives of competitiveness (Hermann, 2005).

Contrary to the traditional trade theories, the Industrial Organization (IO) Theory focuses on the effects of industry-related determinants on firm performance and

identification of variables like concentration, entry and exit barriers and economies of scale that influence economic performance (Peltzman, 1991). The industrial organization economics which is known mainly by the approach of **Structure-Conduct-Performance** treats the firm as a collection of product-market choices and activities, whose position in the industry and the industry's structure determine its conduct (strategy) and performance. Classical industrial organization scholars (i.e., Chamberlain and Mason, can be found at Corley, 1990) claim that a firm can neither influence industry conditions nor its own performance. Industry or market structure determines member firms' conduct and performance. Therefore, the competitive advantage originates from external sources rather than internal (firm-specific) sources (Peltzman, 1991)

A modified framework has been advanced by the new industrial organization scholars (i.e., Chandler, Williamson, Hymer, etc. can be found at Corley, 1990) which recognize that firms have a certain influence on the relationship between industry structure and a firm's performance. According to Porter (1998), evolution of an industry is affected by its firms' strategic choices. Thus, competitiveness can be defined as the ability to profitably create and deliver value through cost leadership and or product differentiation. This definition implies that competitiveness is directly related to factors that influence both the cost and demand structure of a firm (Porter, 1979).

Furthermore, the Strategic Management School of thought can be seen as a theory of competitiveness which brings together the concepts of both trade theory and IO (Herrmann, 2005). Strategic management scholars emphasize the importance of firm's specific resources in determining performance differences among firms. According to their approach, a firm has a certain influence on its industry structure (Depperu and Cerrato, 2005).

The main studies in the field of strategic management fall into three categories: The resource-based view, the competence-based view, and the knowledge based view. These studies reveal that firms can gain competitive advantage through the accumulation, improvement, and redefinition of its unique resources, capabilities, and

knowledge (Depperu and Cerrato, 2005). In the section 2.2 these three approaches will be investigated in more detail.

### **2.1.2 Measurement of Competitiveness**

The concept of competitiveness has been analyzed at three levels: industry level, national level and firm level (Ambastha and Momaya, 2004). The competitiveness of an industry is analyzed by making comparison with the same industry in another region or country. The measures of competitiveness at the industry level include the firms' profitability, the industry's trade balance, and the balance of outbound and inbound foreign direct investment (McFetridge, 1995).

Porter states (1998) that the firm performance is dependent on the industry structure. According to him, in any industry, whether it is domestic or international or produces a product or a service, there are five forces determine the industry profitability because they influence the price, cost, and the required investment of the firms in an industry. These competitive forces are the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the rivalry among the existing competitors. A change in any of the forces normally requires a company to re-assess the marketplace. Porter (1998) defines competitiveness at organizational level as productivity growth that is reflected in either lower costs or differentiated products that command price premium. Figure 2.2 illustrates the five forces model of an industry.



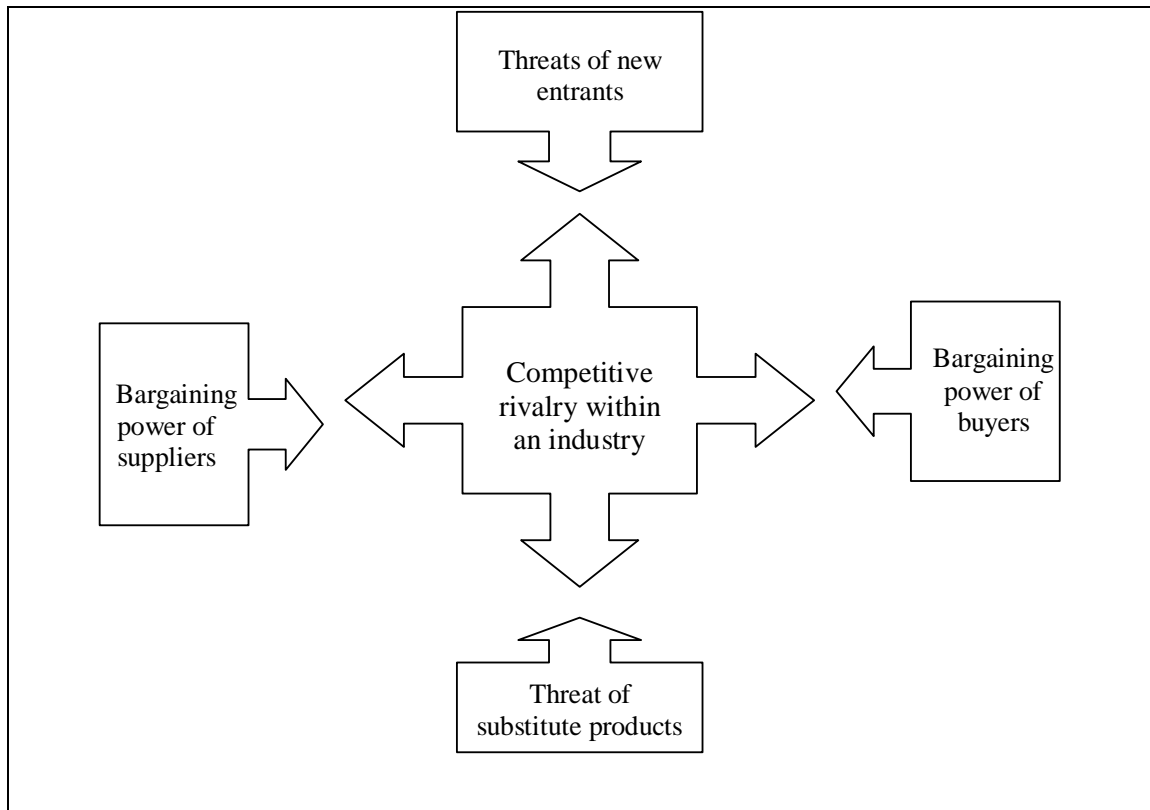


Figure 2.2 The Five Competitive Forces That Determine Industry Profitability

Source: Porter, 1998, p. 23

National competitiveness is also a wide research area especially developed parallel to the globalization movement. One of the most popular theories of national competitiveness was generated by Porter (1990). The so-called diamond model disputes with the traditional trade theories which sees the factor endowments as the main indicator of a nation's wealth. Porter (1990) argues that national prosperity is not inherited, but created by choices; in other words, national wealth is not set by factor endowments, but created by making strategic choices. He showed different choices of creating wealth, which had been quite limited in the world of traditional trade theories.

In his diamond model (1990), Porter stresses that competitiveness involves more than just macroeconomic issues such as deficit, interest rate, and political stability. While macroeconomic issues are necessary though not sufficient, the long-term determinants of productivity are rooted in the microeconomic conditions in the economy such as human capital, research and development capacity, physical infrastructure, and

innovation capacity. According to Porter (1990), the determinants of the national competitive advantage are grouped in four categories: Factor conditions, demand conditions, related and supporting industries, and firm's strategy, structure and rivalry. Porter (1990) shows that nations gain competitive advantage in industries where the buyers put pressure on companies to innovate in order to achieve competitive advantage. A nation's success depends largely on the types of education its people choose and the type of work. Moreover, the presence of domestic rivalry is an essential motive for the creation and the sustainability of competitive advantage. The related and supporting industries provide close working relationships whereby suppliers and users are located in proximity of each other that take an advantage of short lines of communication, quick and constant flow of information, and ongoing exchange of ideas and innovations. Figure 2.3 demonstrates the Diamond Model of Porter.

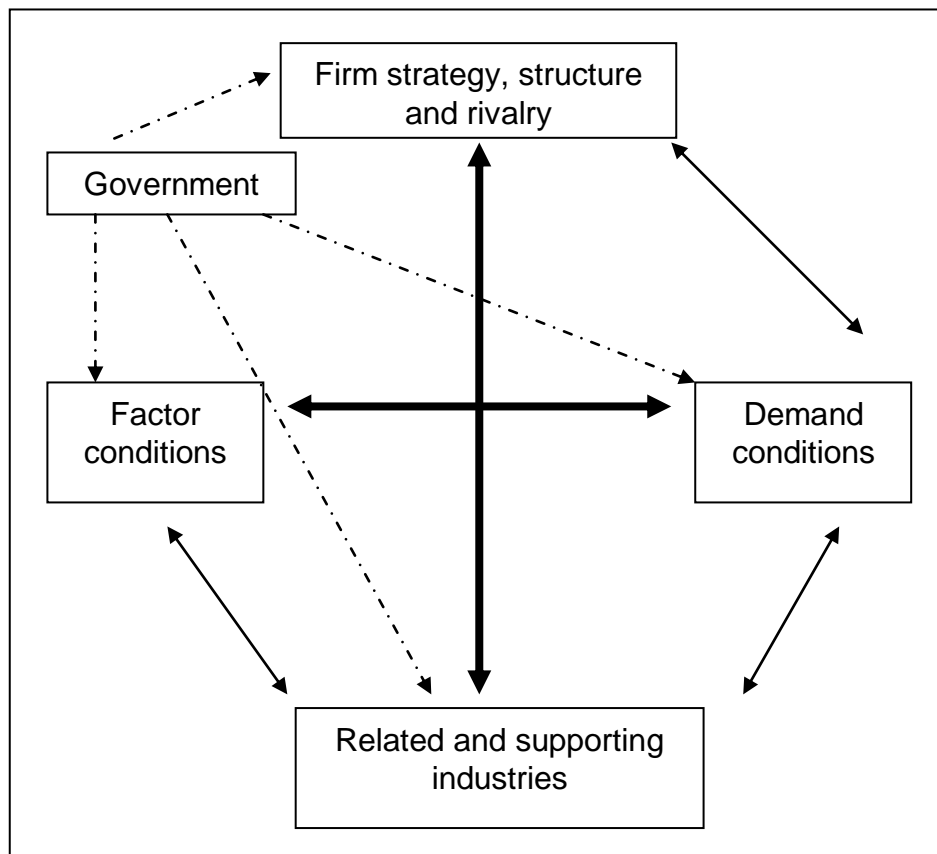


Figure 2.3 Diamond Model for Competitiveness of Nations

Source: Porter, 1990, p. 73.

Garelli (2006) gives examples from several countries showing that natural resources do not necessarily lead to competitiveness. For example, Brazil, Indonesia, and India are rich nations in terms of their natural resources, but they have not transformed these resources into competitive advantages to increase their competitiveness. On the other hand, some poorer nations in terms of natural resources, like Singapore, Japan, and Switzerland are highly competitive nations since they have been able to transform imported natural resources into manufactured products (Garelli, 2006). Therefore, wealth cannot be an indicator of future competitiveness since it cannot provide any guarantee that today's prosperity will continue on tomorrow. Basically, the concept of competitiveness stresses the importance of long term sustainability, and benchmarking the performance with the present competitors instead of making individual past performance comparisons. Competitiveness also requires firms to be ambitious about achieving maximizing competitive advantages instead of being satisfied with the present situation (Buckley, *et al.*,1990).

Firm level studies focuses on behaviors and performances of firms. Firm level competitiveness indicates a firm's ability to design, produce and market products superior to those offered by its rivals where superiority can be defined by several factors, like price, quality, technological improvement, etc. (Porter, 1990; Thompson and Strickland, 1999). The following section explores the studies of firm-level analysis of competitiveness in detail. Before move on, it is important to underline the problems in the measurement of competitiveness. Because of the multidimensional characteristics of the concept, the measurement is also complex in its nature. The factors affecting such construct may have different weights which generally vary from firm to firm as well as from industry to industry (Garelli, 2006).

Because of its time-based characteristics, there is an inherent failure of measurements arising from the use of past performance indicators to assess the present competitiveness. Moreover, a single period of measurement cannot reflect all the indicators of competitiveness. In the case of diversified firms, business level competitiveness and corporate level competitiveness may also vary (Garelli, 2006; Ambastha and Momaya, 2004). In addition, some intangible sources create methodological challenges. Many intangible resources are measured by using archival

proxies, such as measuring creativity with the awards gained (Barney, 1991). Some scholars (Rouse and Daellenbach, 1999; Barney, 2001) suggest using qualitative methods to overcome such limitations and to provide a broad explanation to measurements. Therefore, it should be taken into account when making an analysis about competitiveness that there will be some limitations due to the nature of the concept and academic definitions given for each levels of competitiveness could not reflect all the factors affecting the process of competitiveness at practice (Ambastha and Momaya, 2004).

## **2.2. Firm Level Competitiveness**

There are two levels of analysis at firm level, as internal and external firm level analyses (Depperu and Cerrato, 2005). This dissertation focuses on internal firm level analysis; and deals with resources, abilities, processes, knowledge embodied in the firm, thus main focus here will be on identifying internal factors affecting the competitiveness at firm level. The main approaches of internal firm level competitiveness will be elaborated and recent developments will be discussed further.

### **2.2.1 The Concept of Competitive Advantage**

Competitive advantage is a fundamental concept in firm level studies. It is widely seen as a core element of a firm's competitive process. Porter (1998) who initially developed seminal works in this field defines that a firm's performance is affected by its competitive advantage. Competitive advantage is described as the degree of superiority allowing one firm to compete better than its rivals (Porter, 1979). D'Cruz (1992) defines firm-level competitiveness as the ability of firm to design, produce and/or market products superior to those offered by competitors, considering the price and non-price qualities.

The analysis of the sources of variance in firm performance is a key issue in both industrial organization and strategic management studies. From an empirical point of view, research about the influence of firm and industry effects on performance shows that a relevant percentage of the variance in profitability is strongly attributed to firm-level variables (McGahan, 1999).

There are internal and external sources of competitiveness at firm level (Depperu and Cerrato, 2005). In the classical industrial organization studies, the competitive advantage is seen as dependent upon external sources rather than internal (firm-specific) sources (Peltzman, 1991). The classical organization theory states that so-called “above-industry performance” should emerge from the positioning of a company within an industry, which in turn is primarily determined by the strategy adopted by the company (Caves and Ghemavat, 1992).

According to industrial organization scholars, external sources of competitive advantage are those occur without the firm’s characteristics that affect firm’s competitive advantages, such as industry structure, macroeconomic policies, regulatory policies, environmental and social events, etc. (Porter, 1990; Lieberman, and Montgomery 1998; Caves and Ghemavat, 1992). As seen in the Five Forces Model; external sources of competitiveness are related with the variables such as strong rivalry among existing firms in the industry; weak bargaining power of suppliers, etc.

Internal sources are those that depend upon the firm’s own resources, assets and organizational capabilities and structure (Barney, 1991; Depperu and Cerrato, 2005). The studies of strategic management scholars focus on the importance of firm specific resources in determining performance differences among firms in an industry. The main approaches in strategic management school fall into three categories; Resource-based view (Penrose, 1959; Wernerfelt, 1984; Barney, 1991; Peteraf, 1993; and 1994; Mahoney, 1995, etc.), Competence or Capability- based view (Prahalad and Hamel, 1990; Collis, 1994; Eisenhardt and Martin, 2000; Teece, *et al.*, 1997; etc.), and Knowledge-based view (Grant, 1996; Inkpen, 1998; Kaplan, *et al.*, 2001). According to those scholars, a firm’s unique resources, capabilities and knowledge generate its competitive advantage (Depperu and Cerrato, 2005) that has an influence on the industry structure.

Competitiveness at firm level can be treated as dependent or independent variable depending on the perspective of a study. When competitiveness is seen as a dependent variable which is affected by the combination of assets and processes of a firm, it is

seen as a driver of the firm's performance. Thus, competitiveness is also evaluated as a process. On the other hand, when it is considered as an independent variable, it is seen as the outcome of a firm's competitive advantages, thus it is also appraised as a proxy for a firm's performance (Depperu and Cerrato, 2005; Ambastha and Momaya, 2004). Figure 2.4 illustrates the analysis of competitiveness at firm level.

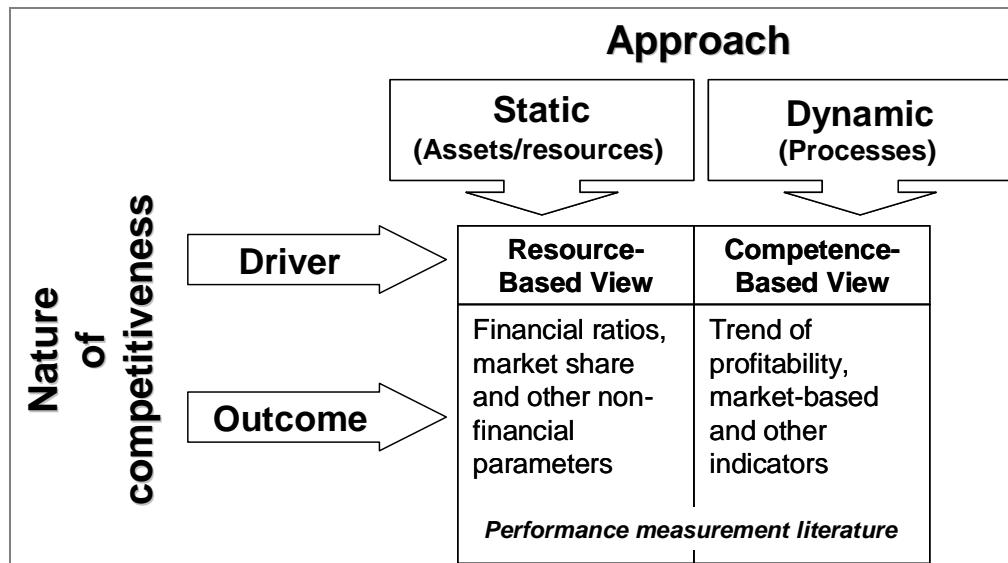


Figure 2.4 Analysis of Competitiveness at Firm Level

Source: Depperu and Cerrato, 2005.

## 2.2.2 The Main Approaches of Internal Firm Level Analysis

In the following part, each of the three main approaches will be examined and compared in terms of competitiveness perspective.

### 2.2.2.1 Resource-based View

The resource-based view rests on the idea that firms create sustainable competitive advantages by developing and applying idiosyncratic firm resources (Barney, 1991). Wernerfelt (1984) broadly defines a resource as anything that could be defined as a strength or weakness of a given firm. More specifically, resource based view covers

core human and nonhuman assets, both tangible and intangible, that allow a firm to perform better than rival firms over a sustained period of time (Wernerfelt, 1984).

The roots of the resource-based view (RBV) can be found in the work of Penrose (1959) which emphasizes how resources contribute to diversification and how diversification must match the "core competencies" of the firm for optimal performance. The Wernerfelt (1984) and Barney (1991)'s articles are seminal works in the RBV stream. While Wernerfelt follows the path of Penrose by focusing on the role of resources and diversification in firm expansion to new products and markets, Barney (1991) provides a detailed framework to define the resources that can contribute to a sustainable competitive advantage. His study has supplied the footing for many RBV studies, with subsequent work based on either his framework or an extension (Godfrey and Gregersen, 1999).

Barney (1991) indicates that two assumptions are elemental to the RBV: (1) resources are distributed heterogeneously across firms, and (2) these productive resources cannot be transferred from firm to firm without cost (i.e., *resources* are "sticky"). These assumptions are the axioms of the RBV. Given the assumptions, Barney (1991) makes two fundamental arguments. First, resources that are both **valuable** (i.e., contribute to firm efficiency or effectiveness) and **rare** (i.e., not widely held) and can produce competitive advantage. Second, when such resources are also simultaneously not **imitable** (i.e., they cannot easily be replicated by competitors), **not substitutable** (i.e., other resources cannot fulfill the same function), and not transferable (i.e., they cannot be purchased in resource markets; those resources may produce a competitive advantage that is long lived (sustainable)). Thus, value and rarity are each necessary but not sufficient conditions for competitive advantage, whereas nonimitability, nonsubstitutability, and no transferability are each necessary but not sufficient conditions for sustainability of an existing competitive advantage. This model of RBV, known as **WRIN** (Valuable, Rare, Inimitable and No substitutable) has been acknowledged as the basis to understand RBV studies (Fahy and Smithee, 1999).

According to resource based view, the sources of competitiveness are those tangible and intangible resources. Tangible resources are in-put based resources, like plant, equipment, capital, human resources, etc., and intangible resources are generally out-put based resources, like reputation, creativity, and brand name (Barney, 1991,

Peteraf, 1993). According to Wernerfelt (1984), resources include brand names, in-house knowledge of technology, recruiting of skilled personnel, trade contacts, machinery, efficient procedures and capital. Barney (1991) adds firm attributes, information and knowledge to the list of Wernerfelt. In fact, Barney (1991) categorizes all kinds of resources into three main categories: Physical, human and organizational capital. E.g. physical: machines or plants, human: proprietary know-how, and organizational capital: reputation of the firm. Sanchez (2002) illustrates the main assets/resources defined by Barney in Table 2.1

Table 2.1 Firm Assets

Tangible assets		Intangible assets		
Physical	Financial	Human	Technological	Reputation
<ul style="list-style-type: none"> <li>• Characteristics</li> <li>• Production facilities</li> <li>• Location</li> <li>• Production flexibility</li> <li>• Capacity surpluses</li> <li>• Property and equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Receivables from clients</li> <li>• Cash and cash equivalents</li> <li>• Liabilities</li> <li>• Equity</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge and expertise</li> <li>• Adaptability</li> <li>• Loyalty</li> <li>• Availability</li> <li>• Performance</li> </ul>	<ul style="list-style-type: none"> <li>• Patents, copyright</li> <li>• company secrets</li> <li>• R&amp;D facilities</li> <li>• Qualifications of employees</li> </ul>	<ul style="list-style-type: none"> <li>• Brands</li> <li>• Corporate image</li> <li>• Corporate identity</li> <li>• Relationship with suppliers</li> <li>• Customer satisfaction</li> </ul>

Source: Sanchez, 2002, p. 522.

Intangible resources are widely seen as the primary source of competitive advantage. The tacitness of intangible input or skill based competencies would increase the difficulty of competitor imitation (Lado, *et al.*, 1992). However, intangible resources are particularly difficult to measure (Barney, 1991). Some scholars have used variables such as R&D intensity, advertising intensity and patents to substitute intangible resources. Others have attempted to measure important resources such as human capital and reputation, for example, human capital leverage as a proxy for employees' skills. Although researchers are also using case studies, both multi-industry and single industry case studies offer measurement difficulties.



Operationalization is complex in multi-industry studies because resources should be specific to industries and to individual firms. In contrast, although single industry studies allow using tests that help identify the resources critical to certain industries, there are limitations to the generalizability of the single study findings (Wernerfelt, 1995; Barney, 2001).

RBV has often been criticized in several aspects. Priem and Butler (2001) state that the RBV theory is self-verifying since takes “valuable” resources to be used in the process of “value-creation”, thus, it includes an operationalization problem. It is found difficult to find a resource which satisfies all of the Barney's VRIN criteria. Besides, different resource configurations can generate the same value for, firms and thus would not be competitive advantage (Conner, 1991; Hoopes, Madsen and Walker, 2003).

The role of product markets and external environment is underdeveloped in the argument, thus the theory has been found limited in prescriptive implications. RBV also fails to provide long-term implications. Lippman and Rumelt (1982) notes that prominent source of sustainable competitive advantages is causal ambiguity. However, it can cause a difficult situation: The firm is not able to manage a resource it does not know exists, even if a changing environment requires this. Through such an external change the initial sustainable competitive advantage could be nullified or even transformed into a weakness (Peteraf, 1993).

Regardless of the limitations in measuring resources, some studies that have empirically tested the original postulates of the RBV have confirmed the importance of sharing resources among businesses and the association of intangible resources with performance (e.g. Miller and Shamsie 1996; Robins and Wiersema 1995). The understanding of how firms can develop valuable resources has been enriched by the use of sophisticated case studies methodologies and by the integration of the RBV with other theoretical perspectives. These studies highlights the importance of intangible resources, such as corporate culture, creativity, knowledge and the capabilities that firms develop through learning processes. (Barney, 2001; Moldaschl and Fischer, 2004).

#### **2.2.2.2 Competence-based or Capability-based View**

Competence-based theory is an extended approach to resource based view that emerged in the 1990s and has become a leading perspective in both strategic management and general management theory and research. The theory emphasizes to focus on firm's business processes rather than on assets or resources (Collis, 1994). According to competence-based scholars, organizational and managerial capabilities and core competencies are the most relevant to the achievement of a firm's competitive advantage. Simply, it refers to capabilities of a firm to transform its valuable resources into sustainable competitive advantages (Prahalad and Hamel, 1990; Eisenhardt and Martin, 2000; Teece, *et al.*, 1997).

To its scholars, the competence perspective brings an "explicitly dynamic, systemic, cognitive and holistic view of management processes in today's complex and rapidly changing business world" (Sanchez, 2002; p.518). Figure 2.5 summarizes the historical development of strategic management and the position of competence-based view in relations with other theories (Sanchez and Heen, 2004).

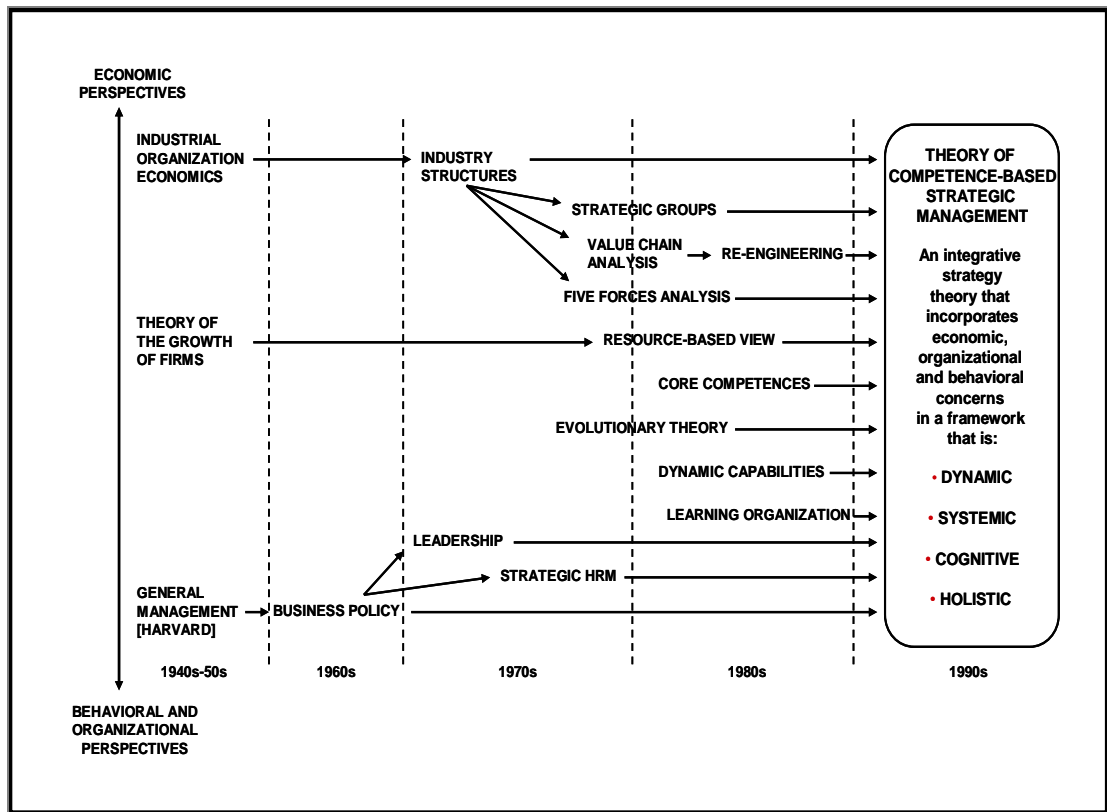


Figure 2.5 Overview of Strategic Management

Source: Sanchez and Heen, 2004, p. 305.

According to Sanchez (2002), a competence must be able to respond to the **dynamic** nature of an organization's internal and external structure. To be sustainable, a competence must allow an organization to take action against the new challenges in the marketplace rapidly and effectively. Further, a competence must include an ability to manage the **systemic** nature of organizations and of their interactions with other organizations. Competence requires an ability to coordinate an organization's own specific resources and also addressable resources of the key providers of the organization include materials and components suppliers, distributors, consultants, financial institutions and customers. In addition, a competence must include an ability to manage the **cognitive** processes of an organization. The operation of transforming organizational resources into specific value-creating activities addresses this dimension of competence. Managerial skills, experience and knowledge are seen vital since managers are leading the process of creating competitive advantages, and they

also are a source of competitive advantage. At last, a competence must include the ability to manage the **holistic** nature of an organization as an **open system**. Managers must lead their organizations with defined organizational goals that would maintain consistency between individual and institutional providers of the essential resources and enhance their commitments to the organization.

The competency movement was greatly advanced by the work of Prahalad and Hamel (1990) who indicate all organizations have different types of resources that enable them to develop different strategies but they have a distinctive advantage if they can develop strategies that their competitors are unable to imitate. Their concept of “core competency” drew attention to the ideas that competencies span business and products within a corporation, they are more stable and evolve more slowly than products and they are gained and enhanced by work (Stonehouse and Pemberton, 1999).

According to Prahalad and Hamel (1990), the source of competitive advantage is to be found in the management’s ability to identify the core competencies of a firm. They state that core competencies are “collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies” (1990, p.82). Core competence entails many levels of people and all functions in an organization and is generated through the communication, involvement and commitment of people inside the organization. Core competencies are firm specific, and not easily to be imitated, thus they are sustainable competitive advantage of firms. (Pralahad and Hamel, 1990).

Competence- based view (CBV) gives a special importance to managers and highlights their roles in the organization. When managers are capable of analyzing the organization as a set of assets, capabilities and skills, then they can integrate these assets, capabilities and skills in different ways in order to create new products and services (van Den Bosch and van Vijk, 2000). From this point of view, managers who are managing the competences of an organization can be seen as puzzlers. Managers in a competence-based organization must discover opportunities for creating value in markets and lead their organization in defining the product and service offers and to understand the wanted products and services. Also managers in a competence-based organization must focus and succeed in attracting the best available resources and

improving the capabilities of available resources for creating and realizing product offers (Sanchez, 2002)

CBV is evaluated as an extended theory of RBV. The CBV scholars recognize that the position of competitive advantage will only be temporary if others can imitate the unique features of the product or service. Rather than focusing on assets or resources, CBV brings a more dynamic perspective by defining a capability as the ability to innovate valuable product features continuously before the competitors (Depperu and Cerrato, 2005). Capabilities are seen residing in a firm's tacit collective knowledge which is causally ambiguous and path dependent therefore cannot be easily imitated (Teece, *et al.*, 1997). Thus, organizational structures, behaviors and processes that are able to produce innovative products or services are the main concern of CBV.

Organizational capabilities emerge when a company is able to transform individual abilities of its employees and single competencies in the organization into combined competencies and abilities (An employee may be technically superior or demonstrate leadership skill, but the company as a whole may or may not embody the same strengths (Collis, 1994). Additionally, organizational capabilities enable a company to turn its technical know-how into results. A core competence in marketing, for example, won't add value if the organization isn't able to manage change. (Ulrich and Smallwood, 2004) Sanchez (2002) offers that an organization from a competence-based perspective should be evaluated as an open social system involves dynamic and complex collection of elements, interacting as a structured functional entity that continuously interacts with its environment. The information flow between the different elements that compose the system and feedback is used to regulate the dynamic behavior of the system are seen as the basis of an organization.

Freiling (2004) underlines the importance of clarification of terms used in RBV and CBV studies. He notes that capability is mistakenly used for competence; rather it involves a series of processes and/or skills in which competencies occur. However, there are many examples in the literature (Depperu and Cerrato, 2005; Ambastha and Momaya, 2004) that uses these terms interchangeably. Besides, Freiling (2004) points out the misuse of the term of competency, and highlights the differences between resources and competencies. Freiling (2004) also stresses the importance of

managerial and organizational capabilities that will transform firm resources into firm competencies although both seen competitive advantages, but the latter is seen as sustainable competitive superiority for a firm. Table 2.2 shows the definition of these terms.

Table 2.2 Definition of Central Terms

<b>Asset</b>	Homogeneous external or internal factors, serving the firm as input for value-added processes
<b>Resource</b>	Result of successful asset refinement processes, producing sustain able heterogeneity of the owning firm in competition and enabling the firm to withstand competitive forces
<b>Competence</b>	Organizational, repeatable, learning-based and therefore non-random ability to sustain the coordinated deployment of assets and resources enabling the firm to reach and defend the state of competitiveness and to achieve the goals

Source: Freiling, 2004, p.30

Leenders, Gabbay and Fiegenbaum (2001) underline the major differences between RBV and CBV. They evaluate CBV as an extension of Porter's Five Forces Theory that is bringing again the focus of competition and competitive environment as firms closely monitor the behaviors of their competitors and industries. Although RBV gives quite importance to competitive environment, its focus is internal and fixed to create value rather than benchmarking what has been produced. Moldaschl (2007) notes that technically CBV does not use competitive advantage derived from any unique resources or assets of a firm, rather competitive advantages are generated by the capabilities of a firm to use or to innovate. They may not include unique tangible features attached with a product; they may also be generated by the production process, by the time of servicing, or even after the servicing (Pralahad and Hamel, 1990).

Teece, *et al.* (1997) extended the capability based view and offered the dynamic capabilities approach emphasizing two key aspects which were not the main focus of attention in previous strategy perspectives. The term “**dynamic**” is described as:

“the capacity to renew competences so as to achieve congruence with changing environment; certain innovative responses are required when time-to-market is critical, the rate of technological change is rapid, and the nature of future competition and markets difficult to determine” (Teece, *et al.*, 1997, p. 515).

The second component, “**capabilities**” include “adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment” (Teece, *et al.*, 1997, p. 515).

Dynamic capabilities view argues that competitive advantage of firms lies with its managerial and organizational processes, its present position, and the paths available to it (Cavusgil, *et al.*, 2007). By managerial and organizational processes, routines, or patterns of current practice and learning are referred. By position, the firm’s current endowment of technology and intellectual property, its complementary assets, its customer base, and its external relations with suppliers are referred. By paths the strategic alternatives available to the firm and attendant path dependencies are mentioned. The notion of path dependencies states that a firm's previous investments and its reserve of routines (its 'history') determine its future behavior. Depperu and Cerrato (2005) illustrate the development of sources of competitiveness according to internal firm level studies at Figure 2.6.

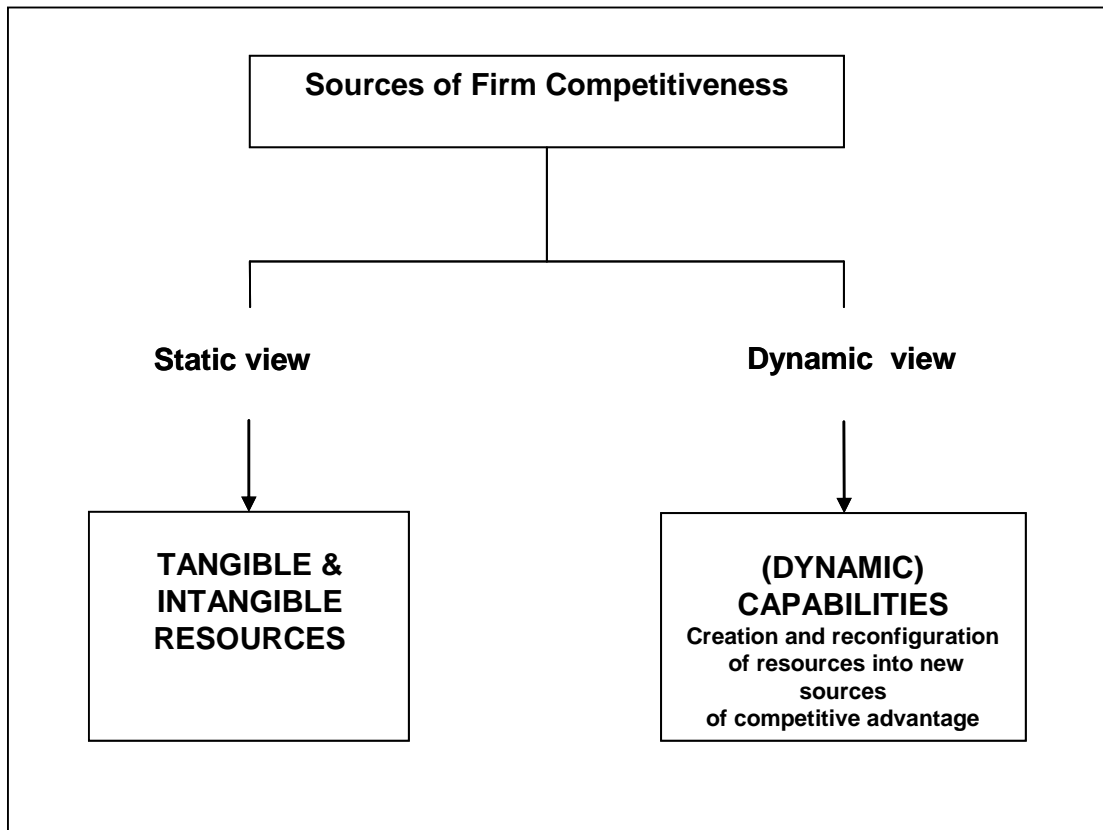


Figure 2.6 Sources of Firm Competitiveness

Source: Depperu and Cerrato, 2005

The latest thinking on competencies is that a firm's ability to learn and acquire new capabilities and competencies may be a more important determinant of its competitive position than its current endowment of unique resources or the industry structure it currently faces (Sanchez and Heene, 2004). Sustainable competitive advantage in the long run is seen as arising from the superior ability to identify, build and leverage new competencies (Sanchez and Heene, 2004). Thus, importance of knowledge building and knowledge management to enhance competitive abilities of a firm has become important issue for researchers.

### 2.2.2.3 Knowledge-based View

The emergence of knowledge-based view in strategic management is mainly a result of changing nature of wealth creation. Intellectual capital is the key for creating and appropriating wealth in today's competitive environment (Cohen, 1998). Changes in



corporate structures and policies such as decentralization of managerial responsibilities, more empowerment and skill in the workforce, more option for outsourcing and increased networking both inside and outside the firm has also accelerated the transfer of knowledge into business value (Drake, 1998).

The knowledge-based view of the firm considers a firm as a “knowledge-creating entity” and proposes that knowledge and the capability to create and utilize such knowledge are the most important source of a firm's sustainable competitive advantage (Nonaka, *et al.* 2000). Knowledge and skills give a firm a competitive advantage because it is through this set of knowledge and skills that a firm is able to create new products/processes/services, or improve existing ones more efficiently and/or effectively. The most important foundation of a firm is seen as to continuously create knowledge (DeNisi, *et al.* 2003.) Knowledge based-view (KBV) asserts that intellectual abilities and knowledge generated by employees, as well as their ability to learn and acquire more knowledge establish the base for knowledge accumulation in an organization. A firm’s accumulated knowledge is seen as the fundamental source of competitive advantage since they cannot be copied or easily substituted (Grant, 1996).

The previous studies of strategic management, RBV (Barney, 1991 and 2001) and CBV (Prahalad and Hamel, 1990; Teece, *et al.*, 1997) highlight the importance of knowledge in creating and integrating distinctive business structures for competitive advantage. However, knowledge-based researchers (Grant, 1996; Kaplan, *et al.*, 2001; Pitt and Clarke, 1999) argue that those studies treat knowledge as a generic resource and do not consider any differences about knowledge-based capabilities. KBV emphasizes that there are different types of knowledge and knowledge-based capabilities that could be a source of competitive advantage depending on the organizational and managerial structure of a firm.

Moreover, KBV scholars state that previous studies do not make any distinction between resources and capabilities in general, whether they are inherently internal to the firm or can be outsourced (Kaplan, *et al.*, 2001). Since KBV focus on such issues like organizational learning, knowledge accumulation, knowledge generation, managerial know-how, etc. the direction of the sources of competitive advantage is seen vital. Moreover, the previous approaches are seen ineffective in defining the

competencies of especially knowledge-intensive firms that include tacit (uncodified), comparatively insufficient and imperfectly distributed know-how. As a result, in these firms the link between intellectual inputs and tangible outputs can be hidden, thus the main sources of the firm's advantage remain ambiguous (Kaplan, *et al.*, 2001). Besides, competencies may become increasingly complex and firm specific over time. Indeed, they can become so specific to a business unit that limits to make generalizations for the multi-unit corporation. Thus, valuable knowledge with the potential to generate innovative products and technologies for sustainable competitive advantage requires a new and extended application (Pitt and Clarke, 1999).

Pitt and Clarke (1999) states the ambiguity of the definition of the central term of the KBV - knowledge, which has been defined and classified in different ways; such as "tacit or explicit, procedural and declarative, know-how/that/why/what" (p. 303). Kaplan, *et al.* (2001) also points out this definitional ambiguity that evaluating knowledge at individual or organizational level can be misleading since it is a multilevel concept including both personal and organizational factors. They offer an integrated definition for knowledge: "knowledge is information whose certainty is given by a specific content which creates space for a justified true belief and gives a firm to capacity to act" (Kaplan *et al.*, 2001, p.17). In this definition, knowledge is seen as an observable action, thus differs from resources which do not require an observation to be identified.

According to KBV, a resource is seen as a "finite traditional stock" to be reloaded after its use and as a contributor of attaining competitive advantage (Kaplan, *et al.*, p. 17). Knowledge on the other hand is seen replicable and transferable without causing any loss at the transmitting entity. The accumulation of knowledge in the firm and of the firm is not seen as an intrinsic source of competitive advantage. Although firms try to protect their knowledge from their competitors, they at the same time specifically share their knowledge base with their collaborators, partners and suppliers. Capabilities are seen as operators between the knowledge of the firm and its performance. According to KBV, they are placed inside the firm contrary to resources and knowledge which can be attained inside or outside the organization. Knowledge, in combination with resources gives the firm its capabilities to make an appropriate action in the marketplace. Since knowledge is only be observable and cannot be

measurable directly, the performance of the firm could reveal the existence of capabilities, and existence of capabilities inherently identifies the presence of knowledge (Kaplan, *et al.*, 2001).

### **Developing Knowledge-based Capabilities**

Knowledge-based capabilities are recognized as among the most strategically important capabilities for creating a sustainable competitive advantage (Nonaka, 1991; Grant, 1996). Two important types of knowledge are **tacit knowledge** and **explicit knowledge**. Tacit knowledge is grounded in experience and difficult to express through mere verbal instruction; individuals know it but cannot articulate it (Hildreth and Kimble, 2002). Because tacit knowledge is difficult to codify, it is passed along to others through direct experience. The term "tacit knowing" was coined by scientist and philosopher Michael Polanyi (Reed and DeFillippi, 1990). It is sometimes termed subjective knowledge, personal knowledge, or procedural knowledge (Pitt and Clarke, 1999). Nonaka and Takeuchi (1995) describe tacit knowledge as a non-linguistic, non-numerical form of knowledge that is highly personal and context specific and deeply rooted in individual experiences, ideas, values and emotions. Furthermore, they distinguish between technical tacit knowledge, meaning skills or concrete "know-how", and cognitive tacit knowledge, which refers to embedded schema, beliefs, and mental models that are taken for granted. Tacit knowledge is hard to be replicated and substituted; therefore, it can be a source of sustainable competitive advantage for firms (Pitt and Clarke, 1999).

Explicit (codified) knowledge, in contrast, can be formalized, codified, and communicated. Explicit knowledge has also been referred to as "objective knowledge" and "declarative knowledge" (Kogut and Zander, 1992). Explicit knowledge can be transmitted as data and is found in databases, books, manuals and messages. Because it is codified, it is easier to be transferred and imitated, thus cannot be a source of sustainable competitive advantage. However, these two types of knowledge are both important and complementary to each other; tacit knowledge can be used in cases of action while in cases of rules and routines explicit knowledge can be used (van Den Bosch, and van Wijk, 2000). Nonaka (1991) states that it is the continuous dialogue between the two that leads to the creation of organizational knowledge. Organizational

knowledge is seen also an important mean for promoting continuous change that will generate new knowledge. Accumulated over time, organizational knowledge enables firms to attain deeper levels of understanding, perception, and all characteristics of wisdom (Grant, 1997).

Prusak (1996) emphasizes that there is no sustainable advantage other than what a firm knows, how it can utilize what it knows, and how fast it can learn something new. Being asserted that knowledge is a firm's strategic asset, it is consequently important that knowledge must be managed properly if the firm is to be successful. Knowledge management includes a variety of activities for acquisition, organization, dissemination and exploitation of knowledge to create added value to the firm (Gupta and Aronson, 2000). For the acquisition of knowledge, two main sources should be mentioned: Internal knowledge accumulation through **organizational learning** and inter-organizational knowledge accumulation through **learning from strategic alliances and joint ventures and parent companies**.

### **Organizational Learning**

The studies of organizational learning from a strategic management perspective mainly reveal that there is a mutual relationship between learning and firm strategy (Parkhe, 1991; Haunschild and Miner, 1997; Buckler, 1998, Dodgson, 1993; Inkpen, 1998). The strategic frameworks influence the perception and interpretation of information from the environment; and the learning style and capacity of the organization may in turn determine the strategic options that can be perceived. Michalisin, *et al.*, (1997) argue that organizational knowledge is a firm's strategic asset to develop and sustain its competitive advantage. It is a strategic asset because it possesses four characteristics: valuable, rare, inimitable, and non-substitutable. Valuable represents acquiring new knowledge to remain competitive and viable. It is rare since it depends on the knowledge and experiences of current and past employees, and it is built on specific organizational prior knowledge. It is inimitable because organizational knowledge is based on personal and group interpretation of information, on the unique past history of the firm. The synergy of specific groups or organizations cannot be replicated; therefore, their distinctive competence is no substitutable.

According to Argyris and Schön (1978), organizational learning is a process of detecting and correcting errors. They propose a three-fold typology of learning single-loop, double-loop and deuterio learning level. Single-loop learning occurs when errors are detected and corrected and firms continue with its policies and goals. Single loop learning can be equated to activities that add to knowledge base capabilities of a firm (Dodgson, 1993). Double-loop learning occurs when error is detected and corrected in ways that involve the changes in an organization's underlying norms, policies and objectives. Double-loop learning is also called as higher-level of learning by Fiol and Lyles (1985). Deuterio learning or triple-loop learning is simply defined learning how to learn. It indicates that first two learning will not occur unless the firm is aware of that learning must occur. Deuterio learning involves how to carry out single and double-loop learning. “When an organization engages in deuterio-learning, its members learn about previous contexts for learning. They reflect on and inquire into previous episodes of organizational learning, or failure to learn. They discover what they did that facilitated or inhibited learning, they invent new strategies for learning, they produce these strategies, and they evaluate and generalize what they have produced” (Argyris and Schön, 1978, p. 4). Table 2.3 illustrates the levels of organizational learning.

Table 2.3 Levels of Organizational Learning

Level	Focus	Features of learning
<b>Single Loop</b>	Rules	Changes in existing organizational rules largely at program levels; general tightening and improvement in current procedures
<b>Double Loop</b>	Insight	Rethinking of existing rules according to why things are being done; involves understanding reasons for current rules and then questioning these reasons.
<b>Deuterio</b>	Principles	Questioning the rationale for the organization as a whole, particularly the mixture of internal desires and identity, and the relationships with the external environment

Source: Argyris and Schön, 1978, p.5

Nonaka and Takeuchi (1995) developed a four stage spiral model of organizational learning. They started by differentiating "tacit knowledge" from "explicit knowledge" and describe a process of alternating between the two. The tacit knowledge of key personnel within the organization can be made explicit, codified in manuals, and incorporated into new products and processes. This process they called "externalization". The reverse process (from explicit to implicit) they call "internalization" because it involves employees internalizing an organization's formal rules, procedures, and other forms of explicit knowledge. They also use the term "socialization" to denote the sharing of tacit knowledge, and the term "combination" to denote the dissemination of codified knowledge. According to this model, knowledge creation and organizational learning take a path of socialization, externalization, combination, internalization, socialization, externalization, combination etc. in an infinite spiral.

Kim (1993) proposes an integrated model to explain the link between individual learning and organizational learning. In this model, an organization learns through its individual members and therefore, is affected either directly or indirectly by individual learning. Accordingly, individual learning affects learning at organizational level through their influence on the organizations shared mental models. An organization can learn only through its members, but it is not dependent on any specific members. Individuals, however, can learn without the organization (Kim, 1993).

According to Senge (1999), organizational learning occurs within what he defines as 'creative tension'. The gap between 'what is' (current reality) and 'what can be' (the strategic vision) produces a natural tension. In striving to bridge the gap creates the impetus for creative thinking and its outcome, new knowledge. Learning is a dynamic concept and it emphasizes the continually changing nature of organizations. Learning is essential for the growth of individuals as much as of organizations. Senge (1990, p. 23) defines learning as "enhances capacity to create". A "learning organization" is a firm that decisively constructs structures and strategies so as to enhance and maximize organizational learning (Dodgson, 1993). The concept of a learning organization has become popular since organizations want to be more adaptable to change. Since individuals form the bulk of the organization, they must establish the necessary forms

and processes to enable organizational learning in order to facilitate change. Organizational learning contributes to organizational memory. Thus, learning systems not only influence immediate members but also future members due to the accumulation of histories, experiences, norms, and stories (Dodgson, 1993; Senge, 1990).

For Garvin (1993), to develop organizational skills it is required that the organization must actively manage the organizational learning process by confirming that it occurs by design rather than by chance. Therefore, for organizational learning to occur smoothly, it is required that the firm should be aware of the factors and allow them to facilitate the organizational learning process. Appelbaum and Reichart (1998) refer facilitating factors as organizational features that support the creation of new knowledge and organizational learning.

There are several **organizational learning facilitators** defined in the literature (Pham and Swierczek 2006; Goh and Richards, 1997; and Appelbaum and Reichart, 1998) related with organizational factors. Some of the most acknowledged organizational facilitators are: Information gathering about environment , Scanning for knowledge, Organizational vision and leadership commitment, Leadership's encouragement, Clarity of mission and purpose, Leadership commitment and empowerment, Ongoing commitment to members' growth and development, Explicit goal definition, Cognition of knowledge value, Relevant organizational structure, Teamwork and group problem solving, Inter-dependence of organizational units, Variety of methods, procedures, systems and appreciation of diversity, Scanning for knowledge from internal sources, Measuring current state of system and monitoring performance gap, Free sharing of information/ communication, Open communication, Error/lesson sharing, and Information dissemination.

De Nisi, Hitt and Jackson (2003) state that training and development programs are generally applied to promote organizational learning. Such programs seek to increase the knowledge capital and the social capital of employees. Most training and development programs focus on ensuring that employees have the most recent, explicit knowledge in their respective areas of specialization. Because explicit knowledge is

well known, programs for its dissemination can be easily imitated. According to Van Den Bosch and Van Vijk (2000), explicit knowledge can also be gained through experience on the job. Indeed, an important objective of many electronic information-sharing systems is to ensure that the organization captures the explicit knowledge that employees gain through their experience on the job. However, it must be emphasized that some of the experience may entail explicit knowledge that can be transferred in this way, but other experience produces tacit knowledge that cannot be transferred in this way.

Designing and effectively implementing an electronic information system for storing and distributing knowledge is one of the more familiar approaches to developing a capability for managing knowledge. Thus, management should focus on altering the tacit knowledge that is more difficult for rivals to imitate. For example, assigning more experienced (senior) professionals to direct the less experienced (junior) employees can enable the transfer of tacit knowledge and skills inside the organization (Van Den Bosch and Van Vijk, 2000; De Nisi, Hitt, and Jackson, 2003) Organizations with significant learning capabilities understand the importance of both tacit and explicit knowledge and maintain both of them (Nonaka and Takeuchi, 1995).



## **Inter-organizational Learning**

The literature of knowledge based view indicates a strong relation between the management of a firm's knowledge assets and the global competitiveness of the firm (Buckley and Carter, 1999). Inter-firm collaboration has become an increasingly common organizational learning form in the pursuit of competitive advantage. Basically, organizational learning can be achieved through transfer of ideas from outside; through working with different strategic alliances (suppliers, partners or customers); and through developing international bounds, as in case of mergers and acquisitions and direct investments of multinational corporations (MNCs) (Van Den Bosch, and Van Vijk, 2000; Iyer, 2002).

The role of a MNC has been often referred as to maximize learning from subsidiaries (Özsomer and Gençtürk, 2003). MNC pays a considerable attention to the characteristics of knowledge and some issues related with transferring knowledge between firms. Kogut and Zahler (1993) state that to be able to gain success across different markets, MNCs need to concentrate not just on "what" they know, but also on "how" they gain that knowledge and transmit it through the organization. The MNC network is able to create competitive advantage by integrating valuable knowledge and information from different parts of the world. Transferring knowledge may be from the headquarters to subsidiaries or from subsidiaries to the headquarters, or even to other subsidiaries. The first step of global learning would take place between MNC parent and a specific subsidiary. But as the organization accumulates learning experience, the scope of learning would widen to include the entire MNC global network (Iyer, 2002; Samiee, Jeong, Pae, and Tai, 2003; Boojihawon, *et al.*, 2007).

According to Ghoshal and Barlett (1990), operational execution, capturing economies of scale and scope is crucial to an MNC's global strategy. Local units therefore have to be managed differently to maximize global performance and to build a global network for appropriate knowledge flows. The MNC can be seen therefore, as a knowledge integrating institution. An MNC internalizes knowledge by putting together resources, attributes, and activities in an internal market at a far more efficient rate than do

markets. In the process an MNC is perceived to be a social community, a reservoir of productive knowledge and a fountainhead of competitive advantage. Just as knowledge stock has to be continuously updated, infrastructure also has to be developed, if, that is, the employees of MNC are capable of using it. (Iyer, 2002).

Acquiring knowledge from external sources and internalizing it can be difficult. Internalizing new knowledge requires adequate “**absorptive capacity**”, or the ability to identify, assimilate, and use additional knowledge (Cohen and Levinthal, 1990). Normally, individuals or groups cannot “absorb” additional knowledge that is too different from their current knowledge base (Grant, 1996) because they cannot identify or understand it. Thus, firms that engage in mergers and acquisition activity can benefit by developing their capability for assessing the extent to which the other firm’s knowledge base is similar or complementary to their own. Firms frequently acquire or merge with other firms in order to gain access to new products or other specialized knowledge (Hitt *et al.*, 2006). They can also benefit from developing routines to integrate new knowledge (Levitt and March, 1988). For example, some firms have special units that identify new valuable knowledge in the organization and then find ways to diffuse (communicate) it throughout the organization. In spite of the rapid development and pervasive impact of new communications technologies, efficient exchange of knowledge may have to rely heavily on personal face-to-face communication. The transfer of strategically significant knowledge involves demonstrations, negotiations and common problem solving activities that require direct personal contact. Thus global learning takes substantial administrative, organizational and monitoring support (Iyer, 2002).

Inkpen (1998) states that organizational knowledge includes continuous interactions of tacit and explicit knowledge. The more tacit the knowledge that an alliance partner seeks to acquire, the more difficult to acquire it. Inkpen (1998) concludes that the more tacit the knowledge, it is more likely to be valuable. Lane and Lubatkin (1998) suggest that a strategic alliance such as a joint venture can be useful for transferring tacit knowledge because it allows partners’ employees to get close enough to transfer tacit knowledge. According to Inkpen (1998), alliance knowledge can be examined in three perspectives: 1. Knowledge about designing and managing alliances; 2. Developing vertical or horizontal linkages to learn other firms’ knowledge; 3. Alliance

knowledge which has value to the parent company beyond the alliance agreement. If a firm uses its alliances as substitutes for knowledge it cannot build its own knowledge base and may involve with risks of being dependent on a partner. Thus, industry conditions, firm specific conditions should be carefully examined before acquiring knowledge from partners. Inkpen (1998) proposes a framework that would help for managers in their activities to enhance organizational knowledge (Figure, 2.7).

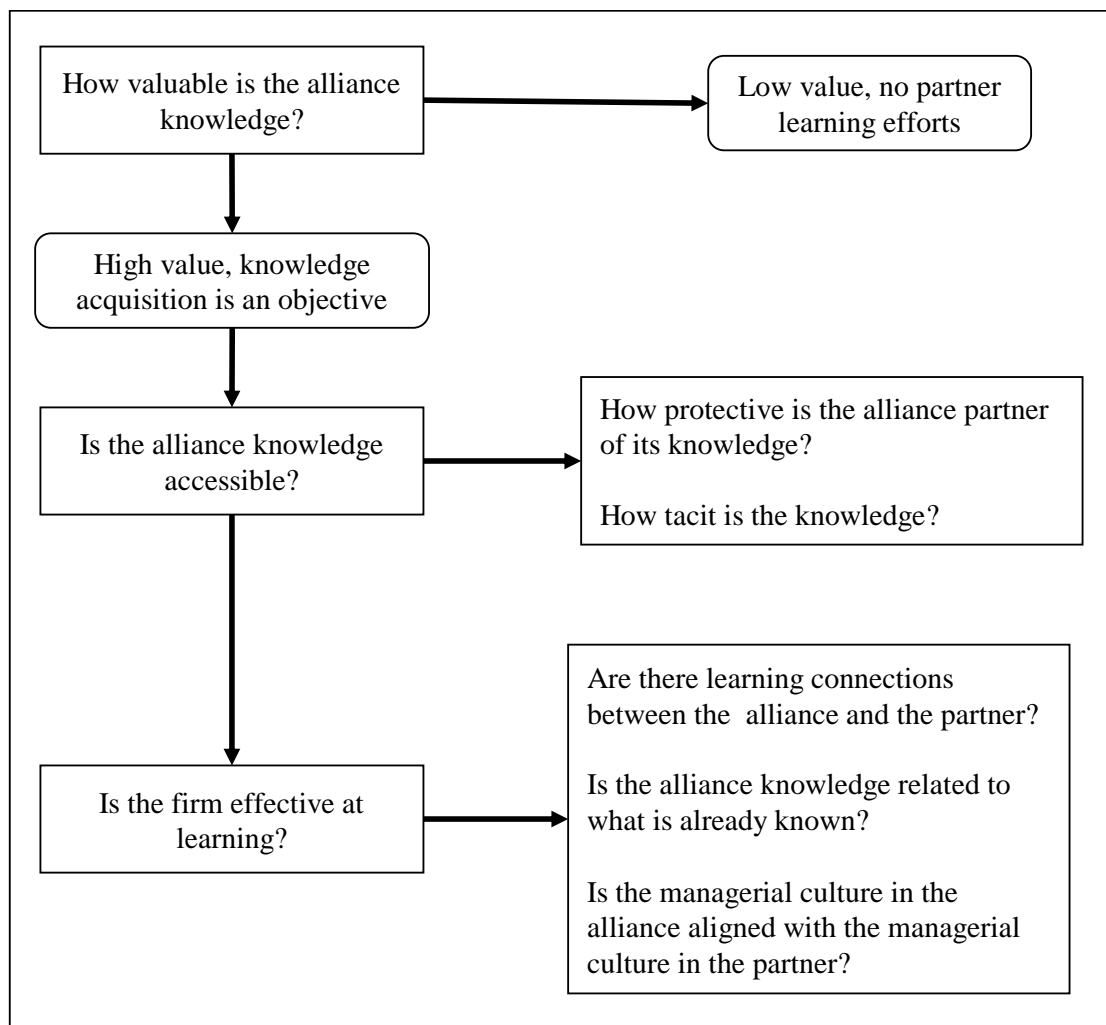


Figure 2.7 The Alliance Knowledge Acquisition Process

Source: Inkpen, 1998, p.72.

## 2.3 Competitiveness in Professional Service Firms

Although there is a vast amount of literature examining the competitiveness and internationalization of manufacturing firms, little research has been conducted to examine service competitiveness, particularly competitiveness of professional services (Ochel, 2002; Hitt *et al.*, 2006). However, today's economy has been mainly driven by service industries and professional firms (Eustace, 2000). Services are also becoming highly internationalized due to rapidly growing service industries in advanced nations, development of new types of services as a result of technological advancements (such as information technologies), and the emergence of new type of large and sophisticated service companies (such as Google) (Porter, 1990; Kotler, 2003).

Service industries comprise nearly 90% of the US economy which is seen as the largest economy in the world (The Wall Street Journal, 2007). The service sector currently includes some of the most intensive international competition. Especially the professional services provided by architects and engineers, computer firms, law partnerships, accountants and business consultants, advertising agents, etc. now transcend their home-country borders (Nachum, 1996). Hitt, *et al.*, (2006) evaluate the growth and internationalization of professional services as “the most profound business phenomenon of the 20th century” (p.1137).

### 2.3.1 The Nature of Services and Professional Business Firms

Services are generally classified as “people-based”, such as management consulting, law services, advertising services, and “equipment based”, such as airlines (Boddewyn, et. al, 1986, p. 46). Another classification can be made between the users of services such as “consumer services” and “producer services”. The first one refers to the services targeting directly to the end user while the latter mainly covers the “business to business” services (Grosse, 1996). The focus of this dissertation is on **people-based professional producer services** that have been narrowed down to advertising sector.

Services have special characteristics that differ from manufacturing goods, therefore, factors affecting the competitiveness of services also quite different than those of

goods (McKaig-Berliner, 2001). Although services are highly heterogeneous and difficult to define in general terms, there are four fundamental attributes associated with services: Intangibility, inseparability, variability and perishability (Kotler, 2003; Stumpf, *et al.*, 2002). Services such as restaurants meals, hotel accommodation, and air transportation have highly tangible components, but are clearly perishable. On the other hand, engineering design services including calculations and plans are tangible, storable, and reusable (Lowendahl, 2000). According to Fernandez (2001), these factors are more observable during the internationalization process of services.

### **Intangibility**

Services are intangible; thus cannot be handled, smelled, tasted, heard, etc. From the customer's point of view, this characteristic makes it difficult to evaluate or compare services prior to experiencing the service delivery (Ochel, 2002). Because services are difficult to conceptualize, customers will search for clues about the service quality, thus marketing them requires creative visual supports to create a specific image in the customer's mind (Kotler, 2003). The quality of a service is generally assessed from the client point of view by looking at how well the production of the service and its result meet customer expectations (Fernandez, 2001). Thus, establishing customer satisfaction and building long term relations with clients is vital for competitiveness of service firms. Professional service providers generally make several efforts to overcome the problems of intangibility and to establish a quality assurance, such as emphasizing on building positive company reputation and long term relationships with customers and involving with promotional activities for their offers (Giger, 1994). O'Farrel, *et al.*, (1993) indicate that competitive positions may be easier to sustain in services than in manufacturing goods since services provide intangible outputs which are more difficult to evaluate.

## **Inseparability**

The nature of services necessitates the presence of both sides of the exchange (producer and consumer) at the same time and in the same place (Kotler, 2003). Thus, services are also called as “embodied services” (Bhagwati 1994). Dunning (1989) also states that in the case of services there is a direct and frequently a simultaneous association between the acts of production, exchange and consumption whereas in the case of manufacturing goods, from production to distribution to customers, these acts are normally separate and discrete activities.

Kotler (2003) underlines the importance of the role of service providers that especially in entertainment and professional services, consumers select the services for their specific service providers (such as going for a specific pop star’s concert, or working with a well known business consultant).

Fernandez (2001) notes that the combination of intangibility and the need for proximity between producer and client are two characteristics which greatly determine the entry mode of service firms to host countries, through exports, foreign direct investment (FDI), strategic alliances, networking, etc. Fernandez (2001) notes that FDI seems to be the most common way of internationalization of professional service firms since professional services are less tradable than goods and involves with high degree of customer interaction. Several studies focusing on professional services and advertising industry in particular (Nachum, 1996, Terpstra and Yu, 1998). Hitt, *et al.* (2006) state that clients’ international activities led their service providers (advertising agencies) to follow them and start operating abroad as well.

## **Variability**

Services have highly labor intensive production processes. Both inputs and outputs of service production are subjected to indicate variances and inconsistencies (Kotler, 2003). Thus, maintaining consistent quality is heavily dependent upon the quality of human resources. Since the quality of most services depends largely on the quality of the individuals who provide the services, "people costs" are a high component of service costs (Ochel, 2002). Managerial competence plays an important role for

services. The selection, training and motivation of employees can add important value to customer satisfaction, thus human resources are important factor of competitive differentiation (Hitt, *et al.*, 2006).

Because of the variability problem, mass production of services at a central location is difficult (Kotler, 2003). Therefore, service industry tries to overcome the variability problem by decentralizing its services and establishing multi-unit firms (Bharadwaj, *et al.*, 1993). Porter (1990) states that through standardization and systematization of the process of delivering services, multi-unit firms are better equipped to achieve a competitive differentiation advantage than single-unit firms.

### **Perishability**

Since services cannot be stored, there is a perishability problem and a lost of economic opportunity due to the unsold services (Kotler, 2003). Services are highly dependent upon changes in consumer demands; therefore fluctuations in demand necessitate service providers to take some precautions, such as applying different pricing in peak times and off-peak times, providing additional services in off-peak times, activating reservation systems, etc. Most service providers try to gain economies of scale by hiring part-time employees during peak seasons, encourage consumers to take part in service process, such as disposing their used trays (Mc Donald's, Ikea, etc.) or applying self-service systems (Kotler, 2003; Stumpf, *et al.*, 2002). For professional service firms, the problem of perishability is an important threat considering many finished but not sold projects and /or ideas, such as unsold advertising works, architectural projects, etc. Intellectual property rights seems to be the major issue ahead of many people-based professional business services in the near future (Mc Kaig-Berliner, 2001). Advertising firms have started to demand a certain amount of fee in order to attend to advertising pitches and to produce alternative advertising copies in order to compensate their lost (TAAA, 2008).

According to Stumpf, *et al.*, (2002), professional service firms have two additional features. First, they are more project-oriented, take place over significant periods of time, and second, they involve extensive investigation and problem solving.

Lowendahl (2000; p. 20) also underlines the characteristics of a professional service firm:

- It is highly knowledge intensive, delivered by people with higher education, and frequently closely linked to scientific knowledge development within the relevant area of expertise.
- It involves a high degree of customization
- It involves a high degree of discretionary effort and personal judgment by the expert(s) delivering the service.
- It typically requires substantial interaction with the client firm representatives involved.
- It is delivered within the constraints of professional norms of conduct, including setting client needs higher than profits and respecting the limits of professional expertise.

Professional services differ from just any service in terms of using “professionals” and following “professional norms or rules of conduct” when delivering services. Lowendahl (2000) lists main professional service industries as follows (p.20):

- Law-firms/attorneys,
- Accounting firms/auditors,
- Management consultants,
- Technology consultants,
- Engineering consultants,
- Insurance brokers,
- Investment bankers
- Marketing and PR services
- Advertising agencies,
- Architects,
- Personnel and actuarial services,
- Suppliers/sub-contractors delivering computer designs and software to the large computer manufacturers,
- Management information systems and computer science consultants,



- Economists, and development planners,
- Specialized designers delivering firm specific design of all kinds-e.g. computer systems, graphic and industrial designs.

### **2.3.2 How Do Professional Business Services Generate Competitive Advantages?**

Professional service firms attain economies of scale and scope from various sources in which they can establish a base for generating competitive advantages. O'Farrell, Hitchens and Moffat (1993) state that professional service firms comparing to manufacturing firms rarely create economies of scale, but these are extremely important for the survival of professional services. Unlike the most of the goods, people-based services gain scale economies generally at company level, rather than at the operating unit level (Bharadwaj, *et al.*, 1993). Professional business services may achieve economies of scale through the advertising activities depending on their market position, through their networking of offices and their share of resources, or through task specialization (O'Farrell, *et al.*, 1993). Haywood-Farmer and Nollet (1985) note that scale economies also help to maintain desired level of quality. Strong physical assets such as an office, brand names, brand symbols, and strong external relations with customers, suppliers, and other institutions, create economies of scope for professional business services, thus they are sources of competitive advantage (O'Farrell, *et al.*, 1993).

In the following part, the relevant factors affecting competitiveness of professional service firms and advertising agencies in particular will be discussed in more detail with their contributions in creating economies of scope and scale.

#### **2.3.2.1 Knowledge**

According to Grant (1996, p.111), knowledge “is the most strategically-significant resource of the firm”. It can build barriers to imitation by competitors; it serves a base for the capabilities to develop, so that it is value-added. Firm's knowledge includes all the information and knowledge shared, articulated and diffused in the firm (Kaplan, *et al.*, 2001). For a professional service firm, knowledge is seen as the core asset (Hitt, *et al.*, 2006). Especially the tacit knowledge resides in partners, associates and top

management team can be seen sustainable competitive advantage since they cannot be copied or substituted. Ofek and Sarvary (2001) assert that knowledge represents the “production technology” for professional services whose product is business knowledge itself (p.1442).

Professional service firms generate and sell business solutions to their customers. Those solutions are generated using the collective experience of the firm (Ofek and Sarvary, 2001). Using knowledge, the professional service firm can leverage its customer base. Because of the accumulated knowledge from the past and present experiences, firms can use the previously generated solutions and adapt these to the current project, thereby decreasing their variable costs and increasing efficiency. In other words, knowledge and experience gained through serving one client may be used in servicing to another (Roberts, 2000). Such an advantage can be achieved by establishing an electronic document system allowing other teams to retrieve information and knowledge when they need (O’Farrell, Hitchens, and Moffat, 1993). In addition, maintenance of the employees at key points in client interactions and giving the right incentives are crucial for achieving efficiency (Ofek and Sarvary, 2001). Using better communication technologies (e-mails, directories, etc.) and facilitating better communication between people within the firm also enhance efficiency in professional services by lessening the time, effort and resources for producing the work (O’Farrell, *et al.*, 1993). Dunning (1989) also states that some professional business services such as stock-broking, business consultancy, data-processing services, etc. can gain core competitive advantages through their capabilities to acquire, produce and transmit information.

Professional service firms also generate new knowledge enriching the quality of services offered, thereby gain economies of scale (Ofek and Sarvary, 2001). New knowledge is created by a top level specialist or a group of specialists (as knowledge teams) inside the firm who are eligible to make a better analysis about the business environment of clients and to provide better business solutions. Van Den Bosch and Van Vijk (2000) point that such a managerial knowledge is an essential part of a whole managerial capabilities of a firm and should be evaluated separately from firms’ general knowledge.

Ochel (2002) points out the importance of diversifying demand for knowledge-intensive business services. Service providers have to apply different features depending on the customer needs and wants. Therefore, they have specialized know-how and can offer creative problem solutions achieve competitive advantages. In advertising agencies that are also called knowledge-intensive business services (Roberts, 2000), it is possible to see the two main types of knowledge use. Strategic planning departments in the agencies (like think tanks in management consultancy firms) basically concentrate on reproducing a customized knowledge by using their data banks, and their document system. Additionally, they sometimes conduct primary research (mostly qualitative) for behalf of their clients and their brands, thus generate new knowledge and new business solutions. Thus, advertising agencies may act as – knowledge-broker between the clients and their customers (Ofek and Sarvary, 2001; Roberts, 2000).

Professional service firms have increased their knowledge base through their international activities. They gained “shared learning” by working in different markets providing scope economies (O’Farrell, *et al.*, 1993). Knowledge is disseminated through subsidiaries in host countries mainly, and advertising agencies as one of the highly internationalized professional services firms (Dunning, 1989) have used their subsidiaries to transmit new advertising and marketing techniques developed in their headquarters-mainly in the USA to local markets (Samiee, *et. al.*, 2003). Kronborg and Thomsen (2006) also suggest that foreign companies are more likely to succeed when their subsidiary age increases since they learn more about local conditions and become more integrated with host country networks.

Terpstra and Yu (1988) provide support from the advertising industry that internationalization of advertising follows a learning curve indicating a need for a certain time period to survive in a new market and to build up a reputation in foreign countries. Since professional business services are selected mainly by their experiences and their knowledge base (Hill, *et al.*, 1989; Roberts, 2001), these firms need certain time to develop their competitive abilities. Kronborg and Thomsen (2006) also suggest that foreign companies are more likely to succeed when their subsidiary age increases since they learn more about local conditions and become more integrated

with host country networks. Thus, age could be an important indicator of a firm's accumulated resources skills and knowledge.

Roberts (2000) states that new information technologies have increased the competitiveness of advertising agencies since they gain economies of scale and scope in the use of organizational and informational networks and client banks at a global level. Especially in media planning and buying, market sector analysis, and strategy building areas, advertising agencies have diversified and enriched their services. Advertising agencies can also accumulate and transfer knowledge through interactions with trade associations (such as American Association for Advertising Agencies (AAAA), or trade press (Roberts, 2000). Advertising awards are also seen important mechanisms to learn about new advertising techniques, thus subscribing to those electronic or print catalogs covering awarded commercials or print advertisements may enhance the competitive abilities of advertising agencies (Roberts, 2000).

Professional service companies are mainly selected based on their knowledge accumulation and their method of using this knowledge (Hill, Garner and Hanna, 1989). Therefore, they need a certain time period to accumulate knowledge and get experienced in their field. Thereby, age and experience have moderating roles in expanding knowledge base of a firm. Hill, *et al.*, (1989) also assert that knowledge criteria are the most important factors to clients when choosing a professional service provider. Knowledge base of service providers is seen as the indicator of total skills and competences in discovering and solving the specific problems of clients. Professional service firms use their knowledge to satisfy their clients' needs, transferring some of this knowledge in the process. To protect against clients opportunistic use of knowledge, service providers try to build long-term relationships (Hitt, *et al.*, 2006).

### **2.3.2.2 Client Relations**

Long term relationship with clients increase absorptive capacity of professional service firms, thus sharing of information and knowledge and shared meanings enhance client-specific capabilities of firms. These capabilities develop the quality of

services while at the same time reducing the cost of providing services and thereby creating economies of scale (Hitt, *et al.*, 2006).

Fernandez (2001) reports that a specific client-oriented approach altering the overall service quality is a new source of competitive advantage for business services. Customized, high quality service based on “idiosyncratic knowledge” is valuable, rare and difficult to imitate, and thereby providing a competitive advantage for professional service firms. Meyer, *et al.* (1999) also states that the capability of building effective working relations with clients is the most important assets held by professional service firms. Because key customers are very important for the success of the professional business services, resources must be allocated to produce distinctive value proposition based on specific needs and wants of the customers. The customer specific value proposition is widely accepted as a sustainable competitive advantage (Kotler, 2003, Aaker, 1996, Gosselin and Heene, 2003).

Additionally, longer relationships with clients indicate stability and continuity thus generate positive reputation and good will about the service provider (Fernandez, 2001). Accumulated experience with a particular partner help service firms to extend its knowledge base which is useful for obtaining new clients. Especially relations with large corporate clients can be highly valuable (Roberts, 2001). Professional service firms can learn from their large clients’ experiences on foreign markets and their global reputations. The large clients can provide legitimacy to professional service providers, especially in foreign markets. (Hitt, *et al.*, 2006).

McKaig-Berliner (2001) and Fernandez (2001) state that high degree of client orientation is a specific feature of professional services, and is not observed in other services, such as tourism or transportation. Hitt, *et al.*, (2006) report that multinational clients are interested in having services from their local service providers in foreign markets if only they have strong human capital. Thus, establishing a strong client relationship is not sufficient for professional service firms to internationalize, the experiences of the managers and employees and education level are also seen very important by their clients (Hitt, *et al.*, 2006).

### **2.3.2.3 Human Capital**

Professional services are characterized by flexible, empowered, customer-oriented employees (McKaig-Berliner, 2000). Service is being delivered by highly skilled and trained people who represent the company's most valuable assets. Professional service firms create value through their selection, development and use of human resources (Ochel, 2002; Hitt, *et al.*, 2006). Aharoni (1993) also notes that "recruiting, organizing, training, motivating, retaining and developing loyalty of these professionals cannot be overstated" (p. 283). According to Ochel (2002), knowledge-intensive services which are particularly successful in personnel recruitment are consequently more competitive. One of the important features of professional service firms is that they have been traditionally owned exclusively by professional managers inside the firms, with no outside shareholders (Nordernflycht, 2006). Professional service firms try to retain these highly mobile and highly skilled professionals who are the primary source of value by also providing non-financial incentives such as prestige or collegiality. Therefore, number of shareholders and in professional service firms could be an indicator of its quality of human capital which is one of the drivers of its competitiveness (McKaig-Berliner, 2000).

It is observed that professional business services recruit professionals who have advanced education for their profession, and provide ongoing professional development for them by encouraging self monitoring, in-house education and training, and continuous learning (Stumpf, *et al.*, 2002; Quader, 2007; Ochel, 2002).

The main competitive advantage depends on the abilities of people who are interacting with clients and solving their specific problems which create the outputs of professional services (Nachum, 1996). The quality of service depends primarily on quality of individuals working in the firm. Halinen (1996) underlines an important characteristic of advertising industry that relationships between the personnel may become stronger than the relationship between the contracting agencies. Even, some clients follow their personnel to their new agency when the personnel leave from its former agency. The quality of people assigned to the account and compatibility of agency and client personnel are defined as important criteria when selecting an advertising agency (Halinen, 1996).

Pitt and Clarke (1999) emphasize that organizational capabilities of a firm represent a coordinated, collective skill and the abilities of its employees. One of the important components of organizational capabilities in a service industry is the degree of involvements of employees (Eastman, *et al.*, 1998). In an environment supportive of employee involvement, employees at all levels work to help run the business better. Halinen (1996) emphasizes favorable personal relationships with account service contacts are the most important indicator of satisfaction of clients with their agencies. Thus, employee involvement has certain effect on the quality of the service and the whole business processes.

#### **2.3.2.4 Service Differentiation**

Successful service firms are those that were able to differentiate themselves from their competitors (Porter, 1980). Differentiation can be described as a process of adding a set of meaningful differentiating items that are valued by customers (Lewitt, 1981). Firms can generate competitive advantages by differentiating their product forms (size, shape, features, etc.), service processes (ordering ease, delivery, training and consulting, etc.), human resources (i.e., well- trained service providers), marketing channels (i.e., Avon, Dell), and corporate image (symbols, colors, slogan, etc.) from those of competitors (Kotler, 2003). It is generally observed that firms that are succeeded to differentiate themselves, have strong reputation in the market and strong client relationships which stem from past promotional activities (advertising and public relations, word-of-mouth recommendation, etc.), have higher service quality (Ofek and Sarvary, 2001). Such differentiation creates a barrier for new entrants since it is hard to imitate, thus it is a strong source of competitive advantage (O'Farrell, *et al.*, 1993).

Reputation is acknowledged by many studies as the most important factor helps service firms to differentiate their offers and to provide a signal for their service quality (Dunning, 1989; Money and Hillenbrand, 2006). The importance of reputation for the performance of the firm is shown at Figure 2.8. In this model, it is seen that corporate reputation has its antecedents and is being effected by corporate strategies and related activities, in turn have an influence on firm performance.

	<b>Antecedents</b>	<b>Corporate Reputation</b>	<b>Consequences</b>
<b>Strategic Level</b>	<b>Asset Generating Activities</b>	<b>Intangible Assets</b>	<b>Market Assets/Performance</b>

Figure 2.8 Integrating Strategic Variables within the Causal Framework of Reputation

Source: Money and Hillenbrand, 2006, p.4.

Barney (1991) also asserts that the positive reputation of firms among customers and suppliers is an important intangible resource of a firm generating a competitive advantage since the development of a positive reputation is interrelated with firm specific, complex variables, and it depends upon difficult to imitate historical settings. Nachum (1996) asserts that reputation is one of the significant and positively correlated factors with performance and survival of the advertising agencies. Moreover, Nachum (1999) concludes that although reputation is known as a location-specific factor, multinational professional firms do transfer reputation by means of servicing of new multinational clients in host countries they operate in. Aharoni (2000) states that the major part of the reputation of global professional service firms depends on their ability to provide services globally: It is seen as a good indicator of their service quality.

O'Farrell, *et al.*, (1993) state that corporate reputation of a business service firm may be seen as an "umbrella concept" (p. 46) that any service supplied in the firm is directly associated with the corporate reputation. They conclude that a reputation may be specific to an individual within a service organization, and this is the reason of many firms to hire well known directors (1993, p.46). For example, owners of professional service firms are generally associated with their agencies' corporate reputation (Nodernflycht, 2007). Along with top managers, client retention rates and the number of global clients are seen major components of reputation for advertising agencies. (Nachum, 1996). Top management's involvement to maintain service quality (Sanchez, 2002), and to build a strategic focus to become customer-oriented



(Thomas and Ramaswamy, 1994) are seen essential parts of establishing quality service.

The service quality of advertising agencies is also an important indicator of their organizational capabilities (Nachum, 2000). Like many companies in the service industry, advertising agencies are selected based on their service qualities (West, 1997). Basically, the client relations methodologies and the range of services are important indicators of the service qualities of advertising agencies (Kaynak, *et al.*, 1994).

Organizational structures of professional services have been changed due to the technological developments and high degree of internationalization, thus enable services to differ from their competitors (Stumpf, *et al.*, 2002). Godfrey and Gregersen (1999) also highlight the importance of organizational structures for building competitive advantages. They point that flexible, informal organization structures are more likely to generate competitive advantages since they foster organizational learning which involves trial-error processes to find solutions to new challenges (Godfrey and Gregersen, 1999). Organizational structures in advertising industry are expected to be flexible structures enabling them to respond effectively to continuously changing environments and challenges. More importantly, organizational structure and business processes in advertising agencies have generally designed to foster shared knowledge, innovation and creativity (Nachum, 1996).

#### **2.3.2.5 Management Ability**

Ochel (2002) emphasizes the importance of managerial abilities in order to allocate and organize firm's strategic resources and assets and relations for professional services. The important role of top managers in creating competitive advantages for their firms has been widely acknowledged in the literature (Castanias and Helfat, 1991; Offstein, *et al.*, 2005). Especially, their experiences, relationships, personal traits, and educational background have a great impact on the formulation and implementation of company strategies, on its operations and as well as on its reputation as mentioned previously (Thomas and Rhamalwamy, 1994). As suggested by the competence based view, integration of managerial strategies is a prerequisite to

develop managerial capabilities (Freiling, 2004). The role of managers is seen to design firms as “open systems” that are guided by managerial strategies and governed by management processes. Sanchez *et al.* (cited from Freiling, 2004, p.42) uses strategic logic instead of managerial strategies and defines the term as follows:

Strategic logic refers to the rationale(s) employed (explicitly or implicitly) by decision makers in the firm as to how specific deployments of resources are expected to result in an acceptable level of attainment of the firm’s goals. All employees within a firm have at least some degree of discretion in the allocation of resources. ... Thus, the strategic logic of the firm is not an exclusive creation of top managers. ... Subsequent interpretations by other employees ...require the adoption by each decision maker of a rationale for deciding .... ... the firm’s strategic logic ... resides at all levels of the firm, and for this reason, a firm’s strategic logic may be subject to inconsistencies across the various activities of the firm.

Strategic logic is affected by internal feedbacks just as much as external benchmarks. Thus, explicitness in mission and vision goals is an important way of enhancing the managerial capabilities of a firm (Freiling, 2004, Hitt, *et al.*, 2006). Lowendahl (2000) argues that the most important strategic concerns of professional service firms are the recruitment of new professionals, portfolio of projects and the clients served. If the firm has no strategy, the evolution of both the strategy and the client portfolio and the types of competences available from the professionals employed is more likely depend on opportunities. Strategy in professional service firms involves the development and communication of a consensus-based vision, clear goals, and set priorities (Lowendahl, 2000).

According to Van Den Bosch and Van Vijk (2000), a firm can increase its managerial capabilities by integrating the individual managerial knowledge of its managers. Managerial knowledge consists of individual managerial knowledge of managers that it is mostly tacit because managers gain experience in managing over time and establish a routine of their management style. A managerial team can provide many more valuable services when they work together compared to the ones provided by individual managers (Van Den Bosch and Van Vijk, 2000).

### **2.3.2.6 Internationalization and Networking**

According to international business studies, services usually take three forms when they are getting internationalized (Dunning, 1989, p. 17):

1. Exporting final services to independent buyers (i.e., a foreign customer traveling to the exporting country and buying the service from there);
2. Licensing or contractual agreements;
3. Foreign direct investments.

Because of their perishability and variability problems, services are difficult to be traded internationally. Foreign direct investments are seen the optimal way of internationalizing since most services require local production (Ochel, 2002). There are some services that are widely traded internationally, such as investment banking, advertising agencies, insurance services, etc. Dunning (1989) points out that because these services have codifiable information and technology, and large proportion of them is transferred via MNEs, they are able to operate in foreign countries successfully.

Recent studies on international business and management (Kogut et.al, 1993; McKaig-Berliner, 2001; Sanchez, 2002) suggest that the competitive advantages of firms are based not only on their internal assets, resources and/or capabilities, but also on the resources controlled by other firms with whom the firms have strong linkages. As competence-based view asserts (Eisenhardt and Martin, 2000) firms should be evaluated from the point of their close external environment in which forward and backward linkages of networking are included. The network model of MNC gives a subsidiary a semi-autonomous role to be able to determine its exchange relationships. The internal MNC and external networks with suppliers, customers, and other stakeholders can have an influence on organizational competence and competitive advantage (Grant, 1996). Ghoshal and Barlett (1990) state that MNCs are inter-organizational networks fostering knowledge sharing, team working, and learning.

Nachum and Keeble (2001) assert that nationality of ownership of firms is an important firm-specific attribute influencing the nature of their network linkages. The

network activities of local firms and those of foreign affiliated firms are different thus, their sourcing of competitive advantages also differ (Nachum, and Keeble, 2001).

Foreign affiliated firms are part of an international network, and they draw some of their advantages from the scope of this network. The international networks are able to provide a firm with access to information, resources markets, and technologies generate advantages from learning, scale and scope economies, and allow firms to achieve strategic objectives, such as sharing risks and outsourcing value-chain stages and organizational functions (Jones, 2000; Nachum, and Keeble, 2001). Depperu and Cerrato (2005) states that international competitiveness of a firm depends on “quality of international customers, brand recognition in international markets, number of international patents and trademarks, capacity of attracting skilled human resources at the international level, quality of international partners, and quality of management staff involved in international activities” (p. 21). Foreign affiliated firms are subjected to have large-scale effects which generate positive externalities (O’Farrell, *et al.*, 1993).

On the other hand, local firms have to find other firms to make collaborations in order to generate competitive advantages. Ofek and Sarvary (2001) points that local firms may gain network externalities coming from customers who benefit from other consumers joining a particular firm’s customer base. The network externality is indirect because clients only benefit from the presence of other clients in the customer base. If professional service firms have large customer base, then they might bring sustainable competitive advantages for the firms. Foreign affiliated firms are more likely establish formal linkages since they experience the problems of “being new” in foreign environment while local firms tend to rely on informal linkages developed through familiarity, shared meaning, and prior experience (Nachum, and Keeble, 2001).

Stumpf, *et al.* (2002) note that professional service firms achieved greater scope and scale economies by establishing mergers and acquisitions, alliances and joint ventures in order to survive in foreign markets. Networking in professional service firms is a common organizational form (Nachum 1999). Especially for knowledge intensive business services, such as management consultancy, advertising, law, etc. networking

and external interaction is very important source of inspiration and creativity (Nachum and Keeble, 2001). Dunning (1989) notes that advertising services have certain competitive advantages arising from MNE activities and their international ownership status. Advertising agencies can attain economies of scope by providing full range of services via network support. This is explained by the diversification effort of advertising agencies with the goal of offering “one-stop shopping” (Ochel, 2002, p. 9). Advertising agencies’ financial strength, creative ability, image and philosophy are strengthened by the capabilities of international network. Because of accessibility to different markets and global clients, advertising agencies’ reputations are also supported and associated by the corporate reputation of international network (Dunning, 1989).

#### **2.4. Theoretical Framework**

This study adopts an integrated approach in order to explore the factors affecting the competitiveness of professional business service firms. Both strategic management and competitiveness theories provide the backdrop of this dissertation. As illuminated by the literature of strategic management (Lowendahl, 2000; p.84):

“All assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies improve its efficiency and effectiveness”.

By integrating the latest thinking of strategic management scholars with those of competitiveness which emphasize the use of both tangible and intangible factors in assessing the competitiveness of firms (Garelli, 2006); this dissertation establishes its main theoretical argument. It is assumed that a firm’s resources, capabilities and knowledge are interrelated and altogether have influences on its competitiveness which is the main driver of that firm’s performance. Thus, the effects of firm resources (both tangible and intangible), organizational and managerial capabilities, and knowledge management on the competitiveness processes of firms should be examined concurrently. This dissertation contributes to the literature by not only analyzing firm resources, capabilities and knowledge at the same time, but also by giving an equal emphasis to each of them. Figure 2.9 illustrates the main argument of this dissertation.

Competitiveness is considered as a process of generating competitive advantages and seen as the main indicator of a firm's performance. Hence, a broad analysis of all relevant internal factors and their interactions with each other will be investigated to examine the process of the competitiveness of firms.

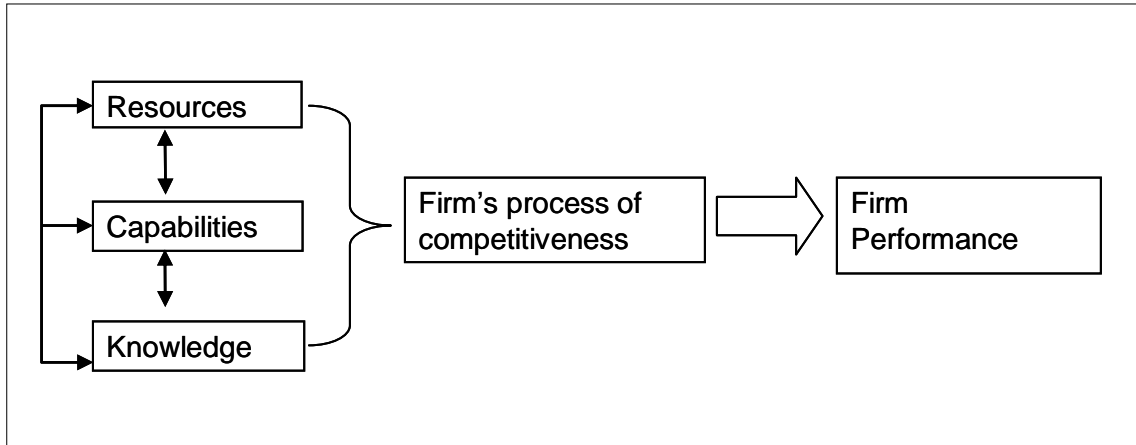


Figure 2.9 An integrated approach for competitiveness

#### 2.4.1. Research Questions

The research focuses on a single professional service sector: Advertising. Because the nature of advertising business requires a great deal of knowledge and skill intensive characteristics, an integrated analysis of the process of competitiveness within the context of the advertising sector might be more beneficial than any other professional service industries. Additionally, Turkish advertising sector has provided a fruitful ground for the analysis due to its rapid growth and the fierce competition among its firms in recent years.

Basically, this study seeks to find answers to the following questions:

1. What are the tangible and intangible resources affecting the competitiveness of professional service firms? Which resources are more effective?
2. Which organizational and managerial capabilities of professional service firms affect their competitiveness?
3. What is the role of knowledge management in professional service firms in generating competitive advantages?

#### **2.4.2. Definition of Factors and Their Measures Used in the Study**

In this study, firm's resources, capabilities and knowledge are referred as factors of competitiveness. These factors include several sub-factors or components that are relevant to advertising sector. Table 2.4 illustrates the categorizations of the factors and their components used in this study. There are several measures used for some sub-factors to assess their effects on firm's performance because some intangible factors necessitate the use of several measures to provide a proper explanation about their effects. For example, reputation is commonly measured by looking at the client retention rates of the agencies (Nachum, 1996). However, reputation is also affected by the formal representation of the company at its sector, number of global clients in the portfolio the promotional activities held by the company, etc. (Aharoni, 1998; Depperu and Cerrato, 2005).

Table 2.4 The Factors and Their Components

<b>Factors</b>	<b>Types</b>	<b>Sub-factors</b>
<b>Resources</b>	<b>Tangible</b>	Age, Status, Human Resources
	<b>Intangible</b>	Reputation, Creativity
<b>Capabilities</b>	<b>Organizational</b>	Employee Involvement, Service Quality, Organizational Structure
	<b>Managerial</b>	Top Manager's Status and Credibility, Managerial Knowledge, Managerial Strategies
<b>Knowledge</b>		Knowledge Type, Knowledge Accumulation Methods

#### 2.4.2.1 Firm Resources

The classification suggested by Barney (1991) is used to identify the factors related with firm resources. There are two types of firm resources, as tangible and intangible. In this study, tangible resources are identified as company age, company status, and human resources. The age of agencies will be assessed by the years of their establishment and also by the years of their multinational status for multinational agencies.

Company status covers the network relations of firms, their strategic alliances that help strengthen and widen the competitive abilities of firms. In case of multinational agencies, international strength of partnering or parenting companies, and other companies belonging the same group present important advantages due to their networking capabilities (Aydın, 2006; Roberts, 2001). Local firms or those who do not have holding status generally acquire strategic alliances by developing backward and forward linkages (King, *et al.*, 2003). The number of strategic alliances, either in the company's own group or from outside will be used as a proxy for company status. For multinational agencies, the current status of their networks in the global industry will be an additional assessment.



As discussed previously, professional service firms especially advertising services are “people-based” services and their most important resources are their human capital (Ochel, 2002). In this study, the agencies will be compared on a wide range of attributes to provide a detail perspective about variances in their applications of human resources policies. The number of people working in agency and their distribution among departments, number of people working at core departments, the number of directors at core departments, the age of employees, their educational levels, international work experiences, the gender of employees, the average employee turnover rates in last 5 years, the working hours, and employee compensation will be used to portray human resources of the agencies in more detail.

In this research, intangible resources are defined as agency reputation and creativity. Since reputation involves different aspects, several measures are used simultaneously to assess the reputations of the agencies and their effects on the firms’ performances. In addition to the most common measure of reputation, rate of client turnover (Nachum, 1996; Aharoni, 2000), the other measures identified are:

- Number of memberships from the management in trade associations, namely the Turkish Association of Advertising Agencies (TAAA), the Advertising Foundation (AF), and the International Advertising Association (IAA) Turkey Chapter, in the last 5 years;
- Number of times participating in sector organizations and events, such as being on a jury in Crystal Apple contests or Kırmızı contests, being a panelist or being a speaker in an industrial meeting, etc., in the last 5 years;
- Number of large size clients (top clients) in the client portfolio based on the list of Bileşim Medya Co. which includes the top 100 advertiser companies according to their advertising expenditures at all media (TV; press, radio, magazines) during the period of January-December 2006 (Appendix A provides the Bileşim Medya Top Advertisers’ List of 2006 in Turkey);
- Number of global clients in the client portfolio;
- The rate of client turnover in the last 5 years;

- Any promotional activities involved in; such as writing a company book, advertising, giving interviews or speeches, etc. in the last 5 years;
- Having an informative web site introducing the agency and its specialties;

Creativity seems to be the most frequently used and well-known characteristic of the advertising industry, and probably is one of the most important criteria of agency success (Helgesen, 1994). Lack of creativity and a low standard creative work are stated as major reasons for clients to drop their agencies (Halinen, 1996). Although measuring creativity by looking at advertising awards is mainly a subjective judgmental undertaking as discussed before, this study also compares the creativity at advertising agencies by looking at archival records since no other measure is available and consistent with the research. Thus, **number of awards gained at international or national contests** in the last 5 years will be used to measure creativity at the agency. Table 2.5 summarizes the tangible and intangible factors of competitiveness and their measures.

Table 2.5 Firm Resources: Tangible and Intangible Factors and Their Measures

<b>Tangible</b>	<b>Company Age</b>	Number of years from establishment
	<b>Company Status</b>	Number of strategic alliances
		Global position of multinational partner/parent
<b>Human Resources</b>	Size, distribution, age, turnover, education, international experience, gender, working hours, compensation	
<b>Intangible</b>	<b>Reputation</b>	No. of memberships in trade associations
		No. of participations to sectoral organizations
		No. of top clients in portfolio
		No. of global clients in portfolio
		The rate of client turnover in last 5 years
		Promotional activities involved in last 5 years
		The presence of informative web site
	<b>Creativity</b>	The number of awards gained in last 5 years

Because of the sensitivity of advertising agencies and hence unavailability of information on some subjects, such as capital investments, the level of technological investments, annual company turnover, or employee salaries, these factors were not included in the research. Although location is one of the widely acknowledged resources in the literature (Nachum, 1996; Shaver and Shaver, 2004), it is not seen as a feasible factor for this study to assess differences among agencies since most of the advertising agencies are located at accessible places to business environment.

#### **2.4.2.2 Firm Capabilities**

Organizational and managerial capabilities establish firm specific capabilities (Collis, 1994; Depperu and Cerrato, 2005; Van Den Bosch and Van Vijk, 2000). In this dissertation, organizational capabilities of advertising agencies will be evaluated by analyzing their employee involvements, their service quality, and their organizational structures.

Employee involvement at advertising agencies will be assessed by looking at:

- performance evaluation methods,
- reward systems,
- relations of employees with top managers,
- motivational practices to enhance team working,
- investment made for training and development of employees,
- number of people and their roles attending to the training programs
- existence of routine companywide meetings

Service quality of advertising agencies is also an important indicator of their organizational capabilities. Basically, the client relations methodologies and the range of services are important indicators of the service qualities of advertising agencies (Kaynak, *et al.*, 1994). In this study, the number of suppliers and the agency's relations with the suppliers are seen as important since they might create competitive advantages for advertising agencies by their reputations, or their speed, and/or by their low cost arising from exclusivity agreements. Thus, service quality of the agencies

will be assessed by looking their client relations methods (formal client audits, the numbers of years working with the key client, and the oldest client, t, and routine procedures like formal client briefing and daily correspondence), number of tools or trademarks owned by the agency, number of suppliers, type of selection for suppliers, and range of services given by the agency.

Organizational structures in advertising industry are expected to be flexible structures enabling them to respond effectively to continuously changing environments and challenges. In addition, formal relations among the people inside the agency, hierarchical management structure and bureaucracy in business processes are seen as obstacles for innovation and creativity (Nachum, 1996). Thus, the owners' control over the business process and reporting system will be evaluated. Especially for multinational agencies, the degree of control by headquarters may influence the performance of agencies, since they bring more bureaucracy which may cause a slower organizational structure. Similarly, the weight of rules and procedures applied in the organization might have an effect on agencies' performance. Since some agencies perceive their strategic planning department as one of their important competencies, the existence of strategic planning unit could be an important indicator of a firm's competitive ability.

In short, the measures that will be used to assess the effects of organizational structure on the performance of agencies are:

- team structure and management,
- existence of formal rules, norms, and procedures,
- type of communication system,
- existence of a strategy planning department and its role in the organization,
- degree of control of owners on the process/ the degree of control of network on the agency's management.

Managerial capabilities are examined at three parts: **Top managers' status and credibility, managerial knowledge, and managerial strategy.** In the case of advertising agencies, top manager's credibility and popularity is very important since many of them are also owners of their agencies. Thus, corporate reputation and top

manager's credibility are often interrelated. In this study, top manager is seen as a senior executive who shapes the agency's competitive direction, and he/she may not be the most prominent figure of the agency. The differences between the **status of top managers**, either as an owner or a professional top manager will be explored and the degree of their effects on agency performance will be analyzed. In addition, top manager's credibility will be assessed by using several measures such as **their educational background, the number of years of experience** in the industry, **participation to formal meetings and events** held in the sector, **membership in trade associations, awards and/ or certificates** gained, and **other specific contributions** made by the top manager.

Managerial team has a special importance for advertising agencies since they manage most of the client relations, operational activities, and industry relations of the advertising agencies (West, 1997). In this study, **members of managerial board** of the agencies will be compared by analyzing their **levels of advanced education**, their **international work experiences**, and their **average years of experience** as a management team. In addition, the kinds of managerial data used in the agencies to assess the competitors and the **number and kind of informative materials monitored** exclusively by the management team will be examined. **The assignments of consultants and training and development programs** specific to management team will also be evaluated to assess the importance of managerial knowledge for the agencies.

The importance of managerial strategy for the competitiveness of the advertising agencies will be assessed by looking at **the existence of formal mission and vision statements** of advertising agencies and **whether they are explicitly shared** with the employees or not. **The existence of a new business department** will also be investigated since business development efforts indicate the eagerness of the agency to compete in some level, and provide opportunity to keep up with the new trends and applications in the industry. Similarly, **the number of attendance in advertising pitches in the last 5 years** and **the number of accounts gained from advertising pitches in the last 5 years** will be investigated to assess the competitive abilities of the agencies.

The recruitment strategies of the advertising agencies are crucial since it is a creative industry which is totally based on human skills and abilities. Thus, **the criteria applied for selecting employees** for each core departments, and **the existence of a program to find and train young talent** will be explored to describe the application of recruitment strategies in agencies. Table 2.6 summarizes the organizational and managerial factors used in the study.

Table 2.6 Firm Capabilities: The Organizational and Managerial Factors

<b>Organizational Factors</b>	<b>Employee Involvement</b>	<b>Service Quality</b>	<b>Organizational Structure</b>
	Performance evaluation methods	Client relations methods	Team structure and management,
	Reward systems	The number of suppliers and their selection	The existence of formal rules, norms, and procedures,
	Relations of employees with top managers	The range of services	The type of communication system,
	Motivational practices to enhance team working,	Numbers of tools and trademarks owned	The existence of a strategy planning department and its role in the organization,
	The investment made for training and development of employees,		The degree of control of owners on the process/ the degree of control of network on the agency's management
	The number of people and their roles attending to the training programs		
	The existence of routine companywide meetings		
<b>Managerial Factors</b>	<b>Top Manager's Status and Credibility</b>	<b>Managerial Knowledge</b>	<b>Managerial Strategy</b>
	Owner/professional manager	Number of shareholders among the management team	The existence of formal vision and mission statements
	Educational background	The level of education	The existence of new business department
	(art oriented vs. business oriented)		
	The number of years of experience	The kind of managerial data used	The number of attendance to advertising pitches
	Frequency of participation to formal meetings and events	The kind and number of informative materials used	The number of accounts gained
	Membership in trade associations	Assignment of consultants	The selection criteria of employees
	Number of awards and/ or certificates gained	Training and development programs	The existence of a talent program
	Specific contributions made		

### 2.4.2.3 Firm Knowledge

The effects of knowledge factor on the performances of the agencies will be assessed by analyzing number of industries they have experience with, type of knowledge used in the agency in general; tacit or codified, and the knowledge accumulation methods (kind and frequency of information either attained from multinational network or any other sources, existence of any formal/informal collaboration with other advertising agencies, existence of any formal relations with universities or other academic institutions relations, materials monitored at companywide), and information flow (intranet or personal communication) in agencies will be examined to understand the effects of firm knowledge on the agencies' performances. Table 2.7 lists all the factors and their measures in the study. In parentheses, the previous studies that use the same measures are also provided. Those measures that are not cited are proposed within the scope of this dissertation.

Table 2.7 The Factors and Their Measures

<p><b>1) Firm Resources</b></p> <p><b>Tangible Resources</b></p> <p><b>Company Age</b></p> <ul style="list-style-type: none"><li>- Years of establishment (Nachum, 1996)</li><li>- Years of multinational status (Nachum, 1996; Terpstra &amp; Yu, 1998)</li></ul> <p><b>Company Status</b></p> <ul style="list-style-type: none"><li>- Global status of the network (Nachum, 1996)</li><li>- Single company or part of a group of companies (Nachum &amp; Keeble, 2001; Dunning, 1989)</li><li>- Number of strategic alliances and their positions (Stumpf, Doh and Clark, 2002)</li></ul> <p><b>Human Resources</b></p> <ul style="list-style-type: none"><li>- Number of people working in the agency and their distribution among departments</li><li>- Working time</li><li>- Employee compensation</li><li>- Number of core directors</li><li>- Average employee turnover rates in last 5 years (Nachum, 1996)</li><li>- Employee's educational status (Nachum, 1996; Nordenflycht, 2006)</li><li>- Number of people who have international work experience (Nordenflycht, 2006)</li><li>- Average age of employees</li><li>- Gender of employees</li></ul>
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Table 2.7 The Factors and Their Measures (continued)

**Intangible Resources**

**Reputation**

- Number of memberships from the management in trade associations
- Number of clients among the top 100 advertiser firms
- Number of global brands (Kaynak, *et al.*, 1994; Aharoni, 2000)
- Rate of client turnover (last 5 years) (Barney, 1991; Nachum, 1996)
- Promotional activities in last 5 years (Aharoni, 2000)
- Having an informative web site
- Number of times participating in sector organizations and events (i.e., Crystal Apple contests, being a trainer or being a panelist etc.

**Creativity**

- Number of Turkish awards gained Crystal Apple, Effie, Kırmızı (last 5 years)
- Number of international awards gained (last 5 years) (Nachum, 1996; Halinen, 1996)

**2) Firm Capabilities**

**Organizational Capabilities**

**Employee Involvement**

- Formal performance evaluation methods (Eastman, *et al.*, 1998)
- Types of rewards distributed
- Investment made for training and development
- Number of people and their roles attending to training courses, seminars, workshops, etc.
- Frequency of in-house seminars and briefings, etc
- The relations of employees with the top manager (Van Den Bosch and Van Vijk, 2000)
- Frequency of companywide meetings (Van Den Bosch and Van Vijk, 2000)
- Other motivational practices

**Quality Service**

- Number of services offered (Kaynak, *et al.*, 1994)
- Brands, trademarks, tools owned (Depperu and Cerrato, 2005)
- Number of years of co-operation with the key customer (s)
- Number of years of co-operation with the oldest client (s)
- Frequency of formal client evaluation on agency performance (Kaynak, *et al.*, 1994)
- Client relations procedures; written and standardized form of a client and creative briefing, daily procedures in client relations (Fernandez, 2001)
- Relations with suppliers, type of selection for suppliers (Depperu and Cerrato, 2005)
- Amount and type of outsourcing, if any. (Kaplan, *et al.*, 2001).

**Organizational Structure**

- Team structure and process (Godfrey and Gregersen, 1999)
- Existence of formal rules, norms and procedures
- Type of communication system among the teams
- Degree of control of headquarters or international partner (Nachum, 1996)
- Degree of control of owners on management (Nachum, 1996)
- Existence of strategic planning unit



Table 2.7 The Factors and Their Measures (continued)

<p><b>Managerial Capabilities</b></p> <p><b>Top Manager's Credibility and Status</b></p> <ul style="list-style-type: none"> <li>- Owner or Professional Manager (Nordenflycht, 2006)</li> <li>- Participations to formal meetings, congress, etc</li> <li>- Awards, and certificates gained</li> <li>- Other businesses involved</li> <li>- Being of a member of some trade associations</li> <li>- Years of experience in the industry (Castanias &amp; Helfat, 1991)</li> <li>- Educational background (Castanias &amp; Helfat, 1991)</li> <li>- Specific contribution of the top manager (Special client relation, recognitions at trade associations, etc)</li> </ul> <p><b>Managerial Knowledge</b></p> <ul style="list-style-type: none"> <li>- Nature and usage of industrial and competitive data (Van Den Bosch and Van Vijk, 2000)</li> <li>- Seminars, training courses attending for personal and professional development (Van Den Bosch and Van Vijk, 2000)</li> <li>- Number and kinds of publications or other media followed on a regular basis</li> <li>- Senior management's experience, advanced educational level, international work experience (West, 1997; Ochel, 2002).</li> </ul> <p><b>Managerial Strategy</b></p> <ul style="list-style-type: none"> <li>- Existence of formal mission and vision statements; Explicitness in statements (Thomas and Ramalvamy, 1994)</li> <li>- Recruitment strategy applied (Lowendahl, 2000)</li> <li>- Number of attendance to advertising pitches, the number of acquired clients via pitch (last 5 years)</li> <li>- Existence of a program for finding and training new talent (Depperu and Cerrato, 2005)</li> <li>- Existence of new business department</li> </ul> <p><b>3) Firm's Knowledge</b></p> <ul style="list-style-type: none"> <li>- Kind and amount and frequency of information and knowledge transferred from international network (Kaplan, <i>et al.</i>, 2001)</li> <li>- Existence of any formal/informal collaboration with rivals and/or companies (Eisenhardt and Martin, 2000)</li> <li>- Number and kind of monitored materials</li> <li>- Information system used in whole organization, intranet or personal communication, etc.</li> <li>- Number of industries experienced (Roberts, 2001; Hill, Garner &amp; Hanna, 1989)</li> <li>- Existence of any formal relations with universities or academic institutions</li> <li>- Type of knowledge used-tacit or codified (Ofek and Sarvary, 2001)</li> </ul>
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## **Chapter 3**

### **Methodology**

In this section, the research method used in this dissertation, the criteria set for establishing the sampling unit, the sampling unit subjected to the research and research procedures are introduced.

#### **3.1 Research Design**

A qualitative research method was utilized because this study focuses on measuring a multidimensional concept-competitiveness by using an integrated framework. It is also an exploratory study since the main argument of this dissertation is to find the specific factors affecting the competitiveness of professional business services, as explained in section 2.4. As pointed out by Yin (1984), qualitative research, namely case studies are the ultimate means of exploratory studies and they can provide a detailed contextual analysis of a limited number of events or conditions and their relationships. Moreover, Barney (2001) suggests that qualitative approaches may lead to make better assessments about a firm's competitiveness which includes intangible factors, such as reputation, top manager's credibility, knowledge, etc. Because of its multidimensional characteristics and interrelatedness of its factors that cause a measurement ambiguity, competitiveness is one of the most suitable concepts to be studied by using a case study method. At this point, it is important to state the definition given for case study method by Grosshan and Chelimsky (1990, p.16):

A case study is a method of learning about a complex instance, based on a comprehensive understanding of that instance obtained by extensive description and analysis of that instance taken as a whole and in its context.

This research is constructed as a multi-case study and includes six case studies. A case-comparison approach which is defined by Yin (1981; p. 59) as “one of the best

approach to make a cross case analysis” is being applied. Case comparison method enables researchers to reach more detail explanations about the issue when comparing the lessons learnt from the each case study and to provide a common explanation about the question (Yin, 1981).

### **3.1.1 Units of Analysis**

The units of analysis were identified based on several criteria. First, they are selected among the members of the Turkish Association of Advertising Agencies (TAAA). Established in 1984, TAAA is the first and was the only (until the Advertising Foundation established in 1999) association that brings all the leading companies in Turkish advertising sector including advertising agencies, media planning agencies, producer companies, etc. TAAA established the principal norms and procedures of the advertising profession in the sector and became the single authority on development and strengthening of the advertising profession and the advertising agencies in Turkey. Thus, the members of TAAA are the leading advertising agencies who are eligible to reach the professional standards of TAAA at the same time (TAAA, 2007).

Second, only full-service advertising agencies (who are eligible to produce advertising solutions to be placed in the mass media) were included in the sample in order to make the comparison among the case studies. Those agencies who are specialized in one or two industries (i.e., Sportsnet) or whose main focus is not mass media advertising (i.e., Proximity) were excluded since these agencies are not compatible with full service advertising agencies in terms of their range of services, their corporate strategies, their sizes, etc.

Mediacat (2006) listed top 50 agencies according to their amount of advertisements placed at all media during the period of January-September 2006. Since there is no information (neither real figures nor the rate cards) attainable about the advertising agencies’ economic situation (e.g., profits, market shares, or returns), the units of analysis in this study were identified by using this list which seems to be the only resource to understand the economic performances of the agencies in the sector that can be taken as the indicator for competitiveness. Table 3.1 presents the list of top 50 advertising agencies in Turkey.

Table 3.1 Top Advertising Agencies of 2006

1	PARS MCCANN ERICKSON	26	ADR.COM.TR/ALTINCI DUYU
2	Y&R REKLAMEVİ	27	MOVİDAPLUS/MAP
3	OGILVY and MATHER	28	DDB
4	ALICE&BBDO ISTANBUL	29	3.KUŞAK
5	GUZEL SAN./SAATCHI&SAATCHI	30	THE KLAN
6	EURO RSCG/ISTANBUL	31	PROXIMITY
7	ALAMETIFARIKA	32	TBWA NETWORK
8	MANAJANS/JWT	33	NEO REKLAM
9	LOWE	34	CEN İLETİŞİM
10	GREY WORLDWIDE	35	İLANCILIK
11	MEDINA/TURGUL DDB	36	ADRENA
12	M.A.R.K.A	37	MOMENTUM TÜRKİYE
13	MARKOM/LEO BURNETT	38	KLAN/EURO RSCG
14	YORUM AJANS	39	TANITIM GRAFİK
15	RAFİNERİ	40	İLETİŞİM ÜNİTESİ
16	TBWA ISTANBUL	41	WIEDEN&KENNEDY
17	PİRAMİT	42	TEMPUS
18	ATCW	43	REPUBLICA
19	ART GRUP	44	INFO
20	DDA	45	ATT
21	RPM/RADAR	46	ISTANBUL SENKRON
22	ATLANTİS	47	SPORTSNET
23	ULTRA AJANS	48	ÖZGÜN REKLAM
24	FİKİR MERKEZİ	49	ELAN
25	FOOTE, CONE & BELDING	50	TASAR

Source: MediaCat, November 2006

Three performance levels that are assumed to show the agencies' competitiveness were determined among these top 50 agencies. The agencies placed in the top ten are defined as the agencies with superior level performance, those ranked from 10<sup>th</sup> to 20<sup>th</sup> as moderate level, and those ranked lower than 20<sup>th</sup> are defined agencies with less satisfying performance. In each group, one national and one multinational advertising

agency are selected in order to see the effect of ownership status of the agencies at the same performance level. Thereby, three multinational and three national agencies are included in the sample. Table 3.2 shows the chosen units of analysis in this study according to our selection process.

Table 3.2 The Units of Analysis

<p><b>Superior Performance</b></p> <p>McCann Erickson (multinational)</p> <p>Alametifarika (national)</p>
<p><b>Moderate Performance</b></p> <p>Publicis Yorum (multinational)</p> <p>Art Grup (national)</p>
<p><b>Less Satisfying Performance</b></p> <p>MovidaPlus/MAP (multinational)</p> <p>Altıncı Duyu (national)</p>

The case studies were carried out by conducting in-depth interviews with the agency representatives of the selected agencies. There were totally seven interviewees who are either the senior managers or the top managers of their agencies. The answers that required more detailed explanations or some small investigation; such as the ones related with human resources were gathered after the interviews through electronic mails. In addition, a prior research about the agencies was conducted prior to interviews to be fully informed about the recent operations of the agencies.

It should be noted that two of the previously selected agencies, namely TBWA-Istanbul and Ajans Ultra asked not to be included in the case studies after the interviews were conducted with the representatives of these agencies. It was stated that the managers had doubts about responding the questions which are found sensitive and highly confidential by them. Therefore, the selection process was repeated to find the new agencies in their categories. These two interviews played a pre-test role for the remaining interviews reported in this study.

## **Chapter 4**

### **Advertising Services**

In this chapter, advertising business which is the research subject of this dissertation will be examined in both global and local settings to understand the main parameters and characteristics of its competitive structure.

#### **4.1 The Nature of Advertising Services**

Advertising markets are composed of a heterogeneous set of companies including advertisers, advertising agencies, media organizations, and a variety of service suppliers such as packaging design firms, photographers, research organizations and different production firms (Belch and Belch, 1990). The advertisers or clients are the key participants in the markets; they have the products or services (brands in general) to be marketed. They provide the funds that pay for advertising and promotion efforts (Belch and Belch, 1990).

Advertising agencies specialize in the planning and execution of advertising programs for their clients as well as advising on marketing strategy, create and produce advertising messages, and place them in communications media (King III, Silk, and Ketelhöhn, 2003; Aaker and Myers, 1987). According to the American Association of Advertising Agencies (AAAA, 2008), an advertising agency is an independent business, composed of creative and businesspeople who develop, prepare, and place advertising media for sellers seeking to find customers for their goods or services. An advertising agency acts on the basis of an assignment placed by the client in which the client also delegates some decision-making authority to the agency (TAAA, 2007).

Advertising agencies differ according to their range and type of services and structure of their ownership. There are “full-service agencies” that have customer relations,

creative and media departments and have been organized in a manner to be able to serve their customers in all media. The full-service advertising agency concept was the most common organizational structure of the agencies till the 1980s in the USA (Horsky, 2006). Creative boutiques, which specialized in creative ideas generation, were mainly used by full-service agencies as sub-contractors. There are also specialized partial-service agencies which focus on some part of advertising and promotion process (i.e., agencies that specifically work at medical sector or produce only graphic solutions (TAAA, 2007). In addition, some advertising agencies have multinational status; they have either partnership or licensing agreements with multinational agency networks or are their subsidiaries. The world's leading advertising and marketing services firms are all public holding companies that own (partially or outright) numerous operating companies offering a wide variety of services to clients (Silk and Bendth, 2004). In general, the parent organization performs a coordinating role and supplies subsidiary organizations with support programs, systems, and resources (Silk and Bendth, 2004).

Comparing to the many firms in service sector, advertising agencies are small. Each agency serves for a small number of clients who generally requires not serving any other client from the same product market (Villas-Boas, 1994). These traits create a more partnership-type relationships (AAAA, 1997). Advertising markets are highly competitive. Not only advertising agencies compete with each other, but they also compete with media companies, and with advertiser's own advertising departments (generally called in-house agencies) (Horsky, 2006; Kotler, 2003).

A typical full-service advertising agency assigns a team dedicated to an account that offers various services covering consumer and media research, creative copy planning and execution, and media planning and buying. Account management links the agency and the client. It represents the agency to the client as well as the client to the agency. Account management brings business to the agency and is ultimately responsible for the quality of the advertisement. Account management workers carefully monitor the activities of the other areas to ensure that everything runs smoothly. Account managers and their assistants analyze competitive activity and consumer trends, report client billing, forecast agency income, and combine the talents of the creative, media, and research areas.



Above the account manager, the agency typically has VPs, senior VPs, executive VPs, etc., who are matched with similar functions at the client and make the relationship more closer (Russell and Lane, 1999). Figure 4.1 presents organization of a typical full-service agency.

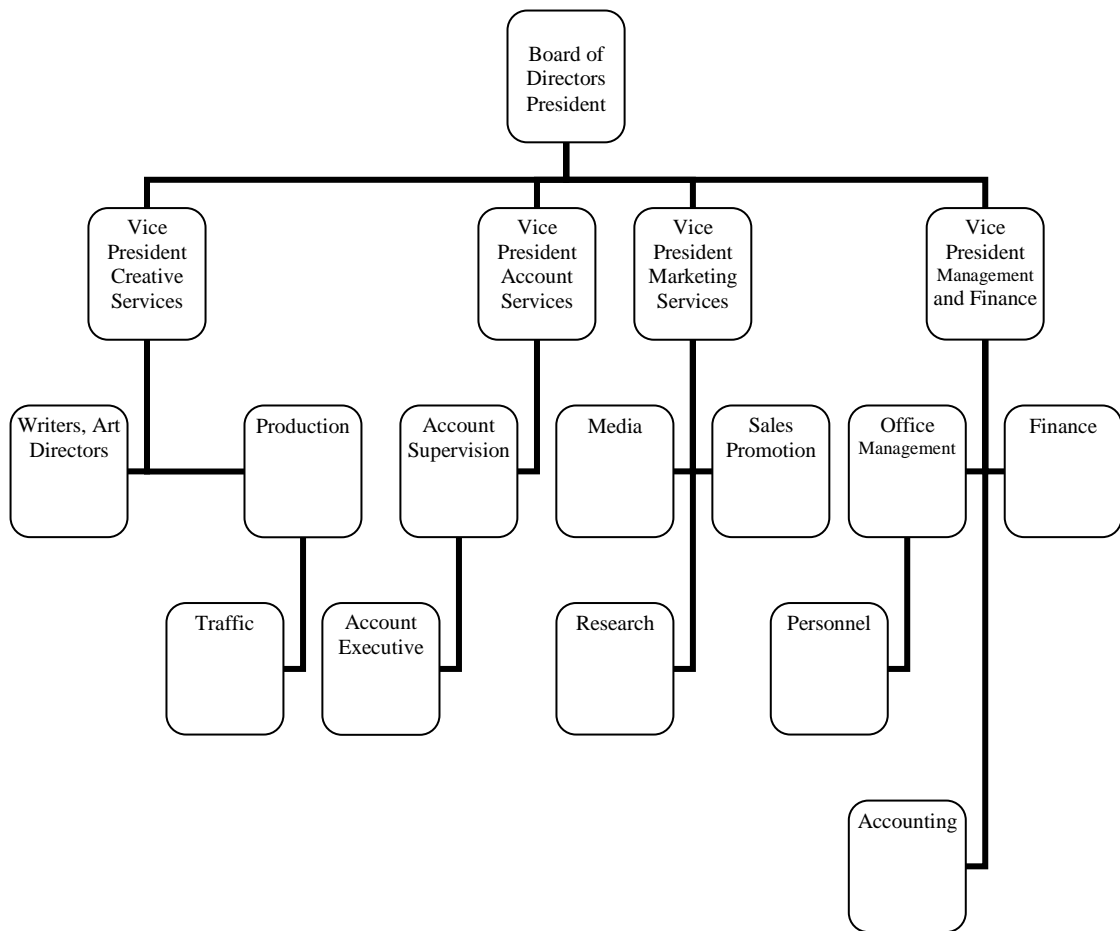


Figure 4.1 A Typical Full-Service Agency Organization

Source: Russell and Lane, 1999, p. 121.

The account management obtains the marketing brief from the client, and the creative department brings the idea to life. Here, creative staff work together to find the advertising idea and to transform it into an advertisement. As the idea takes shape, copywriters and their assistants write the words of ads-both the written part of print ads as well as the scripts of radio and television spots. Art directors and their assistants develop the visual concepts and designs of advertisements (Russell and Lane, 1999).

They prepare layouts for print ads and television storyboards, a cartoon style summary of how an advertisement will appear. They also oversee the filming of television commercials and photo sessions. Once completed, the ad is shown to the client. At this point, the job of the creative department could be over; however, based on the client's response, it is likely that the creative department staff will have to modify their ideas or develop an entirely different approach (Russell and Lane, 1999; Horsky, 2006).

The media department is responsible for placing advertisements in the right place at the right time, so they will reach the desired audience for the least amount of money. The media staff calculate the numbers and types of people reached by different media, and how often they are reached. Media buyers track the media space and times available for purchase, negotiate and purchase time and space for ads, and make sure ads appear exactly as scheduled (White, 2000). They work in firms representing radio stations, television stations, and publications. In the late 1980s, major changes have occurred in the structure of the agencies that media departments have become isolated from the agencies and specialized media shops have appeared. Zenith of Saatchi and Saatchi was the first of these to handle buying for the group's agencies in the UK and then the worldwide. Other agencies have followed the same application. In worldwide, large holding companies with several agencies and a separate media shop have emerged. The industry structure as a whole has been affected by this development that the agencies, mostly the single and local ones has returned to their core business; producing creative advertising ideas, and drop their media buying and planning services (White, 2000).

The research departments in the agencies was also transformed to provide strategic planning services in the mid 1990s (White, 2000). When the clients started to get more involved with marketing and advertising research, the people that are capable of interpreting the research results and proposing marketing insights to the client and as well as to the creative team in the agency are needed. Workers in the strategy planning department try to understand the wants, desires, motivations, and ideals of consumers in order to produce and place the most effective advertising in the most effective media. Strategy planning executives compile data, monitor the progress of internal and external research, develop research tools, and interpret and provide explanations of the data gathered. Strategy planning executives often specialize in specific research areas

and perform supervisory duties (Horsky, 2006; White, 2000). Support services and administration includes jobs ranging from janitors to administrative assistants to accountants and vary widely among agencies.

#### **4.2. Advertising Market in the World**

The modern advertising has developed mainly by the practices of the U.S. advertising agencies (Grabher, 2000). The way of handling client relations, organization of the staff and work processes, creative strategies and brand planning approaches, ethical codes and norms, shortly the management style of U.S. advertising agencies shaped the advertising profession and guided the agencies in worldwide (Russell, and Lane, 1999; Roberts, 2000). Although it traced back to the 1700s, advertising was acknowledged as a profession and gained importance by the 1850s by the effects of the first newspapers in the USA. The development of modern advertising has also dependent upon the development of mass media (Tikveş, 2005).

Following the large Fordist companies, U.S. advertising agencies moved abroad in response to the needs of internationalizing clients to deal with a single agency. The advertising industry followed client industries not just in organizational terms but also in terms of the geography of production worldwide. As early as 1899, J.Walter Thompson, the first major U.S. agency to move abroad, set up an office in London (Mattelart, 1991). Before World War 2, the U.S. agencies operated in Britain through alliances, called “associations” in the trade. However, the post-war period saw a series of client-driven acquisitions of British firms and the establishment of branch offices. Parallel to the increase in international activities of U.S. firms since 1950s, U.S. advertising agencies also established transnational operations by following their transnational clients (Aydin, Terpstra, and Yaprak, 1984). Since World War II, U.S.-based transnational advertising agencies (TNAAs) have established strong networks in diverse regions of the world and have continued to dominate the international advertising industry (Kim, 1995).

The trend for globalization of markets (Lewitt, 1983) and the increase in joint ventures (Ducoffe, and Smith, 1994) have important effects on the internationalization of advertising agencies. Terpstra and Yu (1988) state that the main motive of advertising

agencies to go abroad is to serve their home country client firms in foreign countries. Because they have knowledge about their home country client firms, service firms may be able to better serve them in foreign countries than local firms or any other service firm. Further, Terpstra and Yu (1998) observed that advertising agencies enter foreign countries with large market size and do not see differences between countries according to their geographic locations. The advertising agencies tend to operate internationally with larger firm sizes, and expand their international activity as much as they got experienced internationally.

Recently, the global expansion of US agencies has been accelerated through mergers and acquisitions or joint ventures with host countries. This phenomenon has occurred to not only among U.S.-based TNAAs but also among other developed countries' agencies such as Japan and Western Europe (Roberts, 2000). Ducoffe and Smith (1994) state that mergers and acquisitions, or any consolidation activity of the advertising agencies do not have a drastic affect on the competition since the industry has continued to grow. Through acquisitions, the agencies strengthened their financial structure and service qualities so that they could trace larger clients domestically or internationally (Ducoffe and Smith, 1994). The leading international advertising centers ranked in terms of local advertising billings are New York and Tokyo. They are followed by London, Paris, Chicago, Los Angeles, Detroit, Düsseldorf, Madrid, and Seoul. Almost every country has an advertising agency center, such as Madison Avenue of New York for the USA, Soho of London for the UK (Russell and Lane, 1999).

In terms of advertising expenditures, the USA is still the leading country of the world followed by large Asian nations (Ad Age, 2007). In 2007, total advertising expenditures in the world reached to \$ 633.82 billion, and it is expected to reach \$ 653.9 billion in 2008 by a gain of 4.6% (Universal McCann, 2007). It is also forecasted that the U.S. market for advertising will grow much slower than the rest of the world, rising only 3.7% to reach \$ 294.4 billion in 2008. In addition, advertising expenditures of the global clients in overseas will grow by the contributions of many emerging markets that non-US advertising expenditures is expected to increase 5.3% to 359 billion at the end of 2008.

Table 4.1 summarizes the growth of advertising markets in the USA and the rest of the world from an 18<sup>th</sup> year retrospective. Comparing to the beginning of the new millennium, there has been a decline in the importance of advertising in recent years in the USA and the rest of the world as well. It is apparent that the new media and the new form of advertising (digital advertising) have begun to shade the importance of traditional media.

Table 4.1 Worldwide Ad Growth: 1990-2008

	USA		Overseas		Total World	
	Billion US \$	% Change	Billion US \$	% Change	Billion US \$	% Change
1990	130.0	3,9	145,9	11,8	275,9	7,9
1991	128.4	-1,2	153,9	5,5	282,3	2,3
1992	133.8	4,2	165,4	7,5	299,2	6
1993	141.0	5,4	163,2	-1,3	304,2	1,7
1994	153.0	8,6	179	9,7	332	9,1
1995	165.1	7,9	205,9	15	371	11,7
1996	178.1	7,4	212,1	3	390,2	5,2
1997	191.3	8	210	-1	401,3	2,8
1998	206.7	7,6	205,2	-2,3	411,9	2,6
1999	222.3	11,3	213,6	4,2	436,1	5,9
2000	247.5	6,5	226,8	6,1	474,3	8,8
2001	231.3	2,4	209,6	-8,6	440,9	-7,9
2002	236.9	3,6	213,6	1,9	450,5	2,2
2003	245.5	7,4	244,4	14,4	489,9	8,7
2004	263.8	2,8	279,8	14,5	543,6	11
2005	271.1	3,9	298	6,5	569,1	4,7
2006	281.6	0,7	323	8,4	604,6	6,2
2007	283.9	0,7	341,4	5,7	625,3	3,4
2008	294.4	3,7	359,5	5,3	653,9	4,6

Source: Universal McCann, 2007, p.7

Today's global advertising has been directed mainly by four holding companies, Omnicom Group, WPP Group, Interpublic Group of Companies, and Publicis Groupe.

These groups are also called parenting networks since they include many popular agency brands in their bodies. Dentsu of Japan is also a powerful agency group, but it serves relatively in a limited location, operates in some Asian countries (Ad Age, 2007). Table 4.2 lists the top 10 marketing organizations in the world. Still, the U.S. dominance in international advertising industry can be observed.

Table 4.2 World's Top 10 Marketing Organizations Ranked by Worldwide Revenue  
(in 2006 in millions of USD)

RANK		AGENCY	HEAD- QUARTERS	WORLDWIDE REVENUE			U.S. REVENUE		
2006	2005			2006	2005	% CHG	2006	2005	% CHG
1	1	<b><u>Omnicom Group</u></b>	New York	\$11,376.9	\$10,481.1	39576	\$6,194.0	\$5,743.9	39667
2	2	<b><u>WPP Group</u></b>	London	10,819.6	9,739.8	39458	4,195.9	3,818.8	39700
3	3	<b><u>Interpublic Group of Cos.</u></b>	New York	6,190.8	6,274.3	-1.3	3,441.2	3,461.1	-0.6
4	4	<b><u>Publicis Groupe</u></b>	Paris	5,871.3	5,472.2	39514	2,676.6	2,533.1	39634
5	5	<b><u>Dentsu</u></b>	Tokyo	2,950.7	2,887.8	39480	46.5	48.4	-4.0
6	6	<b><u>Havas</u></b>	Suresnes, France	1,841.0	1,808.0	39661	687.4	712.8	-3.6
7	7	<b><u>Aegis Group</u></b>	London	1,825.8	1,577.6	39644	489.4	446.1	39638
8	8	<b><u>Hakuhodo DY Holdings</u></b>	Tokyo	1,337.0	1,364.0	-2.0	0.0	0.0	NA
9	13	<b><u>aQuantive</u></b>	Seattle	442.2	308.4	43.4	352.1	270.3	30.2
10	9	<b><u>Asatsu-DK</u></b>	Tokyo	430.0	444.8	-3.3	39693	39631	39666

Source: Marketer Profiles Yearbook, Ad Age' Annual, 2007.

The most successful agency brands and their networks are listed in Table 4.3 Since Dentsu is relatively a small group, it is normal for its main agency to be the leading

agency in the world. The other networks have several successful agency groups in their bodies; therefore their total revenue is dispersed.

Table 4.3 Top 10 Core Agencies Worldwide  
By worldwide revenue from traditional advertising in millions of dollars

RANK				WORLDWIDE REVENUE*		
2006	2005	AGENCY	HEADQUARTERS	2006	2005	% CHG
1	1	Dentsu [Dentsu Inc.]	Tokyo	\$2,213.0	\$2,165.9	39480
2	3	BBDO Worldwide [Omnicom]	New York	1,539.9	1,425.8	8.0
3	2	McCann Erickson Worldwide [Interpublic]	New York	1,479.2	1,461.1	39479
4	4	JWT [WPP]	New York	1,286.5	1,245.0	39510
5	5	DDB Worldwide Communications [Omnicom]	New York	1,263.9	1,190.6	39484
6	6	Publicis [Publicis]	New York/Paris, N.Y./France	1,177.8	1,154.2	2.0
7	7	TBWA Worldwide [Omnicom]	New York	1,135.0	950.2	39557
8	8	Leo Burnett Worldwide [Publicis]	Chicago	909.0	889.1	39480
9	10	Y&R [WPP]	New York	820.0	788.0	39451
10	9	Hakuhodo [Hakuhodo DY Holdings]	Tokyo	780.0	788.0	-1.0

\*Figures exclude revenue from non-advertising operations such as direct marketing, sales promotion, interactive, media buying and planning.

Source: Marketer Profiles Yearbook, Ad Age Annual, 2007.

### **4.3. Advertising Market in Turkey**

According to the definition given by Turkish Association of Advertising Agencies (TAAA), Turkish advertising sector includes the advertisers, the advertising agencies, the media agencies, the advertising mediums and the producers that take a part in the production of advertisements. The advertisers cover a wide range of clients including retailers, large manufacturers and marketing holdings while the terms of an advertising agency or a media agency cover approximately 100 companies and the production companies refer to nearly 30 film production companies in Turkey (TAAA, 2007).

TAAA includes 83 “full service” agencies in its body. Only two of these member agencies have been established before 1960. There are 57 agencies founded after 1980 parallel with the macroeconomic reforms of the government and entry of foreign companies into Turkey. 21 of the 83 members of TAAA have either become partners with a foreign agency by assigning shares or have established cooperation with such an agency (TAAA, 2007).

There are various institutions in Turkish advertising sector serve for the improvement of the quality of work standards for advertising people, such as Turkish Association for Advertising Agencies (TAAA), Turkish Advertisers Associations, Advertising Creative Associations, Advertising Foundation (AF), International Advertising Association–Turkey chapter (IAA-Turkey), Ankara, İzmir, Antalya, Bursa Advertising Agency Associations. Advertising Foundation acts as an important medium for the training and development and recruitment of advertising people through its training programs and workshops and specific internship and recruitment programs. There are two main trade publications, Mediacat, and Marketing Türkiye where all news, information and analyzes related to the sector are shared and monitored. In 1989, TAAA established a contest, namely Crystal Apple among advertising agencies in order to stimulate creativity and to get the attentions of advertisers. Winning at Crystal Apple has become a quality standard for the agencies and played a similar role with Oscar’s of Hollywood. There are hierarchical awards at Crystal Apple, like giving Golden Apple to the best of best, and giving Crystal Apple’s to each category winners. There are also various achievement awards for the agencies which have impressive



works. Each year, TAAA's management board assigns a committee including the leading advertising professionals in order to select the best creative advertisements for a given year. Because creativity is a subjective issue, there have been a lot of discussions about the results of Crystal Apple contests. Therefore, Epica contests which focus on efficiency and return on investments rather than creativity have been conducted biennial by the joined efforts of TAAA and Turkish Association for Advertisers (Clients). The third popular contest in Turkish advertising sector is Kırmızı (Red) of Hürriyet newspaper group which rewards successful and impressive press advertisements. It is organized annually.

Comparing to the many countries, Turkey has a very small advertising sector. Especially from the point of total advertising expenditure per person, Turkey is behind of many Western countries. Also some countries like Hungary, Czech Republic, Russia, and Poland are far ahead from Turkey by noticing the fact that those countries have recently adapted more liberal macroeconomic policies. Table 4.4 presents the advertising expenditure per person in major countries.

Table 4.4 Comparison of the Major Countries on Advertising Expenditure in 2004  
(per person in USD)

USA	547
UK	347
Japan	315
Germany	243
Greece	229
Hungary	216
Canada	212
France	206
Italy	179
Spain	179
Czech Republic	147
Poland	88
Russia	27
Brazil	25
Turkey	19

Source: Advertising Annual. Bilesim Medya, 2005.

Despite the low rate of advertising investment in Turkey comparing to the Western countries, the industry has been progressing. After the economic crisis in 2001, the industry showed a 30 % growth, and noticeably in 2004, it captured a 49 % growth rate, and in 2005 it gains a 30 % growth. In 2005, European advertising investments were increased only 3 %, and in the world total, there was a 5 % increase in advertising expenditures (Bilesim Medya, 2005). Similarly, there was remarkably a 24 % growth in Turkish advertising sector in 2006 while European advertising market was in a steady growth (Mediacatonline, 2007). Table 4.5 shows the growth and the distribution of advertising investments in media for the period of 1997-2006.

Table 4.5 Distribution of Advertising Expenditures in Media in Turkey  
(in USD in billions)

Mn\ \$	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>TV</b>	400	380	389	450	232	348	448	651	873	995
<b>Newspaper</b>	332	348	328	363	198	251	310	452	590	630
<b>Magazines</b>	58	61	59	67	28	32	36	47	63	73
<b>Outdoor</b>	67	69	75	90	42	50	47	53	65	110
<b>Cinema</b>	15	14	13	13	6	8	11	16	20	23
<b>Radio</b>	53	58	60	75	30	35	40	46	62	70
<b>Total</b>	<b>925</b>	<b>930</b>	<b>924</b>	<b>1.058</b>	<b>536</b>	<b>724</b>	<b>892</b>	<b>1.265</b>	<b>1.673</b>	<b>1.900</b>

Source: TAAA, 2007

In 2007, the total advertising expenditures in Turkey reached nearly \$ 2.700 billion by the effects of the political campaigns and the new foreign companies which started to operate in Turkey (Mediatext, 2008). The high growth rate of Turkish advertising investments, young population, having a developing economy which attracts foreign direct investments are seen as the main motives of the multinational advertising agencies' entrances to the Turkish advertising industry (Kaynak, *et al.*,1994).

The first full-service advertising agency that also gained the multinational status earlier than many others was Manajans of Eli Acıman who is unquestionably seen as

the legendary authority in Turkish advertising sector. Manajans made a partnership agreement with J. W. Thompson in 1985 which is a UK based one of the leading advertising networks globally. Pars McCann Erickson was the other pioneering agency who had been the first to attain a multinational status by making a licensing agreement with McCann Group Worldwide. At the same year with Manajans, Pars McCann made a partnership agreement with its network group, and then owned solely by its network. As the local market and the advertising sector grew, more and more multinational agencies have entered into Turkish market. Even, some agency groups entered with two or three agencies. The agencies belong to the same group are listed in Table 4.6.

Table 4.6 The Parent Companies/Networks and Their Agencies in Turkey

<b>WPP Group</b>	<b>Interpublic Group</b>	<b>Publicis Group</b>	<b>Omnicom Group</b>
Manajans/JWT Ogilvy & Mather Y&R Reklamevi Grey Advertising	Pars Mc Cann Yaratım/FCB	Markom/Leo Burnett Publicis Yorum Güzel Sanatlar/ Saatchi & Saatchi	Medina Turgul/DDB TBWA

Source: TAAA, 2007

These holding agencies have multi-structural forms; include several companies specialized for the clients' various marketing communication related needs, such as public relations, sales promotions, media planning and buying, direct marketing, medical or healthcare communications, etc. Thus, their service range comparing with many local and single companies are richer and diversified. There are very few local companies who operate as holding companies, such as Mavi İletişim, Rekta Ajans, etc. (Capital, 2006). The successful agencies according to the amount of their advertisements placed on the media are shown in Table 4.7. It is seen that there is only one local agency among the top ten agencies. Therefore, it could be said that multinational agencies have dominant position in competition, and directing the Turkish advertising sector.

Table 4.7 Top Advertising Agencies of 2006

1	PARS MCCANN ERICKSON	26	ADR.COM.TR/ALTINCI DUYU
2	Y&R REKLAMEVİ	27	MOVİDAPLUS/MAP
3	OGILVY & MATHER	28	DDB
4	ALICE&BBDO ISTANBUL	29	3.KUŞAK
5	GUZEL SAN./SAATCHI&SAATCHI	30	THE KLAN
6	EURO RSCG/ISTANBUL	31	PROXIMITY
7	ALAMETIFARIKA	32	TBWA NETWORK
8	MANAJANS/JWT	33	NEO REKLAM
9	LOWE	34	CEN İLETİŞİM
10	GREY WORLDWIDE	35	İLANCILIK
11	MEDINA/TURGUL DDB	36	ADRENA
12	M.A.R.K.A	37	MOMENTUM TÜRKİYE
13	MARKOM/LEO BURNETT	38	KLAN/EURO RSCG
14	YORUM AJANS	39	TANITIM GRAFİK
15	RAFİNERİ	40	İLETİŞİM ÜNİTESİ
16	TBWA ISTANBUL	41	WIEDEN&KENNEDY
17	PİRAMİT	42	TEMPUS
18	ATCW	43	REPUBLICA
19	ART GRUP	44	INFO
20	DDA	45	ATT
21	RPM/RADAR	46	ISTANBUL SENKRON
22	ATLANTİS	47	SPORTSNET
23	ULTRA AJANS	48	ÖZGÜN REKLAM
24	FİKİR MERKEZİ	49	ELAN
25	FOOTE, CONE & BELDING	50	TASAR

Source: Mediacat, 2006, Nov. 15.

## **Chapter 5**

### **Case Studies**

In the following part, the six selected agencies are examined as case studies. The cases are listed according to the agencies' performance categories to be able to make cross-examination between the agencies in the same category and to demonstrate the main differences among the performance categories. First, the agencies at the less satisfying performance category will be presented. Then, the agencies at the moderate performance category, and at last, the agencies at the superior performance category the case studies will be introduced.

#### **5.1 Case 1: MovidaPlus/MAP**

##### **A Multinational Agency with Less Satisfying Performance**

###### **5.1.1 Background**

Movida was founded in 1990 by a former journalist, Dürin Ababay. The name of the agency is a Spanish word that means "time to act". In 1994, with the participation of a well-known creative director, Oğuzhan Akay, the agency was renamed MovidaPlus and joined the Turkish Association of Advertising Agencies (TAAA). In 1995, MovidaPlus signed a licensing agreement with an independent international advertising network called MAP and has used the MAP extension at the end of its name. MAP is a 20 year-old French oriented independent advertising network which has members throughout Europe. However, detailed information about MAP's position compared to its competitors is not available. The main industrial research reports (e.g., Advertising Age's annual reports, etc.) do not cover MAP's network in their studies.

MovidaPlus/MAP grew quickly and became Turkey's fastest rising agency by the end of 1995. The agency jumped from 29th to 15th in rank for advertising agencies' annual returns (e.g.; Bilesim Medya annual reports). Furthermore, MovidaPlus/MAP graciously received its first international award (Epica Short List) for its campaign for Loft jeans that year.

In the following years, MovidaPlus/MAP has been positioned as a medium scale agency based on the number of employees and its revenue. The agency has successfully maintained its position over the years and has become an agency that swings between 15th and 30th in the annual advertising agencies' returns listings.

## **5.1.2 The Firm's Resources**

### **5.1.2.1 Tangible Resources**

MovidaPlus/MAP is a limited company with two shareholders and had multinational agency status for 12 years. There are 34 employees in the agency. The operational staff, which is responsible for the core activities of the agency, is composed of 24 people. There are 3 core teams (the creative team, the brand team, and the strategic planning team), with 3 supporting teams, including the management team, media relations and the production units. The average age of employees is 27. There are an equal number of men and women in the agency. Table 5.1 presents the employee structure of the agency.

Table 5.1 MovidaPlus/MAP Employee Structure

	<b>Number of People</b>	<b>Number of Directors</b>	<b>Gender</b>
<b>Creative Team</b>	12	3	2 females, 10 males
<b>Brand Team</b>	6	2	6 females
<b>Strategic Plan. Team</b>	3	1	3 females
<b>Management Team</b>	4	4	2 females, 2 males
<b>Media Unit</b>	1	1	1 female
<b>Production Unit</b>	1	1	1 male
<b>Other Staff</b>	9	2	4 females, 5 males
<b><i>Total*</i></b>	<b><i>36</i></b>	<b><i>13</i></b>	<b><i>17 Females, 17 Males</i></b>

\* The Creative Director (male) and the Group Account Director (female) are also counted in management team

It is stated that there is an average of a 15% annual employee turnover at the agency. The formal working hours are between 9:00 a.m. and 7:00 p.m., Monday through Friday. However, in case of an urgent campaign preparation, these hours can be extended. The agency is very concerned about creating routine working hours. Therefore, in order to maintain good teamwork, they emphasize starting and finishing all work together within acceptable time limits.

Among the employees, the number holding bachelor's degrees represents the largest group. All the people in the core teams have a bachelor's degree and a small number have another advanced degree. There is only one person who has an international advanced degree. Table 5.2 presents the educational formation of the employees.

Table 5.2 Employee's Educational Status

Employees who have advanced university degrees (MA; MBA; PhD, etc):	2%
Employees who have an international diploma:	1%
Employees who have a university or relevant degree:	80%
Employees with high school diplomas or less:	17%

The employee wages in MovidaPlus/MAP include monthly salaries and lunch expenses. The employee's salaries may vary according to the employee's experience, education and his/her creative work.

The management board also includes the group account director and the general manager along with the owners. One of the owners, Oğuzhan Akay, acts as both vice-president and creative director.

### **5.1.2.2 Intangible Resources**

#### **Reputation**

The reputation of MovidaPlus/MAP depends mainly on the work done for its main client; Fortis, and the efforts of the agency's top manager, Oğuzhan Akay. Fortis, formerly known as Dışbank, has been a client of the agency for 6 years. After Dışbank sold out to Fortis, the bank still continued to work with MovidaPlus/MAP. Fortis is the only global account that Movida holds, and it alone covers 50% of its total client portfolio. In 2006, the Think Marketing Grand Award organized by the Marketingist Fair was given to Fortis, which had grown rapidly in its industry.

Although MovidaPlus/MAP has no clients among Turkey's top 100 advertisers, it holds two well-known Koç Holding brands in its portfolio; Lipetgaz and Mogaz. Koç Holding and its group of companies are known for their sensitivity for their advertising agencies and for their selection of other suppliers. Once a Koç brand is acquired, it produces a very good reference for other Koç companies and for other companies as well. When analyzing the movement in MovidaPlus/MAP's client portfolio, it is seen that within the last 5 years, 50% of the client portfolio was renewed.

The agency has been represented in several industrial organizations. The agency's external relations are developed mainly by Oğuzhan Akay. He was a member of the Managerial Board of the Turkish Association of Advertising Agencies (TAAA) in 2003. He was also the former president of the Advertising Copy Writers Association in 1992, and currently he works as the General Secretary of this association. He served



several times as jury president and jury member for the Crystal Apple awards given by the TAAA. The agency is also a member of the Advertising Foundation. The agency has attended the Marketingist Fair organized by Marketing Türkiye since its beginning in 2005. The Marketingist Fair is the first and the only organization in the industry that brings together both the marketing and communication environments.

### **Creativity**

Over the years, the agency's creativity has received awards from various organizations. Since its foundation, the agency has received 16 awards from national and international contests. In the last 5 years, the agency won 2 Crystal Apple achievement awards, in 2002 and 2005.

### **5.1.3. The Firm's Capabilities**

#### **5.1.3.1 Organizational Capabilities**

##### **Employee Involvement**

MovidaPlus/MAP provides a friendly work environment that makes everyone feel comfortable and open to each other. Employees are seen as part of a close family, and their rights and well-being are always preserved. However, MovidaPlus/MAP is not an agency that has regular staff meetings. There are no planned meetings or specified dates organized between the top management and the employees. However, there are no formal rules or restrictions about employees sharing their views or personal concerns with the top management.

There is no planned investment given for the training and development of employees. Generally, the demands of employees and their position in the agency are evaluated for making decisions about their participation in a workshop or seminar. In-house briefings or meetings are conducted spontaneously. In these meetings, employees watch some recent international commercials and share their views about them.

Additionally, there are no formal procedures defined for advancement or other rewards. At the end of a year, successful employees may earn extra bonuses, typically

an amount equivalent to a month's salary. However, there is no formal definition of superior performance. The distribution of bonuses and other rewards might be subject to the management's personal evaluation. Thus, performance evaluations do not follow a formal rule or methodology.

### **Service Quality**

After the entrance of independent global media agencies to the industry, MovidaPlus/MAP's media services were diminished. Like many other agencies, MovidaPlus/MAP includes a media agent in its organization to assist its clients with their media decisions and to gain consistency on brand strategy at every point. In that sense, MovidaPlus/MAP's main job is to provide creative advertising ideas that will be placed in the mainstream media. For alternative media requests, like the Internet, mobile phones, or direct mailing, the agency calls in third parties for this work. However, there are no specified suppliers for the agency. According to the type of job and the conditions of the day, the agency chooses a supplier to work with. According to its business definition, MovidaPlus/MAP develops brand ideas and serves to create and strengthen brands. The agency has no specific branding tools or trademark of its own.

There is a standardized form for client and creative briefing used in the agency. The agency does not request written briefing from its long-term clients. However, creative briefing must be written by the brand team and distributed to the creative team's members.

Fortis is the key client of the agency, taking up nearly 50% of their total portfolio. Also, it is their oldest client, for a total of 6 years, including the Dışbank period. There is no formal agency evaluation of Fortis; at least, they do not share it formally. Occasionally, they share their opinions about the agency's performance with the senior managers.

In the past, the agency applied to outsource some of its creative work and assigned some freelance employees. However, the agency had some trouble with the quality of

the outcome. After that, the outsourcing was dropped. Now, the management tries to solve its workload internally.

### **Organizational Structure**

As in classical agency structure, MovidaPlus/MAP has been organized into account teams. Although they call them brand teams, they basically apply a conventional account management system. There is one Group Brand Director responsible for all client relations. Under her command, there is one supervisor managing all clients' work flows. There are four brand executives that are assigned for a group of clients and one departmental assistant responsible for daily office activities. The brand teams organize weekly meetings to analyze work status and coordinate the related work. Then they share their results with the top management and creative team, as well as their clients. In MovidaPlus/MAP, owners are not involved in routine activities of the agency; rather they interfere when they are needed in the top level client meetings or in crisis situations. However, they are well-briefed about the ongoing works and important decisions and operations must be implemented by getting their consents.

The brand teams work cooperatively with all the departments in the agency, especially with the creative team and the strategic planning team. The creative team is managed by one director and includes 2 copy heads, 3 copy writers, 2 art directors and 3 operators. A creative team is structured according to the accounts, and there are 3 groups in the creative team. There is a strategic planning department in the agency. Currently, there are three people working in the department whose main duties are long and short term brand planning for the clients.

The relations with the network do not bring any official obligation to the agency. There is no control of the headquarters, financially or operationally. Network support is evident in the stages of sharing knowledge and creative insights. Additionally, there are no formal rules or norms identifying the agency's way of working or its business philosophy. There is also no orientation process for new employees. The agency structure and its business philosophy are acquired through on the job training and through the guidance of other employees.

### **5.1.3.2 Managerial Capabilities**

#### **The Top Manager's Credibility**

The top manager is Oğuzhan Akay who actively works as the creative director and vice-president. He is a well-known advertising professional and has been working in the industry for more than 20 years. In addition to his participation in industrial organizations (as mentioned earlier), he actively takes place in industrial gatherings, like attending copy break contests, writing on advertising blogs and forums, etc. Oğuzhan Akay was the producer and presenter of the first advertising program on TV, "Bay Şapka," which was aired between 1995 and 1997. He graduated from the Journalism and Public Relations program at Gazi University.

During his career, Akay has won 22 grand awards including one international award, the Epica Short List, and 40 achievement awards while dealing with the launch and re-launch of more than 200 brands. He is also a well-known poet, with 4 published books. Furthermore, he has 2 books of essays and currently works as a columnist in one of the daily newspapers.

Akay gives seminars and training courses about creative writing in several workshops organized by the Advertising Foundation and Mediacat. He also gives lectures at Bilgi University, Boğaziçi University, and Anadolu University.

#### **Managerial Knowledge**

The management board, with an average of 18 years of experience, is one of the most experienced teams in the industry. All the managers have bachelor's degrees. The management team thus far has not attempted to join a personal development program or any training courses to upgrade their managerial skills and knowledge. There is also no consultant working for the management team.

Two main national industrial publications, Mediacat and Marketing Türkiye and the main business publications like Capital, Power, TurkishTime and the daily newspapers

are followed regularly by the management team. Nevertheless, information about rivals and the industry is generally collected through word-of mouth communication. Therefore, the agency values taking part in industrial events frequently in order to be close to its competitors.

### **Managerial Strategy**

The annual and long term strategies are developed by the owners, and they are communicated to the senior managers. For the managers, maintaining the same position is more important in terms of providing the same quality of service than expanding the client portfolio. Therefore, MovidaPlus/MAP does not include a new business division. If there is a new opportunity, the General Manager directs the new business activity. Although the agency attended several advertising pitches organized by the main advertiser companies in the past, there is no specific record of the attendance for those pitches.

A general employment criterion for all levels and for all departments is to acquire people who are curious and ambitious about learning new things and who are open for development. Creative people are chosen according to their portfolio and experience in the industry. The people that are selected for the client teams must be solution oriented and experienced in large account management. There is no program developed for finding new talents. However, annually 2 or 3 students assigned from the TAAA are accepted as interns to work for a month, and the successful ones are hired if there is an opening in the agency.

#### **5.1.4 Firm's Knowledge**

MovidaPlus/MAP has had a great deal of experience, especially in four industries; Print Media (Radikal, Posta, Hürriyet), Finance (Demirbank, YK Sigorta, Fortis, Ideal Emeklilik), Energy (Aygaz, Mogaz, Lipetgaz), and Apparel (Penti, Loft). Especially, in the finance industry, the senior managers have many years of experience gained at other agencies.

In terms of sharing knowledge, network support is occasionally requested. When preparing advertising pitches, MovidaPlus/MAP may request some help from the network to look for any creative work done for a similar account. Sometimes, specific industrial reports and analyses are mutually shared between the network and MovidaPlus/MAP.

MovidaPlus/MAP does not have any formal or informal relations with other advertising agencies in terms of exchanging views about the industry. TAAA and Advertising Foundation meetings are regularly followed to share the agency's views about industry related issues. There are also no formal relations with universities or academic institutions.

Information in the agency is generally conveyed through face- to- face communication. There is also an intranet used for distributing information and memos in the agency. MovidaPlus/MAP is the only agency which has an advertising blog, Movidaca, which has approximately 80 hits every day. Movidaca consists of the thoughts of Movida's workers about advertising, business, art, and life in general. Two main industrial publications; Mediacat and Marketing Türkiye, the main business magazines, daily newspapers and Shots (recent international commercial DVDs) are regularly monitored in the agency.

## **5.2 Case 2: Altıncı Duyu**

### **A National Agency with Less Satisfying Performance**

#### **5.2.1 Background**

Altıncı Duyu was founded in 1999 by a group of long time colleagues. Of the five founders, Ahmet Kip and Neva Kip had been working together for more than ten years starting from Markom/ Leo Burnett. They were working at Alice BBDO when they initiated the establishment of the new agency. The other founders are their colleagues from one of these two agencies.

To base the new agency on solid ground, the management team conducted a qualitative research study to discover the unmet needs of major advertisers. They aimed to identify their prospective clients' expectations that were not being satisfied by current advertising agencies at the time being.

When they became the first two clients of the new agency, Osmanlı Bankası and Bosch gave credibility to the new advertising company. Both of these client companies were already working with the agency's founders when they were at Alice/BBDO. So, when the agency team decided to establish their own agency, these two clients chose to work with the same team without considering which actual agency provided their advertising services. This situation is especially unusual for Bosch, which has a reputation for working with multinational (network) agencies globally. However, in this case, it preferred a newly founded local agency over a multinational one.

Altıncı Duyu is one of the medium scale agencies whose work and organizational capabilities are often admired and valued (e.g. [www. sozluk.sourtimes.org](http://www.sozluk.sourtimes.org)). It is one of the two local agencies which have an in-house media planning and buying department. Compared to multinational holdings with strong media buying and planning companies, the agency has remarkable competitive abilities.

## 5.2.2 The Firm's Resources

### 5.2.2.1 Tangible Resources

The five founders of the company are still the shareholders. As stated in the partnership agreement, all partners have to be actively involved in the agency's business and must work for the agency exclusively. This situation is not a common practice in the industry. The shareholders have agreed that they will not have additional businesses and will not sell their shares without getting the consents of the all members of the management board.

There are 28 employees working at the agency and 64% of them (18 people) are responsible for the core activities. There are 3 core teams (the creative team-including production; the account team; and the media planning and buying team) and 2 support teams (the management team and the strategic planning unit). The employee structure of the agency has a balance in terms of gender where there are almost an equal number of male and female employees. The average employee age is 33. Table 5.3 indicates the employee structure of the agency.

Table 5.3 Altıncı Duyu's Employee Structure

	<b>Number of People</b>	<b>Number of Directors</b>	<b>Gender</b>
<b>Creative Team</b>	10	3	6 females, 4 males
<b>Account Team</b>	5	3	5 females
<b>Strategic Plan. Team</b>	1	-	1 male
<b>Management Team</b>	5	5	2 females, 3 males
<b>Media Unit</b>	3	1	1 female, 2 males
<b>Other Staff</b>	9	2	3 females, 6 males
<b>Total*</b>	<b>33</b>	<b>14</b>	<b>15 Females, 13 Males</b>

\* Including department directors who are also counted in the management team



The educational backgrounds of the employees are quite strong. All employees working in the core teams have university or higher degrees and know at least one foreign language. Table 5.4 presents the educational formation of the employees.

Table 5.4 Employee’s Educational Status

Employees who have advanced university degrees (MA; MBA; PhD, etc):	25%
Employees who have an international diploma:	NA
Employees who have a university or other relevant degree:	72%
Employees with high school diplomas or less:	3%

The formal working hours are from 9:00 a.m. to 6:00 p.m., Monday through Friday. Infrequently, these hours can be extended, but the normal workload of the agency does not require working excessive hours. The annual employee turnover rate is close to 12% based on records from the past 5 years.

In terms of income, employees are paid lunch expenses and provided with private health insurance in addition to their monthly salaries. The salary levels might vary based on years of experience and level of education. Although not declared officially, a bonus equal to one month of salary is paid to each employee at the end of each year.

#### **5.2.2.2 Intangible Resources**

##### **Reputation**

The strong relationship between the agency and its main client, Bosch-BSH Group, is a major indicator of the agency’s reputation. From the industry’s perspective, Bosch’s preference of Altinci Duyu over Alice/BBDO encouraged local agencies that seek multinational clients, as well as encouraging multinational advertisers to consider local agencies to work with.

Türkiye Finans Katılım Bank, which is one of the top 100 advertisers in Turkey (Bileşim Medya, 2006) is another source of credibility for the agency in terms of their

client portfolio. The portfolio includes five global brands, including Pfizer, Olivetti, Blaupunkt, and Telefunken in addition to Bosch. The agency's client turnover rate for the last 5 years is 61%. However, the rate also includes a few clients that are no longer in business, like Osmanlı Bank and İktisat Bank.

Although the agency is a member of the Advertising Foundation, and the agency president and the deputy creative director have led the creative award juries of the Crystal Apple and Kırmızı contests several times, the top management does not really appreciate the awards won as a source of an advertising agency's credibility. According to the management, an agency can only build a reputation by creating extraordinary work. Therefore, the top management prefers to be recognized for their creative solutions rather than for increasing their presence and attendance at social events.

## **Creativity**

The agency has received a total of 20 awards, including 3 international ones, since the day it was established. It has received 4 achievement awards, 2 bronzes, 1 silver and 1 Crystal Apple award from the Crystal Apple Contest in the last five years. The majority of its award-winning work was created for Bosch products.

### **5.2.3 The Firm's Capabilities**

#### **5.2.3.1 Organizational Capabilities**

##### **Employee Involvement**

The management's involvement with the employees is quite strong. Each new employee receives a welcome-kit including general information about the agency and its business philosophy, success stories and samples from previous work. This kit is considered as the starting point of team spirit in the agency.

In terms of employee rights and legal obligations like social security payments, the agency fulfills them fully as agreed during the recruitment process. Besides this, there

are extra bonuses and promotion programs available to increase employee commitment and the level of retention. For instance, employees who take part in acquiring new business are also awarded bonus payments. There is also a bonus system called the “shareholder project” where employees may get bonuses from the profit earned and even become a partner by getting a share based on their performance.

Due to the number of employees in the agency, a human resources department is deemed unnecessary. The agency size also allows the management team to establish close working relationships with the other agency employees.

Therefore, there is no routine or planned meeting between employees and managers. It is stated that all managers closely observe the employees’ personal and job-related problems, and they actively take responsibility to resolve any difficulties or conflicts.

A comfortable and pleasurable working environment has been created at Altıncı Duyu. There is a coffee corner at the agency that serves a large variety of free beverages, even including espresso. Agency people can get together there at any time to share some personal or job related issues. Additionally, there is a billiards table next to the coffee corner to allow some time for the employees to relax. These are also important attributes of the exceptional decoration of the agency. Another motivational practice is the organization of birthday parties. All birthdays are celebrated, and a present is given by collecting money from each employee. This is also seen as a good way of creating team spirit in the agency. It is stated that Altıncı Duyu is not just a workplace; instead, it is a living environment. Therefore, having fun together is just as important as doing the job in an enjoyable way. For example, almost all the FIFA 2006 World Cup games were watched at the agency together.

Although there is no specified investment set aside for the training and development of employees, employees are often sent to important seminars and workshops in the industry. Every year, the program of the STEP workshops organized by the Advertising Foundation is monitored, and appropriate workers are assigned to relevant courses. In addition, requests of employees are also taken into account. If there is an important seminar or a workshop, the management always allocates funds to send

employees. In-house seminars are continuously conducted. The management actively pushes employees to make presentations about interesting topics which are not necessarily related to advertising. Every week, there is a Turkish grammar and writing course given by a lecturer from Bilgi University, and it is mandatory for all employees and managers.

Altıncı Duyu has no formal performance measurement method for its employees. Managers prefer not to set static performance criteria to measure performance. They believe such measurement is an obstacle for creativity and originality. There is an increase in salaries once a year which is arranged according to the annual inflation rate and the employee's performance. Department managers share their views about the employee's performance, and the management team makes decisions and discusses them with the employees.

### **Service Quality**

Altıncı Duyu provides integrated advertising services to its clients. In addition to creative advertising solutions, the agency provides trend consultancy, media planning and buying, brand consultancy, event organization, and qualitative research services to its clients. Although the other services have very little contribution, the media buying and planning services comprise nearly 80% of the total revenue.

Both Bosch and Türkiye Finans Katılım Bank are the key clients of the agency, fulfilling nearly 90 % of the total portfolio. Türkiye Finans is the most important client that has been attained in the last 5 years. On the other hand, Bosch is their oldest client. When the years spent in Alice/BBDO are included, the team has been working with Bosch for nearly 12 years. A formal agency evaluation of Bosch is made on an annual basis, especially by benchmarking the media performance with other BSH brands, like Siemens and Profilo. During these audits, the agency's performance has been found to be successful and highly efficient; thus, Altıncı Duyu has also provided media planning and buying services to Profilo. The agency's performance is also formally evaluated by two other clients, Pfizer and Banat, on a yearly basis.

The agency provides event planning and organization services only to its oldest and main client, Bosch. Because the agency works like a designated section of Bosch, the organization of Bosch's retailers' meetings, which are held once every two years, is planned and implemented by Altıncı Duyu. The agency works with third parties during the organization and manages the whole process. Other than event studies, the agency also directs Bosch's Internet communication studies. In this manner, Nexum has been a long term supplier for the agency for Bosch's Internet projects. Altıncı Duyu always pays attention to selecting suppliers which are as trustworthy and sincere as itself.

Trend consultancy is very novel in the industry. This service was started by making a strategic partnership with the person who happened to be the country representative of international trendwatching.com. It is the main knowledge portal covering a large variety of trends and new approaches in the marketing communications field. Even though no project has been implemented; there were several client presentations to introduce this new service to major advertisers.

As an indicator of its service quality, it is stated that Altıncı Duyu has internationalized some of its work. Some advertising films done for Bosch products were sold to be aired in Spain, China, Romania, and the USA. Other than that, Bosch's Head Office in Germany has worked with Altıncı Duyu on general communication strategies and creative idea presentations.

The agency has no specific branding tools or trademarks of its own. The experience gained at Markom/LeoBurnett and Alice/BBDO is seen as an additional college education for managers. Thus, branding tools, formats of briefings and the approaches of these multinational agencies form a base for Altıncı Duyu's studies. However, it should be noted that the agency is about to develop its own instrument for branding studies. To date, Altıncı Duyu has not needed outsourcing since the amount of work is quite sufficient for the agency to handle with its own resources.

### **Organizational Structure**

The management team of the agency consists of all the shareholders and the media director. One of the founding members, Ahmet Kip, is the Agency President, and he is

also the creative director of the agency. Of the remaining founding members, two work as deputy creative directors and the rest work on the account management side and are responsible for client relations and financial management.

At Altıncı Duyu, teams are structured based on the clients (or accounts). The group account director, who is also a founding member, directs all client relations. Under her command, there are two account groups under the supervision of two directors who manage all clients' work flows. There are 2 account executives assigned for each group of clients. The teams meet weekly to get an overview of the status of projects related to their work and to get organized. A weekly status report is sent to clients and is shared verbally with the creative groups. Intranet is not commonly used in the agency for sharing information. Instead, face to face communication is encouraged to constantly keep a cozy atmosphere in the agency. There are no formal rules or procedures at Altıncı Duyu defining the work processes.

The creative team is headed by three partners. There are 7 people under their command, including one who deals with production work. The creative team is also structured according to the accounts, and there are 2 main groups in the creative team. Since the establishment of the agency, it has had a strategic planning unit. It is currently implemented by a junior executive in the agency.

### **5.2.3.2 Managerial Capabilities**

#### **The Top Manager's Credibility**

Ahmet Kip is the top manager of Altıncı Duyu. He has been working in the industry for more than 20 years. He has an advanced degree in Graphic Arts from Mimar Sinan University.

In addition to his participation in industrial organizations (mentioned in the reputation section), he occasionally attends some college events and gives speeches and seminars about his work. During his career, he has won several national and international creative awards. However, Altıncı Duyu is an agency that tries to be recognized for its

total competence. Therefore, other agencies' top managers can be seen as much more extroverted compared to Ahmet Kip.

### **Managerial Knowledge**

The management team has an average of 19 years of experience in the advertising business. There are 3 managers who have advanced degrees. It is stated that the experience and knowledge gained at Markom/Leo Burnett formed a base for Altıncı Duyu in its relations with clients and employees, as well as its style of management.

Altıncı Duyu is a member of the Advertising Foundation, and a subscriber to TIAK (Television Audience Research Institute) and BIAK's (Print Media Audience Research Institute) exclusive reports, as well as Adcritic (archive of international commercial spots) and Narajans (archive of national commercial spots). All main national industrial publications like Marketing Türkiye, Mediacat, Mediathink and other business magazines are also subscribed to. Furthermore, the agency is a member of WARC (World Advertising Research Center). All managers regularly follow these information channels and also get briefed frequently by the media director about industrial developments.

The management team has not attempted to join a personal development program or any training courses separate from the other workers. Instead, they take courses or attend workshops with the related people inside the agency. Also, there has been no need for a consultancy service for the managers up to now.

### **Managerial Strategy**

The annual and long term strategies have been developed by the managerial board. Although there are routine management meetings every 3 months and annual meetings, the management often gets together and shares their views with each other. It is said that because they have friendly relations with each other, they can solve managerial problems quickly and apply their decisions more effectively. As a company strategy, Altıncı Duyu has never aimed to be aggressive in growth. They believe in the power of a good reputation with loyal clients and that work which is done well will bring additional ones. Therefore, the agency does not include a separate

new business division. The agency's new business activities are mainly implemented by the management team and the media department.

The many years of strategic partnership with Bosch taught Altıncı Duyu that trust and sincerity are the keys for strong business relations. For the management, connecting with humanity is the most important ideal that shapes their company strategy and creative approach. Consequently, their relations with clients and employees are in the same vein in that they promote trust, openness and sincerity. A general employment criterion for all levels and for all departments is to acquire people who respect ethical concepts in their personal and business life. The management team together attends casual interviews with prospective employees and tries to assess the values and knowledge of prospects. Altıncı Duyu has no program to find new talent. Annually, 2 or 3 students assigned from the Advertising Foundation are accepted for an internship program. At Altıncı Duyu, all interns are paid and assigned duties that they prefer.

Although the agency attended several advertising pitches organized by the main advertiser companies in the past, the management has refused to attend creative advertising pitches for the past two years. They believe that these pitches are not managed fairly anymore. In the last 5 years, the agency has attended 7 creative advertising pitches, and acquired three of them.

#### **5.2.4. The Firm's Knowledge**

Altıncı Duyu has a great deal of experience with the electronics and white goods industries. In addition, they have experience with the pharmaceutical, banking, retail, apparel, and food industries.

Altıncı Duyu has not got any formal or informal relations with other advertising agencies in terms of exchanging views about the business. The Turkish Association of Advertising Agencies and the Advertising Foundation meetings are regularly followed to share the agency's views about industry related issues. There are also no ongoing relations with universities or academic institutions.



Information in the agency is generally spread through person to person communication. There is also an intranet used for distributing information and memos in the agency. Recent international advertising commercials are shown periodically via the monitors around the agency. Almost all national and international industry publications are monitored in the agency. There are some exclusive media reports specifically for the managers, but the rest of the resources are available for use by the staff. All daily newspapers, weekly and monthly magazines; MediaThink, Mediacat, Marketing Türkiye, Admap, and WARC are regularly monitored. Luerzer's Archive, Novum, Graphis, One Show, Advertising Annual, and Shots DVDs are some other important materials that are also tracked regularly.

### **5.3 Case 3: Publicis Yorum**

#### **A Multinational Agency with Moderate Performance**

##### **5.3.1 Background**

Yorum was founded in 1981 by three entrepreneurs. While Osman Uslu was mainly involved with Yorum's agency, the other partners focused on sub-businesses, such as printing and production companies. There was a strong integration among the companies that created an efficient and effective combination for all parties. However, the partnership and synergy among the companies only lasted until the mid-1990. When competition and fragmentation increased in the industry, the service qualities of advertising suppliers also increased. Agencies were able to work with several alternative companies, and they had serious cost advantages of being independent. Thus, the partners chose different paths, and Osman Uslu became the single owner of Yorum agency. However, the other partners' contributions were remarkable for Yorum.

One of the remarkable organizational goals of the owners was to give the agency a professional structure. It was decided long ago that the prospective general manager would be selected from the group of employees who showed strong dedication and the potential to be trained. Accordingly, one of the client executives, Faika Ergüder, followed a very strong career path in the agency and became the general manager in 2005.

Another important aspect of the owners is their ability to monitor the changes in the industry and to respond to these changes accordingly and effectively. After media planning became a crucial issue for agencies, they appointed Vincent Bouvard to establish the media department in the agency. Shortly after he joined the agency, Mr. Bouvard established a research and archive department to support the media planning services. During the mid-90's, when strategic brand planning services became essential for agencies, Mr. Bouvard suggested establishing a strategic planning department that would cover research and archive units in its structure. He directed both the strategic planning and media departments for a long period of time. By 2000, after the network started to apply a "holistic approach", Yorum established another department focusing on alternative communications services. In addition to classic advertising services whose focus is on mass media advertising, Publicis Yorum used a holistic approach and also started to provide alternative communication solutions when deemed necessary. In 2002, the media planning and buying department became a company on its own and was named Allmedia. In 2004, the alternative communications department became a separate company and was given the name Bold Communications. Meanwhile, Mr. Bouvard observed another opportunity in the industry, and suggested establishing a company to provide brand consultancy services. In 2005, Zone Communications was started and operated under his direction.

For many years, the agency had been an affiliate of Publicis Groupe, which is Europe's number one and the world's number four advertising group. The group is currently operating in 104 countries. The affiliation was started in 1992, and this relationship turned into a marriage of both agency groups in 2006. Publicis Groupe bought a majority of shares in the Yorum Group of Companies which included Yorum advertising agency, Bold alternative communications agency, Zone brand consultancy services, and the Allmedia media planning and buying agency. After the partnership, Allmedia was renamed Starcom Allmedia, and Zone became Publicis Consultancies.

## 5.3.2 The Firm's Resources

### 5.3.2.1 Tangible Resources

Publicis Yorum is a multinational agency, and 51% of its shares belong to Publicis Groupe. In addition, the agency is part of a strong holding company including media planning, alternative media and consultancy services. Yorum is one of the oldest multinational agencies in Turkey which has 15 years as an affiliated agency behind it.

There are 69 people working at the agency, and 54 people are responsible for the core activities. The number of female employees is noticeably higher than that of male employees, in that 80% of Publicis Yorum's employees are female. The average age of employees is 29.6. The agency has three core departments, the client relations department, the creative department- including the graphic studio and the production department, and the strategy department. The management team includes the directors of the each core department along with a business development director and a general manager. Table 5.5 shows the employment structure in Publicis Yorum.

Table 5.5 The Employment Structure in Publicis Yorum

	<b>Number of People</b>	<b>Number of Directors</b>
<b>Creative Team*</b>	25	1
<b>Account Team</b>	16	1
<b>Strategic Plan. Team</b>	9	1
<b>Management Team**</b>	6	6
<b>Other Staff</b>	17	3
<b>Total***</b>	<b>73</b>	<b>12</b>

\* Includes the graphic studio and the production department

\*\* By counting the department directors at the management team

In the creative group, there are 3 people who have worked at the international level dealing with advertising related studies. It is stated that the annual average employee turnover rate is approximately 4%. Nearly 84% of Yorum's employees have university or higher degrees. All the core team workers in the agency have at least a university degree. In Publicis Yorum, the working hours are from 9:00 a.m. to 7:00 p.m.,

Monday through Friday. Employee compensation includes only competitive salaries and lunch expenses. Table 5.6 indicates the educational status of the employees in Publicis Yorum.

Table 5.6 The Educational Status of Publicis Yorum's Employees

Employees who have advanced university degrees (MA; MBA; PhD, etc):	11%
Employees who have an international diploma:	4%
Employees who have a university or relevant degree:	73%
Employees with high school diplomas or less:	16%

### 5.3.2.2 Intangible Resources

#### Reputation

The agency has been placed on the Crystal Apple Jury three times in the last 10 years. The general manager is also a current member of the managerial board of the Advertising Foundation. She was a jury member in the 2006 Kırmızı Print Advertising Awards organized by Hürriyet newspaper. Vincent Bouvard is a member of the current board of the Turkish Association of Advertising Agencies (TAAA). In addition, he gives seminars and courses organized by some popular training institutes in the industry, and he also gives lectures from time to time at Galatasaray, Bilgi and Anadolu Universities.

Publicis Yorum has had an average of a 24% client turnover over the last 5 years. Renault is the agency's oldest client. Unlike the other global brands that came through network relations, Renault started to work with the agency and then suggested that Yorum participate in the Publicis network which had been its contracted network all over Europe. One of the main important issues in Publicis Yorum's reputation is therefore its relations with Renault. The agency has also, for a long time, been called Renault's agency.

Publicis Yorum has several clients among the top 100 advertiser firms in Turkey (Bilesim Medya, 2006). Renault-Mais, Nestle, Coca-Cola, and Akbank are the main clients of the agency included in the top advertisers' list. Currently, the agency

represents 8 local and 14 global brands. It is stated that 10 out of the 14 global brands came through network contracts. Publicis Yorum has a useful web site introducing important features of the agency.

## **Creativity**

Since 1992, the agency has gained a total of 31 national and international awards. In the last 5 years, the agency has won 6 awards from the Crystal Apple contests, one of which was the Golden Apple. The agency also won 3 awards in the Kırmızı Print Advertising Contests. In 2006, Yorum gained its first Epica for its TV campaign for Akbank's Jazz Festival. There are 2 outdoor advertising awards which were given by Mediacat for the work done for Coca-Cola Light. In sum, there were a total of 12 national and international awards given to the agency during the period from 2001-2006.

### **5.3.3 The Firm's Capabilities**

#### **5.3.3.1 Organizational Capabilities**

##### **Employee Involvement**

Because the human relations department was recently established, there is no study yet to assess employee satisfaction or employee performance. Besides, there is no performance criteria set for measuring the efforts of the employees. Performance is subject to one-sided evaluations by the directors. When there are superior performers, they are awarded by being sent to the Cannes Lions Advertising Contests and some brand conferences. In addition, birthday parties are seen as a means of increasing motivation among employees. There are no company-wide meetings to inform and/or exchange ideas with employees. The orientation of newcomers is done by the related department's director.

In-house seminars are given by the managers, generally after a new tool or an analysis is launched by the network. First, the related managers attend seminars at the network, and then they share the information they receive with the rest of the agency.

Employees from the client and strategy departments generally attend marketing communication conferences and/or seminars. The agency annually allocates € 2500 for employee training and development.

Although the human resource applications are still independent from the network, the network requires the complete application of all relevant legal policies. The network is very sensitive about ethical codes in its relations with clients and employees. In the Publicis network, there are three types of employee rewards; an increase in salary, a change in position or title, or a rotation opportunity. Publicis provides rotation opportunities to its employees in all the countries in which it operates. In Yorum, the employee rotation has not been started yet.

### **Service Quality**

Publicis Yorum provides integrated advertising services to its clients. Although Yorum focuses mainly on mass media advertising, it uses its group of company advantages to alter the quality and variety of its services by also providing media planning and buying services, alternative media solutions, and brand consultancy services. Some global clients make formal agency performance evaluations on an annual basis. In addition, the agency does periodic check-ups about the outcomes and effects of its campaigns to assess the present status of the brands under study. This application provides confidence to the agency about its quality of service and also provides an opportunity to minimize errors and risks.

Publicis Yorum requires that all client relations be formal and be put down in writing as much as possible. Thus, there are several client briefing, strategy planning and creative briefing formats used in the agency. The client executives are always in communication with their clients, and they inform them about daily activities. There is also a routine weekly status report sent to the clients.

Publicis Worldwide tools are used in all parts of the process of advertising creation. The **Institute of Context Analysis** provides valuable information about socio-cultural trends. There is a department of **Knowledge Tracing and Management** in the network that works as a central unit to deliver news and information. On a monthly

base, **Publicis Retailletter** is distributed electronically. It includes information and knowledge about international trends, new studies, innovations and consumer sentiment within the retail industry. **Tabs Matrix** is a tool used at brand workshops when making detailed analyses about brands.

Akbank is the key client of Publicis Yorum. The agency gained Akbank as a client after a pitch in 2000. Akbank with its 3 sub brands, Akbank Sanat, Aklease, and Akyatırım, has been working with the agency for 7 years. It is stated that the reason why Akbank's directors chose Publicis Yorum was the agency's correct analysis of Akbank's position and its potential, not only the creative solutions that the agency provided. Publicis Yorum was seen by Akbank's directors as a professional agency with the ability to think outside the box.

The agency's long time client Renault has been working with Yorum for more than 25 years. It could be a record for a client-agency relationship. It is stressed that the reason for this successful cooperation is the dedication of the agency to its brand. Because the agency also has the full potential to be flexible, it can easily adapt itself to the new changes which are occurring in technology, in the markets, and in society. Therefore, during this long period, the client did not find it necessary to look for a new agency. Yorum has always acted proactively and understood the needs and problems of Renault and brought solutions before they were asked for.

Currently, Publicis Yorum has no formal relations with any supplier, but it has some long term suppliers that it prefers to work with. In post-production, Yorum prefers to work with İmaj, which is known as the most prestigious company in its field. Although the managers believe that longtime co-operation brings cost advantages to Yorum, there is still no exclusivity agreement with İmaj. However, freelance employees are only preferred for illustration work; other than that, Yorum does not utilize outsourcing.

### **Organizational Structure**

Since the partnership of Publicis Groupe was formed, the agency has started to reorganize its operations and its structure. A major difference had been made in the

management structure that an executive committee was established. Osman Uslu was assigned the position of Chairman of the Board, and there were 4 executive committee members, also including the general manager assigned to the board. There are two levels of management in Publicis Yorum that executive committee has a supervising role while the management team includes the directors of each core department responsible to the whole operations. During the affiliation period with Publicis Groupe, Yorum was quite independent in its strategic, organizational and financial applications. After becoming a Publicis company, the control of the network management has been increased. Since the organizational structure and managerial strategies were changed according to Publicis's goals, Yorum's corporate culture was also changed. Publicis Yorum has become a more institutionalized and professional company which pays great attention to its work process, rather than just its outcomes. Before, it was very important to provide creative work specifically to achieve certain outcomes. However, the management now focuses more on creating efficient work processes for achieving maximum profitability. For Publicis Yorum, being involved in sustainable growth is more important than any other issue. Becoming part of a multinational network taught the agency to plan for the long term and to set clear-cut goals. Publicis Yorum's performance is periodically tracked by the network to assess whether the agency is implementing its annual strategy and achieving the identified goals. Publicis Yorum reports to the network management on a monthly basis.

Teams are structured based on the accounts in Publicis Yorum. There are two main account groups under the direction of a group account director. In each group, there are account directors, account supervisors, and account executives, both senior and junior working in a hierarchical structure. The creative teams are also structured according to client groups and work cooperatively with the account teams. The strategic planning department works very closely with the creative groups in order to give insights on the development of advertising concepts. Currently, the department is run by a well-known strategic planner in the industry. Thus, Yorum's strategic planning service is seen as providing an important competitive advantage. There are routine departmental meetings held every week, and the General Manager has weekly meetings with the directors of each department.



There is an agency handbook of Publicis Groupe that defines the corporate philosophy, Publicis's method of advertising and the codes and norms of the businesses in the group. It is stated that during the orientation period, each employee reads the handbook and becomes familiar with the corporate culture inside the agency.

### **5.3.3.2 Managerial Capabilities**

#### **The Top Managers' Credibility**

Although Osman Uslu still has 49% of Yorum's shares and acts as the Chief Executive Officer, the names of the General Manager, Faika Ergüder, and Executive Committee Member Vincent Bouvard are widely recalled when the name Publicis Yorum is announced in the industry.

The successful history of Publicis Yorum has been developed mainly by Bouvard's participation in the agency and through his managerial practices. Therefore, he has been the top manager of Publicis Yorum who shaped the agency's strategic direction and added value to its growth. He is currently involved with the development of Publicis Consultancies. He has been in the industry for nearly 15 years, and he holds an MA degree in communication. He often gives seminars and training programs at the Advertising Foundation.

#### **Managerial Knowledge**

Interestingly, almost all the deputy general managers have experience at the Güzel Sanatlar/Saatchi and Saatchi Advertising agency, which is also one of the oldest and most competitive multinational agencies in Turkey. One of the deputy managers has an international advanced degree and work experience. The management team has an average of 14 years of experience in the industry.

Publicis Yorum regularly gets information about competing agencies' client entrance and exit rates and their personnel size. It is stated that this information is a good indicator of an agency's size and growth potential. Thereby, the main industry

publications, Marketing Türkiye, and Mediacat, their web sites, and word-of mouth communication are often used to follow developments in the industry. In addition, Bilesim Medya advertising tracking tools are also used to learn the length of time it takes for advertising agencies to create work in all media forms. All materials that are subscribed to are open for the management team and also for interested employees. Admap, Ad Age, the Harvard Business Review, the Economist, and Shots (Recent Commercials DVDs) along with all national newspapers and business magazines are screened in the agency.

For personal and professional development, the senior managers take advantage of network training sessions and seminars. In addition, important international conferences on new media, advertising, and marketing issues are monitored. There is a financial consultant assigned from the network to direct the managers in their financial applications and for related reporting. During advertising pitches, the managers sometimes need to get the services of consultants. For example, during the Akbank pitch, a group of several academics were consulted. However, there is no formal consultant working at the agency.

### **Managerial Strategy**

Although there are no formal corporate mission and vision statements for Publicis Yorum, the agency defines its business policy as “creating a holistic difference for the clients”. It is stressed that the strong network support, the strong synergy in the group, the powerful branding tools, the wide knowledge base along with many years of experience and specialization enable Yorum to offer superior services to its clients. The corporate strategies are not shared explicitly with employees, but the agency’s presentations, its show materials and the agency’s web site are seen as means of explaining the corporate values and their vision and goals.

The agency demonstrates its competitive characteristics by attending advertising pitches often. In the last 5 years, the agency has gained 6 clients by competing in pitches. Sony, Darty, Akpet, Whirlpool, La Vache Qui Rit, THY, and Dacia are the specific clients gained. However, there is no record concerning the missed pitches in this period.

At Publicis Yorum, employees are chosen according to their experience and skills, but there are no special criteria of the agency for employment. Besides, there is no special program to find or support new talents. Every year, 5 or 6 students assigned from the Advertising Foundation and from the TAAA are accepted for an internship program, and the successful ones are hired if it is deemed necessary.

#### **5.3.4 The Firm's Knowledge**

Through its many years, the agency has gained experience in almost every industry in Turkey. However, some industries are more noteworthy. The Automotive, Banking-Finance, Home Appliance, Airline, and Food industries have been the main industries that Publicis Yorum has represented.

The network's support for knowledge building is valuable for Yorum. Especially at the time of pitches, knowledge gathering from the network is very important. During pitch preparation, the other agencies in Europe and managers from the headquarters are often consulted. Their experience and opinions are found to be very illuminating. In some cases, the related person or people from the network are assigned to participate in the project, and they personally take part in the group.

Retailletter is also an important medium for knowledge transference from the network. This is a periodical newsletter which includes global information and forecasts about the retailing industry. This newsletter is also distributed to the clients, thus reinforcing the reputation of the agency in the minds of the clients.

Synergy is well-managed across the companies in the group. Publicis Consultancies aims to act as a knowledge storehouse for the rest of the companies in the group, as well as for the clients. There is a project of the Popular Culture Academy which will provide information about new trends, lifestyles, consumption habits, new media and new products. The Popular Culture Academy will be organized to act as a bridge between academia and business, and will enable companies to conduct projects cooperatively. Publicis Yorum has close relations with Leo Burnett Turkey which also belongs to the Publicis Group and which is the number 13 advertising agency

according to the amount of its advertisements on TV and in the press (Mediacat, 2006). Although there has been no project done so far, the managers often exchange their ideas and knowledge with each other. In addition, they intend to collaborate on projects in the near future. Publicis Yorum has no formal relations or cooperation with any universities.

Intranet is heavily used inside the agency to exchange information and news. E-mail is widely used for communication inside the agency. For the board of directors, there is a specific intranet used to inform the managers about new campaigns and ongoing work.

## **5.4 Case 4: Art Grup**

### **A National Agency with Moderate Performance**

#### **5.4.1 Background**

Art Grup is a full service advertising agency which was founded in 1986 by Özgür Sağlam. Within 20 years, his agency, which is now serving more than 130 local and global clients, has become one of the most reputable agencies in Turkey. It is important to state that unlike the common trend in the advertising industry, Art Grup has no organic relations with another agency. Mr. Sağlam has no other advertising agency experience, nor has the agency grown by using the relations or experience gained in other agencies.

Close to the time when it celebrated its 20th year in business, the agency started a reorganization process wherein from top to bottom, the whole organizational structure, managerial strategies, operational processes, and the range of services offered was redefined and upgraded. With the participation of successful professionals and a legendary Turkish advertising guru, Haluk Mesçi, Art Grup has built one of the strongest managerial boards in the industry.

Art Grup celebrated and announced its 20th year in the business with a special brochure, which was distributed via the Marketing Türkiye magazine. The brochure was designed by a famous cartoonist, Porof Zihni Sinir. With his cartoons, Art Grup's business philosophy and the way its departments work were described humorously.

## 5.4.2 The Firm's Resources

### 5.4.2.1 Tangible Resources

The agency is a shared company, for which the majority of shares belongs to Özgür Sağlam. The other partner, Fehmi Özkan joined in the agency in 2006. The two partners act as co-presidents of the agency.

There are 65 people working at the agency. The core activities are implemented by 41 people There are 3 core teams (the creative team-including production, the brand team, and the strategy planning team), with 2 supporting teams including the management team, and the media planning unit. The management board includes the two owners and four professional managers in the agency. The average age of employees in Art Grup is 31, and there is a male majority in the agency where 63% of the employees are male. Table 5.7 presents the employee structure at Art Grup.

Table 5.7 Art Grup's Employee Structure

	<b>Number of People</b>	<b>Number of Directors</b>	<b>Gender</b>
<b>Creative Team</b>	24	3	4 females, 20 males
<b>Brand Team</b>	11	3	9 females, 2 males
<b>Strategy Plan. Team</b>	4	1	2 females, 2 males
<b>Management Team</b>	6	6	6 males
<b>Media Unit</b>	2	1	2 females
<b>Other Staff</b>	19	2	7 females, 12 males
<b>Total*</b>	<b>66</b>	<b>15</b>	<b>24 Female, 41 Male</b>

\* The Strategy Planning Director is counted twice in both the management and strategy planning teams

It is stated that there is a 35% annual employee turnover rate according to the figures of the last 5 years. The formal working hours are between 9:00 a.m. and 7:00 p.m., Monday through Friday. These hours may be extended during the period of a new campaign. In addition to monthly salaries and lunch expenses, employees also receive private health insurance. The employee's salaries may vary according to the employee's experience, education and portfolio.

Art Grup mostly has employees with strong educational backgrounds, and 96% of them have university or higher degrees. Table 5.8 lists the educational status of Art Grup employees.

Table 5.8 Employees' Educational Status

Employees who have advanced university degrees (MA; MBA; PhD, etc):	14%
Employees who have international diplomas:	N/A
Employees who have a university or relevant degree:	82%
Employees with high school diplomas or less:	3%

#### 5.4.2.2 Intangible Resources

##### Reputation

The agency has 7 clients among Turkey's top 100 advertiser companies; such as Coca-Cola, Arçelik, Kilim Furniture, Beko, Evkur, Pınar, and Loreal (Bilesim Medya Adexplorer, 2006). However, some clients with large accounts prefer to allocate their workload into several agencies. Thus, Coca Cola, Arçelik, Beko, Loreal and Pınar are also working with different agencies.

Currently, the agency is representing 20 clients, of whom 5 are global brands. In the last 5 years, the agency had worked with nearly 15 multinational clients. Sony-Ericsson is the oldest client of the agency, and has been their client since 2002. Art Grup has had an average of a 41% client turnover rate according to the figures from the last 5 years.

The special brochure used to create awareness about the 20<sup>th</sup> birthday of the agency played a big role in the positive reputation of the agency. The agency has an improved web site which provides detailed information about the agency's corporate philosophy, its structure and its practices.

The agency is being represented at industry settings mainly by Özgür Sağlam. He has been a member of the board of the Advertising Agencies Association since 1998. He is also the current president of the Advertising Foundation. He has been a jury member twice in the Crystal Apple contests in the last 5 years. In addition, Art Grup participated several times in advertising contests and seminars organized by several universities, such as Middle East Technical University, Ankara University, and Yeditepe University.

### **Creativity**

Since its establishment, the agency has received 2 Crystal Apple achievement awards, and one Kırmızı Press award. However, in the last 5 years, there has been only one award that Art Grup became a finalist for and this was at the London International awards with their work done for Sony Ericsson.

### **5.4.3 The Firm's Capabilities**

#### **5.4.3.1 Organizational Capabilities**

#### **Employee Involvement**

As part of its reorganization process, Art Grup established one of the first human resources departments in the advertising industry. It is stressed that Art Grup's own agency presentation starts with a statement that Art Grup's main differentiating factor is the importance it gives to human resources. Thereby, Özgür Sağlam gives a lot of consideration to improving their human relations applications. Since 2003, the Human Resources Department has conducted employee satisfaction measurements twice a year. After the agency's long term strategy was established, annual goals were identified. Then, according to these goals, each employee's personal objectives were

mutually agreed upon between the employee and his/her director. Thus, performance evaluations are made by analyzing how close an employee comes to his/her goals in a given year. It is noted that personal objectives are set according to the demands of the employees, so directors cannot impose their views, but they may argue about the specific objectives with their subordinates. According to the performance objectives, annual bonuses and increases in salaries are determined. There is also a career planning tool for each employee, which includes 12 steps to better identify short-term goals to reach a strong career path. People identify their goals at each step, and thereby shape their own career plans.

In addition to income-based motivational practices, Art Grup organizes outdoor activities for its employees. An annual meeting with accommodations and a day-long meeting once every three months are organized to increase motivation and team spirit in the agency. At the last meeting, the company's long-term strategy was shared with the agency in general, and the expectations and new obligations were discussed with the employees. Training sessions are also given in these meetings. However, a large portion of the time is allocated for entertainment and team games like paintball. There is also a special meeting salon at the agency where the employees and directors get together and discuss important issues affecting their work processes or the organizational structure. In these meetings, the errors and mistakes are reviewed, and precautions are identified. These hours are called "**Özgür Saatler**", meaning "**Free Hours**". These meetings are generally held once a month. Also, the agency uses an intranet called "**Avlu**" to share both personal or business related information and news.

Another important issue about human resources applications in the agency is that the human resources department conducts interviews with the employees who want to leave. They try to learn what the people who will be leaving the agency soon liked and disliked about the agency, and they try to get their suggestions about which problems need to be fixed. It should be mentioned that most people who have left the agency soon thereafter established their own agencies. This is seen as a good indicator of the effectiveness of the experience gained at Art Grup. Although there is a specified investment classified for the training and development of employees, it was not



revealed for this study. However, a large number of training courses will be held in the near future.

### **Service Quality**

Art Grup is a full service agency that provides mainly mass media advertising solutions to its clients. More importantly, the agency is able to produce integrated marketing communication services to its clients. From corporate identity to strategy generation and from advertising to direct marketing, Art Grup provides solutions in a variety of communication based issues. It is stressed that research is at the heart of all their work. In addition, they work with research companies for media, consumer, and advertising research; also, they have a research unit inside the agency which is able to conduct basic qualitative studies for clients.

Research and strategic planning are very important services that increase the agency's competitive power. There is a strategy planning tool unique to the agency called "**Guidefish**". The name is chosen after a fish which lives in the ocean and guides other fishes to survive. It is a flexible model that can be used in several managerial applications related to brand management.

Turkish Airlines (THY) is the agency's key client, and it was acquired via a rigorous pitch. It is also one of the most important clients gained in the last 5 years, along with Ziraat Bank. It is stated that Art Grup was chosen because of its strong strategic approach about the THY brand. The client was persuaded by the competencies of the agency, especially about its managerial abilities.

Sony Ericsson is the agency's oldest client and has worked with the agency for 5 years. It is also true that Sony Ericsson prefers to work with Art Grup because of its strategic and managerial advantages. The agency is audited annually by Sony-Ericsson, Pınar and THY.

Art Grup has formal client and creative briefing formats, and they are used especially for larger clients. Smaller clients generally do not prefer to give written briefings; instead, they expect the agency to determine their communication and advertising

problems. The client executives are responsible for managing all of their clients' workflow in the agency and for informing them about their daily work status. There is also a routine weekly status report sent to the clients. Outsourcing is only preferred for illustration work; other than that, Art Grup does not require outsourcing for its creative or strategic work.

Although there are no exclusivity agreements between the agency and other third parties, Art Grup often works with the Mindshare media buying and planning agency, with BPR for PR services, and with Telesine for post-production work. All of these suppliers are also the choices of Art Grup's clients.

### **Organizational Structure**

Art Grup is structured according to account groups, although they call them brand teams. All teams in the account and creative departments are directed by a general manager. Under his command, there are three brand teams directed by three brand group supervisors. In each brand team, there are brand managers who are responsible for the coordination and implementation of all the workflow, and there is one assistant assigned for each team. There are also three creative teams working cooperatively with the related brand teams. For more than 10 years, the agency has had a strategic planning department. With the development of the Guidefish strategic management tool, the agency became more competent in strategy planning services as well. The strategic management team works cooperatively with both teams while supporting client groups in presentations and while giving guidance to the creative groups for the concept development processes. The teams hold meetings each Monday morning, and the directors of each team meet with the general manager to discuss and share their weekly work status. After each meeting, a memo is distributed to the management board to inform them of the ongoing work.

After the new partner, Fehmi Özkan, and Haluk Mesçi began participating in the agency, the agency's managerial board became one of the strongest in the industry. Mr. Özkan's many years of marketing experience gained in the international arena, and Mr. Mesçi's long years of academic and professional experience in the industry added a great deal to the agency's trustworthiness. Since there is no hierarchical

structure between the owners and professional managers in the management team, the agency achieves speed and flexibility in managerial decisions and actions.

In Art Grup, there are no formal rules or regulations to be followed. There is also no written procedure for everyone to obey. Orientations are generally made by the human resources manager and the related director. Although there are no strict rules, the management team encourages a professional and institutionalized structure in the agency. Since Art Grup has been positioned as an idea machine, the agency has been newly decorated including a new seating order reminding interior structures of factories. The decoration of the agency and the use of intranet for staff communication also promote formality, specialization, and a division of labor in the organization.

#### **5.4.3.2 Managerial Capabilities**

##### **The Top Manager's Credibility**

Özgür Sağlam is the top manager in the agency. Within the past 20 years, he has successfully directed his organization and made it one of the most reputable agencies in the industry. He has given his full concentration to the agency, and he has not been involved in any other businesses. Between 1998 and 2001, he taught Advertising courses in the Graphics Department of Marmara University's Fine Arts College. This is the same department that he graduated from. He has been a member of the managerial board of the Turkish Association of Advertising Agencies since 1998 and is also the current president of the Advertising Foundation.

##### **Managerial Knowledge**

All the board members have many years of advertising and marketing in their backgrounds so that Art Grup managers have an average of 18 years of managerial experience. There are 2 managers who have advanced degrees and one manager with international work experience. Except for Özgür Sağlam, all managers have multinational agency or company experience. Specifically, the latest board member of Art Grup, Haluk Mesçi, has been in the business for nearly 30 years. During his successful years, he wrote many well-remembered examples of advertising copy,

established several agencies, gave lectures at almost every university, translated five well-known advertising books into Turkish, and became the pioneer of the Turkish advertising industry with his professional and academic studies.

The management follows Bileşim Medya reports to monitor advertising expenditures and competitors' performance. In addition, the industry reports of the DIE (National Statistical Institute) and the DPT (National Planning Institute) are followed to help shape the strategic direction of the agency. Industrial publications, Mediacat and Marketing Türkiye and the main business publications are regularly followed by the management team.

The strategic planning team regularly follows the performance of competing agencies and prepares SWOT (Strength-Weaknesses-Opportunities-Threats) analyses for each of them. The same analyses are also made for prospective clients and for their industries in order to be more precise in strategy formulation. The strategic planning team uses every kind of information and data available to make these analyses. Newspapers, business magazines, clients' research reports, and internet sources are the primary resources for knowledge gathering in the agency.

The management team utilizes consultancy services from time to time depending on the projects under study. On a regular base, they consult Can Çağdaş, who was a former communication officer of Koç Holding. He currently works as a freelance communication consultant. He is one of the experts who have good knowledge of almost every industry in Turkey. The management team thus far has not attempted to join a personal development program or any training courses.

### **Managerial Strategy**

Through its reorganization period, Art Grup's managerial strategy was redefined and the agencies' vision was reshaped. After a massive project including a detailed macroeconomic analysis and industry examinations was conducted, the management team set the agency's strategic goals up until 2010. All the prospective industries, and even specific prospective clients were identified, and the methods to acquire these clients were classified. The corporate strategy and vision and mission goals are shared

explicitly with all employees in special in-house meetings in order to get their involvement in the operational and managerial process.

New employment is one of the important issues ahead of the agency's management. For all levels and for all departments, the basic requirements for working at Art Grup are having strong ambition and positive energy. The prospective employees are expected to have an international diploma, related experience, and related lifestyle about the job, and knowledge of foreign languages. Art Grup has no specific program to find new talent. Annually, 3 or 4 students assigned from the Advertising Foundation are accepted for an internship program. However, some interns may work for longer periods and may act as staff members. For example, in the strategic planning department, there is one intern who has been working in the agency for seven months.

The agency does not include a separate new business division. The agency's new business activities are mainly implemented by the managerial board members. For new business studies, a temporary creative team is established based on the employees' workloads and experience. Although there is no record about the specific number of advertising pitches attended, the agency recently acquired its most important clients - THY and Ziraat Bank through pitches.

#### **5.4.4 The Firm's Knowledge**

Art Grup has many years of experience with the telecommunications, fast-moving consumer goods, automotive and retailing industries. Art Grup has close relations with the Mahi and Mahi Branding Services Company, which is owned by Haluk Meşçi. Other than that, there are no formal or informal relations with another advertising agency in terms of exchanging views about the business. There are also no current ongoing relations with universities and academic institutions.

The agency's intranet, Avlu, is often used for sharing knowledge and information about ongoing work. In addition, new trends and developments in global advertising and recent commercials are shared through Avlu.

Popular advertising publications like Archive, Communication Arts, Wallpaper, Marketing Türkiye, Mediacat, and daily newspapers along with Shots films are regularly followed by the agency in general.

## **5.5 Case 5: McCann Erickson**

### **A Multinational Agency with Superior Performance**

#### **5.5.1 Background**

Today's McCann Erickson Türkiye has its origins back in 1968 with three young college students. It was established as Pars Advertising and Research Company. In 1975, the company became an advertising agency with a full range of services and established its first relationship with the McCann Erickson Group. The agency became affiliated with the network and was renamed Pars/McCann Erickson. In 1985, McCann Erickson Worldwide bought a majority of the shares of Pars/McCann Erickson ([www.biyografi.net](http://www.biyografi.net)). In 1990, McCann Worldwide became the sole owner of the agency, and the former owner, Pınar Kılıç, continued to serve as the Chief Executive Officer. However, in 2005, Turkey's first multinational agency, Pars/McCann Erickson, was exposed to one of the major crises which occurred in the history of Turkish advertising.

The Interpublic Group (IPG), to which McCann Worldwide belongs, was the target of allegations of improper accounting arising from the acquisition binge in the late 1990's which made it the third largest conglomerate in the world. In 2005, IPG started internal investigations that turned up instances of theft and fraud, mostly in overseas countries. There was \$514 million in unregistered revenue from seven agencies in different countries in which IPG operates. Although the investigation showed that no current executives were involved in malfeasance, the company said it would pay \$250 million in compensation over the next two years, mostly to clients who were victims of improper practices. Thus, IPG lost several of its biggest accounts in 2005 such as General Motors and the Bank of America (Direct Newswire, 2005, 10, 3) <http://enews.penton.com>.

In Turkey, Pınar Kılıç and the former board were sent on a paid vacation by IPG in order to conduct internal investigations more efficiently. The account records for the years between 2000 and 2004 showed that McCann Erickson Türkiye had \$ 31.8 million in unregistered revenue. It was the biggest amount amongst all the agencies under investigation. Then, IPG took control over the management in McCann Erickson Türkiye. IPG downsized the number of companies in the group from 7 to 4, and the number of employees decreased from 290 to 210. While the former directors of Pars McCann were away, the new management team, under the direction of former General Manager Tankut Karahan, was established in October, 2005. Then, the company preferred to use its original name McCann Erickson. (Tosuner, N, E, 2006, 3/28) .www.hurriyetusa.com

In its many years in the industry, McCann Erickson has always been acknowledged as one of the most and creative agencies. It was seen as a school by many who soon became owners of their own agencies. Even after the major crisis, the agency was able to maintain its position as the leading advertising agency in Turkey.

## **5.5.2 The Firm's Resources**

### **5.5.2.2 Tangible Resources**

McCann Erickson Turkey belongs to the McCann Worldwide global advertising agency network. The network has various offices in over 130 countries and almost eight decades of multinational experience. McCann Worldwide, which is a subsidiary of the Interpublic Group of Companies, is number three in its group with \$ 6.27 billion in worldwide revenue (Advertising Age, May 1, 2006). McCann Worldwide was named a “Global Agency of the Year” by Adweek in 1998, 1999, and 2000. (McCann Worldwide group official site, 2008)

McCann Erickson is part of McCann Worldwide which also includes the planning and buying agency Universal McCann; the direct/interactive web marketing agency MRM Worldwide; the experiential marketing agency Momentum Worldwide; and the healthcare marketing group, McCann Healthcare Worldwide. McCann Erickson

manages more global accounts than any other advertising agency and is in the top five agencies in almost every market in which it operates. It is stated that its strong local roots in all regions of the world, its global resources, and its strong local expertise have made McCann Erickson one of the most powerful advertising agency networks in the world.

McCann Erickson offers a full range of advertising services to its clients. Before the IPG operation, there were two agencies in the group: Link Multimedia and the McCann Erickson advertising agencies. In 2005, these two agencies were merged. Therefore, McCann Erickson has been able to provide conventional advertising solutions along with alternative media solutions for its clients. Because there is a media planning company in the group (Universal McCann), McCann Erickson does not solely give media services to its clients. Direct marketing and event marketing services are also provided in cooperation with the group's Momentum marketing agency.

There are 106 people working at the agency, and 68 people are responsible for the core activities of the agency. . The agency has 4 core departments, including client relations, creative works with graphic studio and production, and Strategy planning departments. The other staff is mainly involved with administrative duties like, procurement, information processing, human resources, business development, finance, and accounting, etc. There are 8 directors working at the agency managing the core activities. In McCann Erickson, the average age of employees is 31.7.

The management board includes the Chief Executive Officer and eight senior directors. Tankut Karahan was assigned as the CEO after the IPG operation in 2005. Table 5.9 shows the employee structure in McCann Erickson.



Table 5.9 Employee Structure in McCann Erickson

	Number of People	Number of Directors	Gender
<b>Creative Team*</b>	32	4	--
<b>Account Team</b>	26	3	--
<b>Strategic Plan. Team</b>	4	1	--
<b>Management Team**</b>	9	9	3 male,6 female
<b>Other Staff</b>	36	5	--
<b>Total***</b>	<b>107</b>	<b>22</b>	

\* Includes graphic studio and production departments

\*\* Includes also team directors

\*\*\* Along with the department heads who were also included in the management team

It is stated that the average annual employee turnover rate is approximately 8%. Nearly 83% of McCann Erickson employees have a university or higher degree. All core team workers have at least a university or other relevant degree. Table 5.10 indicates the education levels of McCann Erickson employees.

Table 5.10 Education Levels of Employees in McCann Erickson

Employees who have advanced university degrees (MA; MBA; PhD, etc):	3%
Employees who have an international diploma:	2
Employees who have a university or relevant degree:	80%
Employees with high school diplomas or less:	17%

The human resources department was established in 2006. Because the department is relatively new, the policies and practices are yet to be identified and implemented. In McCann Erickson, the employee compensation in the core teams includes lunch expenses, private health insurance and competitive salaries. The working hours are from 9:00 a.m. till 19:00 p.m., Monday through Friday. It is stressed that their good organization structure makes sure that employees rarely stay at work after the official working hours.

### **5.5.2.2 Intangible Resources**

#### **Reputation**

Because of the powerful global networking of the McCann Group, the agency has the ability to serve the largest and most prestigious clients. There are 48 brands represented by the agency, of which 80% have been represented for more than 5 years. The agency's several global clients include Unilever, Coca-Cola, Nestle, L'Oreal, Siemens, and Opel which are all on the list of the top 100 advertiser companies (Bileşim Medya Adexplorer, 2006). Other than these top advertiser firms, McCann Erickson represents several multinational clients, such as Kentucky Fried Chicken, MasterCard and Pizza Hut.

Until 2005, the McCann Erickson Group in Türkiye was represented by Pınar Kılıç. He was the president of the group and one of the authorities in the Turkish advertising industry. He played a major role in the institutionalization of the profession in Turkey, and was among the first advertisers representing Turkish advertising at international organizations. He is the founder of Turkey's Chapter of the International Advertising Association (IAA). At the same time, he was the first president of IAA's Turkey Chapter during the years from 1989 to 1993. He was also elected as the president of the association for the period from 1996 to 1998. He became the president of the IAA World in 1998. Then, in 2002, he was elected as the General Secretary of the IAA World ([www. biyografi.net](http://www.biyografi.net)). He is currently a member of the managerial board of the IAA Turkey Chapter.

Pınar Kılıç has also been involved in the activities of the Turkish Association of Advertising Agencies. In 2004 and 2005, he was on the board of the association. The former general manager of McCann Erickson was also representing the agency at industrial organizations. He was on the board of the TAAA in 2000 and 2002, as well ([www. biyografi.net](http://www.biyografi.net)).

Although the current directors have not taken a place on the management boards of industry associations yet, they often give interviews to the main industry and business publications and related newspapers. They have explained their views about the

developments in the industry and have told about the new organization of the McCann Erickson Group in Turkey. McCann Erickson directors do not prefer to promote their own agency. The agency does not even have a web site of its own. Instead, they believe in the power of the word-of-mouth effect to attract new clients. Especially their PR Director worked mainly to defeat the crisis which occurred after the IPG operation and Pınar Kiliç's departure. At that time, interviews, press bulletins, and press conferences were organized to create goodwill about the agency.

## **Creativity**

Although the total number of McCann Erickson's awards is not known, it has been mentioned that McCann Erickson has been one of the most creative agencies in Turkey. When analyzing the results of the Crystal Apple and Effie awards in the last 5 years, it is seen that the agency gained a total of 22 national awards. The agency won 5 Crystal Apple awards for the work done for Coca-Cola, Nestle, Algida, and Evyap. A Bronze Award was gained for the work done for THY. The agency also holds 16 achievement awards for the work done for several other clients. In the first Effie contest, the agency won 1 Bronze Effie (Coca Cola) and 1 Silver Effie (Tetra Pak).

### **5.5.3 The Firm's Capabilities**

#### **5.5.3.1 Organizational Capabilities**

##### **Employee Involvement**

Because the human resources (HR) department was recently established, there has not yet been a study to assess employee satisfaction or employee performance in McCann Erickson. However, the HR department is working on adapting the human resources procedures of McCann Worldwide to Turkey's office. There is an ongoing communication between the global HR directors. The applications done in other countries are followed closely for benchmarking. Therefore, performance measurements will no longer be done by subjective evaluations. Increases in salary, annual bonuses, and rotations inside the agency and in the network are used to increase the motivation of the employees and to encourage good work.

Every Friday, there is a happy hour after work. The agency people get together at the café inside the agency. Sometimes, they organize parties with dancers or famous singers inside the agency, and sometimes they all go out for dinner together. New Year celebrations, anniversaries, birthday parties, and new account celebrations are seen as important means for improving team spirit in the agency.

Although the investments made in the training and development of employees in the past years are not known, the HR department tries to organize a development program for each employee. The network training sessions are seen as being vital for each employee; however, so far, only the strategic planning director has attended a program which was given at McCann Erickson in London. There is a McCann Academy at the London office which provides various training sessions at all levels. There is also an exchange of employees in the network so that open positions are first announced inside the network. Regardless of their countries, available candidates are chosen from within the network.

### **Service Quality**

McCann Erickson provides integrated advertising services to its clients. Although the agency is mainly devoted to mass media advertising, it uses its group of company advantages to alter the quality and variety of its services by providing media planning and buying services, relationship marketing services, experiential marketing and healthcare services. Some global clients make formal agency performance evaluations on a yearly basis. According to criteria set beforehand, clients make their evaluations and give extra bonuses. Clients follow their work through their client executive at the agency by electronic mail and by telephone conversations. There are formal client and creative briefing formats used in the agency for achieving mutual understanding in the agency. It is stated that the agency has not needed for outsourcing since its workforce is capable of handling any type of challenging tasks.

There are three main tools that McCann Worldwide uses for increasing the quality of its service. The **Demand Chain** is a new approach summarizing the work philosophy of McCann Erickson. Although it is a tool developed for planning the strategies of

brands under study, every director in the group must follow the path drawn by this approach during their work process. Thus, every director must attend a demand creation training session given either in London or in their office. It is seen as an important competitive advantage of the McCann Erickson Group because it provides a deeper analysis about the consumers and their needs. Likewise, **Pulse (a conversation with consumers)** and **Luxury Box (a platform about luxury brands)** are important assets that make the agency different from its competitors. Thus, McCann Erickson claims that it is well-equipped in terms of understanding consumers and their communication channels and in terms of finding the best solutions to reach them.

Coca-Cola and Nestle are the key clients that were gained through the global contracts that McCann Worldwide made with these clients. Nestle is the oldest client. The agency has worked with Nestle (Nestle, Nescafe) for more than 15 years. It is stated that because of its strong and experienced teams, its skills in adapting to the global network's procedures and its ability to provide continuity in all aspects of Nestlé's work, Nestle has preferred to work with McCann Erickson in Türkiye. The agency has gained 2 global clients; Pizza Hut and Kentucky Fried Chicken Restaurants, and one local client; Atasay Gold in the last 3 years.

In order to select its suppliers, McCann Erickson annually opens a bid among potential suppliers. Every year, a new bid is opened and printing houses or production companies are identified.

### **Organizational Structure**

After the IPG operation, the network's control over the management of McCann Erickson Türkiye increased. There are various procedures that the network uses that the agency must follow strictly. The procedures for Ethical Management, Financial Management, Procurement and Career Planning, Performance Evaluation, and Information Processing are some examples that show the network's dominance of the agency's organizational management. McCann Erickson Türkiye has recently started to reorganize its operations and its structure according to these procedures. It is stated that these procedures bring more professionalism to their work, but sometimes they might create barriers in the agency when there is a need for flexibility. There is

weekly, bi-weekly, and monthly reporting to the network. In addition, the network controllers and directors come for an overall evaluation on a quarterly and annual basis. Although the agency has a more bureaucratic structure now, it is claimed that the agency's creative skills have not been affected by this structure. Also, it has been mentioned that the clients responded positively to these procedures.

In McCann Erickson, the teams are structured based on accounts. There are three main account groups under the direction of the account group directors. In each group, there are account directors, account supervisors, and account executives that work hierarchically. The creative teams are also structured according to client groups and work cooperatively with the account teams. Each Monday, account groups hold their routine weekly meetings and share the workflow and decisions with the upper management and the related creative groups.

There has been a strategic planning department since 1996. The department is seen as one of the most important assets of the agency because it is an important reason why clients choose to work with McCann Erickson. The department provides strategic brand planning and analysis services to the clients, tracks the effects of campaigns, and works in cooperation with the creative teams in order to establish consistency between the strategy and the creative outcome.

### **5.5.3.2 Managerial Capabilities**

#### **The Top Manager's Credibility**

Tankut Karahan is the top manager and at the same time, the spokesperson of the agency. He graduated from the Business Administration department at Middle Eastern Technical University, Ankara. He started working in Unilever's marketing department as a product manager. In 1995, he entered McCann Erickson as an Account Director. During his 10 years in the agency, he has worked at several positions in the client relations department of the agency. Since October 2005, he has acted as the CEO of the agency. He is a member of the Turkish Association of Advertising Agencies (TAAA) and the Young Businessmen Association of Turkey (TÜGIAD). He gives

speeches occasionally at various universities and also gives conferences at the Advertising Foundation's training programs.

Although he is not a popular figure in the industry, his managerial skills are widely acknowledged by his team and the clients. It is noted that he is the reason for the outstanding teamwork at the agency. The client teams are very much committed to his management. His leadership also gives confidence to the clients so that even after the big break-up in the agency; McCann Erickson was able to maintain its client portfolio and its position as the leading agency in Turkey.

### **Managerial Knowledge**

The management board of McCann Erickson has an average of 10 years of experience in the advertising and marketing businesses. All managers have multinational agency or company experience. There are 2 managers with advanced degrees and one manager with international work experience.

The management team follows industry publications, the reports of industrial associations, and Bileşim Medya's advertising tracking tools to assess the activities of competitors and the developments in the industry. Besides this, Universal McCann, this is the media planning and buying agency of the Group, gives support for information about advertising expenditures, the performance of competitors, the performance of prospective clients, and so on.

The senior managers take advantage of network training sessions and seminars for their personal and professional development. Along with presentation techniques, all managers have taken awareness, finance, and demand creation training sessions given by the network. Besides this, the department heads participated in related workshops such as client retention, strategic tools, and creative tools given at the McCann Academy in London. The CEO and the Chief Growth Officer often attend international conferences on new media, advertising, and marketing. There is a financial consultant assigned from the network to direct the managers in their financial applications and related reporting.

All materials that are subscribed to are available for the management team and also for interested employees. Marketing Türkiye, Mediacat, and Shots (Recorded TV Commercials/DVD's) along with all national newspapers and business magazines are screened in the agency.

### **Managerial Strategy**

One of the most important statements about advertising was made by McCann Ericsson Worldwide: **“Truth Well Told”**. This well-known statement also reflects an important characteristic of advertising. Advertising must reveal true aspects about a brand, and it should not be misleading. In this respect, McCann Erickson Worldwide claims that the network keeps high ethical standards in advertising and has responsibilities toward consumers and clients around the world. Although global mission and vision statements are very well known even by the people outside the agency, the visionary goals and the mission of the local office has not been explicitly shared with the employees.

In McCann Erickson, there are certain criteria identified to select the employees. A remarkable educational background, related experience about the job, and fluency in English is seen mandatory for all prospective employees. Especially people in the creative team are expected to be generalists who have knowledge of various social sciences and disciplines. Every year, the agency accepts 10 to 12 students for internships. They are evaluated by the HR department and by the department heads. Then, according to their interests and skills, they are allocated to the departments. The internship period in McCann Erickson is three months during the summer. Successful interns are offered part-time positions with entry level pay.

McCann Erickson aims to grow while maintaining its client portfolio. Thus, the agency established a new business department under the direction of an experienced Chief Growth Officer three years ago after the IPG operation. Although the department mainly follows up on changes and developments in prospective clients and prospective industries, a broad committee including the Chief Executive Officer, the Strategic Planning Director, the Chief Growth Officer, and the New Business Director identifies the strategies and actions for the business development activities of the



agency. The agency has attended four pitches in the last five years, and gained two global clients; Pizza Hut and Kentucky Fried Chicken Restaurants.

#### **5.5.4 The Firm's Knowledge**

Through the years, the agency has gained experience in almost every industry in Turkey. Especially, McCann Erickson has long years of experience with the fast-moving goods industry and the automotive, banking, and food industries.

Since McCann Erickson Worldwide is devoted to become a learning organization globally, it requires that its offices contribute to continuous learning. Therefore, the McCann Academy in London organizes various training programs, seminars, and online courses for different levels of positions inside the network. In addition, the Academy acts as an internal intelligence unit that disseminates information and knowledge about the network and industry developments in the network through its publications. In this new period with the network, McCann Erickson Türkiye is giving its full efforts to accumulating knowledge from the network at various levels and in various areas. Because the agency mainly works with global clients who are also the clients of McCann Worldwide, the agency is able to follow its brands' competitive positions globally. In addition, the agency is regularly informed about developments in the international markets. Therefore, it is able to provide better services to local clients in their international operations than local and/or less powerful international agencies.

As a group, McCann Erickson Türkiye uses the advantages of the synergies they have created across the companies belonging to the group. Especially the close relations with Universal Media are a very important competitive advantage for the agency. Although IPG has 2 other agencies in Turkey, Lowe Adam, and FCB, McCann Erickson Türkiye has no formal or informal relations with these agencies.

Intranet is heavily used inside the agency to exchange information and news. HR related policies are also placed on the intranet. New studies are also announced through the intranet to inform everyone about their results.

## **5.6 Case 6: Alametifarika**

### **A National Agency with Superior Performance**

#### **5.6.1 Background**

Established in 2004 with only 14 people, Alametifarika has become one of the most popular advertising agencies in Turkey. When Serdar Erener, a prominent figure in the Turkish advertising industry left his former agency; Young and Rubicam/Reklamevi, Alametifarika's interesting story began. He was the CEO, creative director, and at the same time, the spokesperson for Young and Rubicam/Reklamevi. Because of the contract Mr. Erener signed with his former agency, he was not legally allowed to be involved with the advertising business for three years after leaving Young and Rubicam/Reklamevi. Shortly after Mr. Erener, his long-standing colleague Uğurcan Ataoğlu also left Young and Rubicam/Reklamevi. He, as the other co-founding partner, established Alametifarika with his reliable colleagues; Yasemin Ergüder, and Oğuz Savaşan, who had been working with Serdar Erener and Uğurcan Ataoğlu in Young and Rubicam/Reklamevi.

Two of Young and Rubicam/Reklamevi's important clients; Garanti Bank and Turkcell, preferred to work with Serdar Erener's team. The conflict over the management of these accounts led to a law suit against Mr. Erener. The WPP group, which is the partnering network company of Young and Rubicam/Reklamevi, sued Mr. Erener for misusing the privileges of his position at his former agency. Although Mr. Erener takes part in almost every one of Alametifarika's activities and despite the fact that he is seen as the chief executive officer by the agency people and the clients, his name still can not be revealed or announced officially outside Alametifarika due to the ongoing law suit against him.

Alametifarika has already become a legend in the industry. In just three years, the agency developed a highly credible client portfolio without making any business development efforts and without attending any advertising pitches. Clients actively sought to work with Alametifarika, and they were starting to establish relations with the agency. Alametifarika became the fastest growing agency at the end of its first year, even though the management was not planning for or expecting such growth. In

2005, the agency was selected as the most admired agency of the year by Capital magazine (Milliyetonline, 2007, February 15).

For the category of a national agency with superior performance, Alametifarika was the only choice for this study. Even if it were not, Alametifarika was a necessary choice in order to analyze the reasons behind its enormous success. To challenge multinational giants competitively while keeping up a remarkable client portfolio with a small amount of human resources is almost impossible for a young, national agency. However, Alametifarika has been able to succeed and be placed on the list of the top ten agencies since its establishment.

## **5.6.2 Firm Resources**

### **5.6.2.1 Tangible Resources**

Alametifarika is a jointly owned company and the majority of its shares are known to be allocated to Mr. Ataoğlu and Mr. Erener. Although the agency is devoted to providing full advertising services to its clients, it is also organized to be a content provider of different cultural materials. Thus, Alametifarika Publications and Alametifarika Records, which will be explained in detail in the following sections, were established.

There are 49 people working at the agency. The core activities are implemented by 43 people. There are 3 core teams (the brand team-including copy writers, art directors, and brand managers; the production team, and the management team) in the agency. The management board includes a general manager and three deputy general managers. The General Manager, Uğurcan Ataoğlu, also acts as the creative director. Three broad areas; client relations and agency administration, strategic brand planning and marketing, and financial management are implemented by the deputy general managers. There are also 6 people dealing with administrative duties. The agency does not offer media planning services; therefore, there is no specific media person in the agency. The average age of employees at Alametifarika is 28. Table 5.11 presents the employee structure of the agency.

Table 5.11 Alametifarika's Employee Structure

	<b>Number of People</b>	<b>Number of Directors</b>	<b>Gender</b>
<b>Brand Team</b>	39	4	--
<b>Management Team</b>	4	4	2 females, 2 males
<b>Production Team</b>	3	-	--
<b>Administrative Staff</b>	6	-	--
<b>Total</b>	<b>49</b>	<b>8</b>	<b>--</b>

In 2006, 11 people left the agency, and 8 newcomers were hired. The formal working hours are between 8:30 a.m. and 7:00 p.m., Monday through Friday. However, the work day at Alametifarika is generally 12-13 hours long or until the job is done. It must also be mentioned that they are very strict about starting at 8:30 a.m. regardless of the workload of the previous day. There is also no discrimination between the managers and other staff about following the rules about the working hours at Alametifarika.

Alametifarika's employees generally have strong educational backgrounds with 90% of them having university or other advanced degrees. In addition, there are two art directors and two brand managers who worked in their area of specialization abroad before they joined Alametifarika. Table 5.12 indicates the educational formation in the agency.

Table 5.12 Employee's Educational Status in Alametifarika

Employees who have advanced university degrees (MA; MBA; PhD, etc):	8 %
Employees who have an international diploma:	2
Employees who have a university or relevant degree:	82%
Employees with high school diplomas or less:	10 %

In Alametifarika, all employees receive private health insurances in addition to monthly salaries and lunch expenses. The employees' entry salaries vary according to their experience and portfolio.

### **5.6.2.2 Intangible Resources**

#### **Reputation**

One of the important strengths of Alametifarika's reputation is its clients. Alametifarika's many clients are leading advertiser companies, such as Garanti Bank (Bonus Card, Shop and Miles Card, Flexi Card), Garanti Emeklilik, Turkcell (Turkcell-im, Istcell, Gnçtrekll), Ülker (Café Crown, Biskrem, Yıldız, Chewy, Dido, Çikolatalı Gofret, Çamlıca), Pınar, Digitürk, Petrol Ofisi, Toyota, Evyap (Evy Baby, Evy Lady), and Milliyet, which are all among the top 100 advertiser brands working with Alametifarika (Bilesim Medya Adexplorer, 2007). The agency represents 48 brands, of which many are the leading brands in their fields. Although the agency shows some of the advertisements done for its clients through its web site, there is no additional information about the agency regarding its history, management, philosophy, etc.

As an international brand, Toyota is the only brand that has been represented by the agency. It should be mentioned that Toyota managers invited Alametifarika to attend their advertising pitch although Toyota has been working globally with several network agency groups. Even though the agency had a policy of not attending any creative advertising pitches, Alametifarika was aware that an international brand could not change its agency without organizing any pitches among potential agencies. They met with Toyota managers and shared their opinions and plans that they had made for Toyota, and they succeeded in acquiring this account.

In three years, the agency grew three times in size, and became the number one agency according to the amount of its ads aired on TV (Gözütok, 2007, April 1). This spectacular growth also has added a lot to the agency's positive reputation. During this time, only Cola Turca, one of the brands of Ülker, left the agency.

It is important to note that the work done for the FilmEkimi Festival, which is organized by IKSIV (Istanbul Culture and Cinema Foundation), is also a good means of increasing popularity and building positive associations about Alametifarika amongst business people who are in the audience of these events in Turkey.

Alametifarika is being represented by a Deputy General Manager at the Turkish Association of Advertising Agencies. She is currently a member of the Discipline Committee at the association. Although Alametifarika managers prefer not to be in the limelight in industrial gatherings, they regularly participate as either speakers or trainers in industrial training seminars, such as the STEP programs of the Advertising Foundation and the Reklamcılar Tahtaya training sessions of Turkey's chapter of the International Advertising Association. Besides, Alametifarika organized an advertising workshop of its own with the cooperation of the Plato Film School of the famous film director Sinan Çetin during the 2006-2007 period. A 12 week long training session was titled "Ali Marka Yap". By using advertisements and publicity in the main industrial magazines and at university campuses, the program received a great deal of attention from different university students who wish to become advertisers. It was also a successful way of positioning an agency as an expert in the advertising business and was a good indicator of how separate it is from its competitors. In 2006, Alametifarika published its first book, "Alameti Farikalar," which included its advertisements and stories since its establishment.

In addition, Alametifarika was one of the major sponsors of Robert McKee's seminar, which was presented in June, 2007 in Turkey. He is seen as the leading authority on story and script writing in the world. This seminar was organized in Turkey for the first time and created great interest in the industry (Mediacat, 2007, June 1).

It is also important to stress that Alametifarika was chosen as the most admired advertising agency of 2005 in Capital magazine's annual research of the most admired companies in Turkey (Milliyetonline, 2007, February 15).

## **Creativity**

One of the important aspects of Alametifarika's business policies is that they do not believe there is a way to fairly measure creative work in the advertising business, either at national or international levels. Therefore, they have not attended any creative advertising contests since they went into business. They believe that the only truth about the outcome of advertisements should be the effectiveness of the campaign. Likewise, on the agency building's wall, a Hawaiian proverb is written: "What is true or not can only be understood by its effect." Instead of attending creative advertising contests, they attend advertising contests that assess the effectiveness of advertisements or ad campaigns. Thus, the only contests they attend are the Effie Advertising Effectiveness Contests.

In 2005, when the first Effie awards were given, Alametifarika attended with only one campaign which they had done for Turkcell. In its first year, the agency won a Silver award. In the next of the biannually organized contests in 2007, Alametifarika won 2 gold (Pınar and Café Crown campaigns) and one silver award (Turkcell-im) in the 2007 Effie Contest. Moreover, the Turkcell-im campaign won the grand prize at the International GSM Awards, which is organized by the GSMA (International Groupe Speciale Mobile Association) annually. This contest is very similar to Effie's in that the effectiveness of campaigns is evaluated.

### **5.6.3 The Firm's Capabilities**

#### **5.6.3.1 Organizational Capabilities**

##### **Employee Involvement**

Each year, Alametifarika organizes a special trip or small vacation for its employees. This year, all the employees spent a weekend at Saklıköy together, and they relaxed while learning new things from each other and from special trainers, as well. For example, a trainer talked about new technology and its effects, and Yankı Yazgan, a popular psychiatrist talked about personal development and psychology. After their speeches, Alametifarika managers talked about Alametifarika's policies and the

company's structure and goals. It was also mentioned that these getaways enhanced team spirit in the agency and made people much closer to each other. This year, they plan to attend a private workshop about being a strong team. A similar workshop was given by Acar Baltaş, a well known trainer, in the agency's first days. Since its establishment, Alametifarika has allocated a budget of USD 20,000-30,000 for in-house training, orientations, participation in professional organizations and fairs. Another strategy used by Alametifarika to maintain a strong team spirit and coordination in the agency is that summer vacation is taken at the same time by all employees; so the agency is closed for a specific time period in the summer.

It is important to note that Alametifarika let go nine people from its brand teams in 2006. Because all these people were let go at the same time, it created many discussions in the industry, as covered by various advertising forums and blogs on the web. The managers responded that because keeping a strong team spirit in the agency is very important for them, they intentionally preferred to let these people go at the same time. They believed that it was the most suitable strategy to maintain efficiency and motivation for the rest of the crew at the agency. They claimed that all the people let go had been paid accordingly and that some of them had even been suggested to other agencies.

In Alametifarika, the performance of each employee is evaluated at the end of every year. Each employee fills out a form to indicate his/her own performance evaluation. At the same time, managers make formal evaluations of each employee. Then, these two forms are compared in a meeting between the manager and the employee. The differences in these two evaluations and how these differences occurred are discussed face to face with the employees. The expectations of the management, their encouragement and their appreciation are shared with the employees. Wage increases are based totally on performance in Alametifarika. Actually, wage increases are seen as the only way of indicating superior performance in the agency. Since there is no hierarchical structure in the agency, position or title related advancements cannot be applied. Employees are informed beforehand about the horizontal structure and are told when they start to work at Alametifarika that they will not gain additional titles or responsibilities in the near future. Employees are told to feel free to discuss any issue



with the top managers at any time without any restrictions in Alametifarika. Therefore, there is no specific time allocated for meeting with top managers in the agency.

There are also informal meetings which are often organized in the agency. When a new client is gained, a new award won, or a birthday occurs, backyard parties are organized to celebrate. Additionally, when a particular job is struggling or if a job has failed, a special session is organized to assess errors and make corrections. Each month, a special presentation is made by an agency person who has an extraordinary advertising idea, piece of news, etc. to share with rest of the agency. The management encourages less-experienced people to make presentations in order to increase their presentation skills.

### **Service Quality**

Although it is the number one agency that uses TV heavily, Alametifarika offers integrated solutions for a large variety of communication mediums for the brands it represents. For example, Alametifarika can develop an Internet idea for a brand or suggest an appropriate TV series to associate with a brand. Thus, they want to have control over all alternative media solutions related to a brand. Thereby, Alametifarika differs from classical agencies whose main focus is only on mass media advertising. Additionally, the agency prefers to give full consideration to its core business, advertising, so there is no media planning service in the agency. Even though major agencies do not offer media planning services, they utilize people inside the agency to follow their clients' media related issues, so Alametifarika does not require such specialization in the agency.

There are creative and client briefing formats used in the agency in general. Both formats are used to increase speed and understanding between clients and the agency. The clients can follow the status of their work via daily memorandums and weekly reports prepared by brand managers. Alametifarika conducts performance evaluations with each client at the end of the year. Because they work based on contracts with every client depending on measurable performance criteria, objective evaluations can be done for Alametifarika's performance for a given year. Then, the agency's compensation is determined based on the results of the evaluations.

One of the most important aspects of Alametifarika is that they work with a relatively small number of employees. For clients, the importance of this is that during projects they can personally contact the bosses who are actively involved with the current projects. Without making any discrimination about the clients, for example, whether they are large or small accounts, Alametifarika's owners; Serdar Erener and Uğurcan Ataoğlu always take part in tasks, lead the teams and communicate with the clients. It is stressed that the top managers' role is the most important factor that discriminates Alametifarika from its competitors. At the same time, it is also the best indicator of Alametifarika's service quality.

Another important aspect that shows Alametifarika's service quality is its organizational speed. Because of its unusual organization structure and the human resources policies in the agency, which will be examined in the following sections, Alametifarika has become an organization that can work more efficiently. It is also stated that the agency has never needed outsourcing some of its creative works even in the busy times. Because they give full consideration for strengthening the Alametifarika brand, they resist making any decisions that might lower the value of the brand.

Garanti Bank is their oldest client when the years spent together at Young and Rubicam/Reklamevi are counted. In nearly 15 years of cooperation with Garanti Bank, the team has created many outstanding advertisements, which are still discussed and acknowledged (Gözütok, 2007, April 1). Alametifarika's relationship with Garanti Bank is quite different than a simple client-agency relationship in that Alametifarika is like a strategic alliance for Garanti Bank. Alametifarika not only provides advertising services to Garanti Bank but also gives consultations on marketing and international operations, as well. For example, when the bank opened a branch in Romania, they asked Alametifarika to find a suitable advertising agency to organize daily communication activities there. Alametifarika selected an agency and directed the work that they produced for Garanti Bank to the agency.

It has been stated that the main reason for the many years of cooperation with Garanti Bank is the trust the team successfully developed on the client's side. Clients know

that the management team is always in charge, and they always come up with best solutions for their needs. Even though the subordinates change, there is always continuity in the management team. It is also valid for Turkcell, the key client of the agency, who sees Alametifarika's reliability and quick problem solving abilities as their main assets. Alametifarika has been working with Turkcell for 6 years including the time spent together at Young and Rubicam/Reklamevi. It has also been mentioned that clients trust Alametifarika because the team understands their problems better than other agencies and provides better solutions that create better effects.

Although there is no exclusivity agreement between the agency and its suppliers, Alametifarika often prefers to work with famous director Sinan Çetin's Plato Film Production Company for its production work. It has been stated that the long years of cooperation with Plato brings cost advantages to the agency because they work more efficiently in terms of speed and quality on jobs. Because of its clients' choices, Alametifarika often works with Mindshare and Media: edge media buying and planning agencies. Ofset is another supplier that Alametifarika often works with for its printing needs. All suppliers mentioned are leading companies in their field.

### **Organizational Structure**

In Alametifarika, there is no departmental structure as is seen in most agencies. Therefore, there is no creative department or account department. Rather, the agency includes brand teams that are designed to manage all kinds of communication solutions for the brands they handle. There are 4 brand teams in the agency which are separated into the Blue, Yellow, Red, and Green teams. There are brand managers in each group responsible for the general coordination of their teams, for budgeting, and for developing strategic thinking for the brands they handle. Strategic planning is also not a separate department in the agency. Although Mr. Savaşan is the leading person for the strategic planning studies of the brands handled in the agency, all team players are also expected to develop strategic focus for the brands they represent.

In Alametifarika, regular meetings to check up on work status are held each Monday morning, between 8:00 a.m. and 11:00 a.m. There is a rotation system that has one person from each brand group attend this meeting each week. Then the group

representatives inform the rest of their crew so that everybody in the agency is well-informed about the progress of work in the agency. Sometimes, the upper management requests the brand directors to participate in their meetings, and crucial decisions are made together.

In each brand group there are several copy writers and art directors. Unlike the common use of position related titles used in other agencies, people in Alametifarika work without any additional titles, such as senior or junior, or any other title used to separate people. Instead, they work in autonomous work groups with a high degree of delegation and empowerment. When the creative work is finalized, it is presented to the creative heads, Serdar Erener and/or Uğurcan Ataoğlu for their approval. All writers and art directors directly communicate with their clients about their work without requiring the assistance of an account executive. They also manage every part of their work process by themselves. Therefore, every person in Alametifarika is expected to be a multifunctional team player who can have several responsibilities at the same time.

There are no rigid rules in Alametifarika's organization. The only exception could be the work hours which require everyone in the agency to be in the agency at 8:30 a.m. In addition, everybody in the agency is seen as a worker. Managers have no additional advantages from their position in regards to their work schedule. They have to be at the agency at 8:30 every day and must stay until the work at the agency is done. Although the owners are always in charge and lead the work processes, they act like team members in many occasions and give empowerment to the deputy general managers in related operational decisions and actions.

### **5.6.3.2 Managerial Capabilities**

#### **Top Manager's Credibility**

Both Serdar Erener and Uğurcan Ataoğlu are the top managers of the agency. However, Mr. Ataoğlu is seen as the top-level representative and spokesperson of the agency since Mr. Erener still cannot officially associate his name with Alametifarika. He is seen instead as the top supervisor. It is important to mention that Serdar Erener's name and his credibility in the industry are like DNA for Alametifarika. Especially when thinking the rapid growth of agency in its first year, it is evident that Serdar Erener's name played a big role in forming Alametifarika's reputation.

Serdar Erener has been in the industry for more than 20 years. He studied History at Boğaziçi University. Starting as a copy writer at Young and Rubicam/Reklamevi in 1986, he became the creative director in 1989 when the agency established a partnership with Young and Rubicam's international advertising agency.

Under Erener's creative direction, Y&R/Reklamevi became the leading agency and gained the largest number of advertising awards in Turkey. In 1995, he became the chief executive officer. Young and Rubicam/Reklamevi grew rapidly with his management and became one of top three agencies in regards to its returns. Serdar Erener had been chosen as one of the thirty successful top managers in the global network of Young and Rubicam. He was invited for a speech about his success story at the head office of the network in New York. Mr. Erener had been chosen several times as the "Advertiser of the Year" by communication schools of different universities. In 1998, he became the first advertiser in Turkey to take place in the Cannes Festival. During his long years of experience in the industry, he gave numerous speeches and lectures at universities or academic gatherings. In addition, he spoke at several conferences, such as the I-Cann Conference of the Brand Conference Series in 2002 and the Warketing Conference of Mediacat in 2005.

Mr. Erener was also the center of attention at Crystal Apple contests for many years. Under his creative direction, Y&R/Reklamevi won many awards and several times

became the top award-winning agency. However, he protested the results of the 15th Crystal Apple awards and refused to attend this contest again. Because he wrote quite a harsh letter about the contest to the Turkish Association of Advertising Agencies, he was sent to the association's discipline committee. Then he announced his resignation from the association's membership. Therefore, he does not participate in formal industrial organizations or events. Mr. Erener also deals with album production for several musicians. Alametifarika Records produced its first official release, "Gülden Caz," in 2006.

Uğurcan Ataoğlu graduated from Mimar Sinan University's, College of Fine Arts, from the Graphics Design department. He has also worked as a lecturer in the same college. During his long years in the industry, he worked at several multinational agencies, like Moran Ogilvy, Publicis Yorum, and Young and Rubicam/Reklamevi. He says that his advertising skills were mainly developed by Serdar Erener whom he sees as the most remarkable advertiser in Turkey. Mr. Ataoğlu is also the author of a recent book about his grandfather which was published by Alametifarika publications. Also, as a graphic designer, he attends design shows of his work.

Mr. Ataoğlu also prefers to stay far away from industrial events or meetings. In fact, all managers in Alametifarika prefer to be involved only with their business. In this sense, Alametifarika is an introverted agency. It is also said that the business tempo in the agency does not allow them to attend social gatherings like media organization meetings or meetings held by advertising associations or foundations.

### **Managerial Knowledge**

Alametifarika managers have an average of 16 years of experience in their relevant field. In addition, they all have many years of multinational company experience. There are three managers who have advanced degrees, and there are managers with international work experiences.

The management team closely follows developments in global advertising practices. There is a library in the agency which includes a wide variety of resources about advertising, marketing, consumer behavior, art, and other related issues. Alametifarika

gives a lot of emphasis on becoming a learning organization. Therefore, continuous learning and improvement is fundamental in the agency. The library is open for everybody to follow the developments in their specialization or in another area that will nourish their skills and knowledge. All popular national and international publications, even some academic publications, books, and case studies are available to those who want to improve their advertising skills and knowledge. There are no special publications allocated for the use of the management in Alametifarika. When there is important news or information, the teams are informed, either personally or via intranet.

The management monitors the developments in the industry via monthly Bileşim Media Reports. They assess the activities of competing agencies by looking not only at the advertising expenditures they made but also at the amount of advertisements done per agency. They also regularly check up on their brands' status in their industry via clients' research reports, industrial analyses made by popular business magazines, and newspapers. Since Alametifarika has clients from every industry except white goods, the management concentrates on improving its knowledge of the industries to which their brands belong. In addition, Mr. Savaşan often attends international conferences, fairs and meetings related with advertising, media, and/or marketing and he shares his knowledge and information with the team in special sessions organized in the agency.

Alametifarika was planning to establish a committee of consultants including well-known executives and academicians like economist Mahfi Eğilmez and brand consultant Güven Borça when the agency was founded. However, they could not manage to establish such a committee because of their rush to respond to the high demand that came from clients who wanted to work with Alametifarika. Similarly, so far the management team has not attempted to join a specific program or any training courses to develop their managerial skills.

### **Managerial Strategy**

Alametifarika aims to become an “idea centre” which is able to provide a variety of content for all types of mediums where the presence of a brand is important. The corporate strategy, mission and vision goals have not been clearly identified yet, but

the managers explicitly share their business philosophies with the employees in special in-house meetings and try to develop a strategic plan with their participation. Alametifarika was designed to produce various cultural materials in its name. Therefore, Alametifarika Records and Alametifarika Publications were established. A jazz album named *Gülden Caz*, and Uğurcan Ataoğlu's book named *Dedem Mehmet Rıfat* are the first examples of Alametifarika's business spectrum.

Alametifarika follows a very long and delicate procedure in acquiring new employees. The candidates' specialties, educational background, professional experience and enthusiasm are important indicators that the managers use to make their selection. More importantly, the managers focus on the lifestyles of the nominees. For example, Alametifarika worked with a consultancy firm to find its new brand managers. The brand managers are expected to have marketing formation gained at large multinational companies, such as Unilever and PandG. However, they are also expected to have a wide perspective of all areas related to advertising. After the nominees are identified, they are asked to organize a lunch or dinner with Alametifarika's managers. The place and time they choose, the meals they order, the outfits they wear, and the conversation they hold are all evaluated as signs of their personalities and lifestyles. Then, the managers decide on the people to be hired as brand managers.

There is no planned internship program in Alametifarika. Generally, 2 or 3 students assigned from the Turkish Association of Advertising Agencies are accepted for an internship for a month. Because there is limited space in the agency, a group of 2 students is assigned to each team. Sometimes, successful interns are employed on a part-time status. Moreover, Alametifarika plans to continue its "Ali Marka Yap" workshops to find and train its new employees.

#### **5.6.4 The Firm's Knowledge**

Alametifarika's team has many years of experience with the banking and telecommunications industries. The agency has several clients from the food and beverages industry as well as from other categories in the fast-moving consumer goods industry. The agency has brands from every category, including the automotive,



cosmetics, personal care and retailing industries. Although they mentioned that they have no client from the white-goods industry, they have many years of experience with the Arçelik brand in the Young and Rubicam/Reklamevi years. Alametifarika's team is also known as the creators of the popular advertising character, "Çelik".

Alametifarika has no formal or informal relations with other advertising agencies in terms of exchanging views about the business. There are also no current ongoing relations with universities or academic institutions. The agency's intranet is generally used as a medium to learn about new advertising films or extraordinary communication ideas. There is a person in the agency responsible for researching new ads and other developments and sharing them with the rest of the agency via intranet. Because the employees work closely in groups, there is no bureaucracy in the dissemination of information and knowledge related to ongoing business. As mentioned in the previous sections, Alametifarika tries to be an organization that learns together as a whole. They value researching, analyzing and sharing every kind of useful information or knowledge continuously with each other to improve their total competence.

## **Chapter 6**

### **Analysis of Case Studies**

The analyses are made within the groups in which multinational agencies are compared within each other and national agencies are compared within each other by considering whether there are important relationships between the factors and the agencies' performance levels as indication of their competitiveness. The "important" factors are identified as those which indicate "a linear relationship" among the performance levels, either positively or negatively. Those factors that have the same effects for all performance levels are identified as "unimportant factors" since they cannot indicate the differences among the performance levels that could be a source of competitive advantage. Those factors which are not applicable or available are called "irrelevant".

#### **6.1 Analysis of Firm Resources**

##### **6.1.1 Tangible Resources**

###### **6.1.1.1 Company Age**

Company age could be considered as a "significant factor" for competitiveness of the multinational agencies under study. A strong correlation has been observed between the age of the multinational agencies and their performance levels. As the age of a company and the number of years under the multinational status increase, so does the performance of the agency.

However, age does not seem to be an important factor for the national agencies' performances in this study. There is no relation has been observed between the performances of the national agencies and the number of their years in the business.

### **6.1.1.2 Company Status**

Company status also seems to be a significant factor for the performances of the multinational agencies. The nature of ownership for the multinational agencies (affiliation, share partnership, and whole ownership) changes synonymously with performances of the multinational agencies in this study. Thus, whole ownership may cause to a better performance. Moreover, competitive positions of the multinational owners or partners also improve the levels of their performances. The existence of strategic alliances is also correlated with the competitive positions of multinational network that those who are large holding companies providing a wide variety services through different companies have better performances.

However, company status does not indicate significant effects on the performances of the national agencies. The national agencies are single firms, and they do not have any strategic alliances.

### **6.1.1.3 Human Resources**

There is a significant relationship between the employee sizes of the multinational agencies and their performances. The successful multinational agencies are larger organizations. However, the percentages of core employees in total staff do not demonstrate a significant relationship with the performances. The number of directors responsible from the core duties does not indicate a meaningful relationship with the performances of the agencies, either. Table 6.1 indicates human resources characteristics of multinational agencies.

Table 6.1 Comparison of Human Resources Factors of the Multinational Agencies

Human Resources	Superior	Moderate	Less Satisfying
<b>Number of employees</b>	106 people	69 people	34 people
<b>Number of core employees</b>	68 people	54 people	24 people
<b>Number of core directors</b>	8 people	3 people	6 people
<b>Percentage of core employees to total</b>	64%	71%	71%
<b>Turnover rate</b>	8%	4%	0.15
<b>Average Employee Age</b>	32	30	27
<b>Ratio of employees with a university degree</b>	80%	73%	80%
<b>Ratio of employees with an advanced degree</b>	3%	11%	2%
<b>Number of employees having an International experience</b>	1 person	3 people	--
<b>Working time</b>	Nearly 9 hours	Nearly 9 hours	Nearly 9 hours
<b>Rate of female employees</b>	NA	80%	50%
<b>In management</b>	67%	83%	50%
<b>Compensation Package</b>	Private health insurances, lunch expenses	Monthly salaries and lunch expenses	Monthly salaries and lunch expenses

The average age of employees increases parallel to increase in their agency performances that there is a significant relationship with the agency performances and the age of employees for the multinational agencies in this study. It could be related with the ages of agencies and relatively low turnover rates that may be taken as an indication of work satisfaction in agencies with higher performances. The distributions of the genders of the employees do not indicate a significant relationship between the agency performances, either. The compensations given for employees are improved at the point of the superior performance.

The multinational agencies in this study apply the same working hours, so that working hours cannot be taken as a source of competitiveness for these agencies. The education level of employees and their international or overseas experiences are insignificant for explaining the differences among agency performances, either.

Among all tangible resources, the factors related with human resources are the most important ones demonstrating the differences among the national agencies. Table 6.2 compares the human resources applications in the national agencies. For example, the length of working hours in national agencies increases simultaneously with the increases in the agency performances. On the other hand, there is a negative correlation between the age of employees and agency performances that successful national agencies work with relatively young employees.

Table 6.2 Comparison of Human Resources Factors of the National Agencies

<b>Human Resources</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Number of employees</b>	49 people	65 people	28 people
<b>Number of core employees</b>	43 people	41 people	18 people
<b>Number of core directors</b>	NA	7 people	7 people
<b>Percentage of core employees to total</b>	88%	63%	64%
<b>Turnover rate</b>	.....	35%	0.12
<b>Average Employee Age</b>	28	31	33
<b>Ratio of employees with a university degree</b>	82%	82%	72%
<b>Ratio of employees with an advanced degree</b>	8%	14%	25%
<b>Number of employees having an International experience</b>	4 people	1 person	--
<b>Working time</b>	nearly 12-13 hours	Nearly 9 hours	Nearly 8 hours
<b>Compensation Package</b>	Private health insurances, lunch expenses in addition to monthly salaries	Private health insurances, lunch expenses in addition to monthly salaries	Private health insurances, lunch expenses in addition to monthly salaries
<b>Rate of female employees</b>	NA	37%	54%
<b>In management</b>	50%	0%	40%

Additionally, the number of people who has international work experience increases significantly with the agency performances. Interestingly, some attributes like the educational level, and the number of employees and the core employees working at the agency are seen insignificant when determining the level of performances among the national agencies. However, the percentage of the core employees to total increases when the agency performance is getting superior.

Although the employee turnover rate of the superior agency could not be obtained, the comparison between the moderate and less satisfying agencies indicates that the rate of employee turnover is not a significant factor for the national agencies. The gender of employees is also not a significant variable to make a comparison among the performances of agencies. All national agencies give similar compensations to their employees. Thus, it is not an important factor for competitiveness of these agencies. Table 6.3 presents the total results about the tangible resources of this study.

Table 6.3 Summary of Results 1: Tangible Resources

<b>FIRM RESOURCES</b>			
<b>Tangible Resources</b>	<b>NATIONAL</b>	<b>MULTINATIONAL</b>	<b>OVERALL RESULTS</b>
<b>Company Age</b>	UI	I	As the age of a company and the number of years under the multinational status increases, so does the performance of the agency
<b>Company Status</b>	UI	I	There is a linear relationship between the level of performance and the nature of ownership (affiliation, share partnership, and whole ownership).
<b>Human Resources</b>			
Number of employees	UI	I	As size increases so does the performance of multinationals
Number of core employees	UI	UI	
Percentage of core employees to total	I	UI	As size increases so does the performance of the nationals
Number of directors	UI	UI	
Turnover rate	UI	UI	
Average Employee Age	I	I	For nationals, as performance increases the average employee age decreases. For multinationals as performance increases the average employee age increases as well.
Ratio of employees with a university degree	UI	UI	The ratio of university graduates increases synonymously with the performances at the nationals, but for higher educational level, the opposite is true. Thus, educational level is considered NS
Ratio of employees with an advanced degree	UI	UI	
Number of employees having an international experience	I	UI	
Working time	I	UI	As the hours increase, so does the performance for the nationals
Compensation Package	UI	I	Only for multinationals

**I:** Important; **UI:** Unimportant

## **6.1.2 Intangible Resources**

### **6.1.2.1 Reputation**

There are important differences on the performance levels of the multinational agencies according to their reputations. It is observed that there is an increase in performances of the agencies when their reputations are getting stronger. The number of top clients and global clients also increase parallel with the agency performances. More importantly, client retention rates are positively correlated with the agency performances that the superior agency has relatively low client turnover rate.

The multinational agencies in this study build their reputations on different grounds. Nonetheless, they become more professional in their promotional activities when the performances are getting better. Thus, it could be said that among case study multinational agencies the ones that manage their reputations more effectively, are more successful. There is a reverse relation between the agency performances and participation to trade associations and their events. It could be said that the multinational agencies are more willing to participate into industrial organizations when their performances are decreasing. Thus, interaction with the trade associations or events does not seem to have a positive effect on performances of the multinational agencies in this study.

There are important differences among the national agencies based on their reputations. When the number of top clients and client retention rates increase, so do the performances of the agencies. It is also seen that founders' credibility and promotional activities are important attributes strengthening the reputations of the successful agencies in this study. The number of global clients is an insignificant attribute for determining the role of reputation in performances of the national agencies. There are also no significant differences among the national agencies according to their participations to the trade associations and events. Table 6.4 indicates the reputations of the national agencies in this study.



### 6.1.2.2 Creativity

There is a important relation between the creative acknowledgments of the multinational agencies and their performances. The creative acknowledgements increase similarly with the performances. Thus, the multinational agencies that are more acknowledged by their creativity have better performances. Table 6.4 indicates the intangible resources of the multinational agencies.

Table 6.4 Intangible Resources of the Multinational Agencies

Intangible Resources	Superior	Moderate	Less Satisfying
<b>Reputation</b>			
Number of top clients	6	4	-
Number of global brands	30	14	1
The rate of client turnover	20%	24%	50 %
<b>Participation to industrial Organizations</b>	Previous management's attempts --- Currently no formal participation.	Several jury duties at local creativity awards Membership of Advertising Foundation current board Membership at TAAA current board	Former member at TAAA management board, former president at Advertising Copy Writers Association, several jury memberships at Crystal Apple Contests
<b>Promotional Activities</b>	Crisis management/PR Director	Top professionals' efforts (seminars, speeches at training programs.)	Image management by extroverted top manager Participation to Marketingist Fair
<b>Web site</b>	None	Informative	Under construction
<b>Creativity</b>			
<b>Number of awards (last 5 years)</b>	22 from Crystal Apple, 2 from Effie Contests	6 Crystal Apple 3 Kırmızı awards 1 Epica 2 Mediacat awards	2 achievement awards from Crystal Apple

For the national agencies, creative acknowledgments are not important for explaining the differences among the performances of agencies. Rather, it could be seen as a case specific factor. Table 6.5 presents the intangible resources of the national agencies in this study. The successful national agency is acknowledged by its creativity more

often and by also using objective and measurable criteria. Table 6.6 summarizes the total results about intangible resources in this study from where an overall conclusion can be reached that having large number of top clients and satisfied clients provide important competitive advantages for the agencies. In addition, creative acknowledgments and involving with promotional activities including an informative web site could also pay off for the agencies.

Table 6.5 Intangible Resources of the National Agencies

<b>Intangible Resources</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Reputation</b>			
<b>Number of top clients</b>	10	7	2
<b>Number of global brands</b>	1	5	5
<b>The rate of client turnover</b>	No turnover	41%	61%
<b>Participation to industrial Organizations</b>	Member at TAAA management, sponsorship to major conferences	President of AF, member at TAAA board, jury duties.	Member of AF, some jury duties
<b>Promotional Activities</b>	Various strategic activities  Most admired agency in 2005  Alameti Farikalar	Owners and top professionals' joint efforts (interviews, speeches, seminars, courses, etc.)  Birthday brochure	Indirect image management by word-of-mouth
<b>Web site</b>	Not informative	Informative	Informative
<b>Creativity</b>			
<b>Number of awards (last 5 years)</b>	4 from Effie Contests	1 international award	8 awards from Crystal Apple contests

Table 6.6 Summary of Results 2: Intangible Resources

<b>FIRM RESOURCES</b>			
<b>Intangible Resources</b>	<b>NATIONAL</b>	<b>MULTINATIONAL</b>	<b>OVERALL RESULTS</b>
<b>Reputation</b>			
Number of top clients	I	I	As the number of top clients increase, so does the performance
Number of global brands	UI	I	It is valid for multinationals that their performance enhances parallel to the number of global clients in the portfolio
The rate of client turnover	I	I	As the turnover rates decrease, performances increase
Participation to industrial organizations	UI	I	As the participations are lessening, the performances are getting higher
Promotional Activities	I	I	Long term strategic activities pay off
Web site	UI	UI	
<b>Creativity</b>			
Number of awards	I	I	Creative acknowledgments pay off

**I:** Important; **UI:** Unimportant.

## **6.2 Analysis of Firm Capabilities**

### **6.2.1 Organizational Capabilities**

#### **6.2.1.1 Employee Involvement**

Overall, the multinational agencies in this study do not have any special human resources policies to upgrade their employee's performances and motivations. It could be the only advancement opportunities given by the networks that could increase employee involvement. In all agencies, there is open communication with the top managers, so that relation with the top manager cannot be a significant factor for competitiveness of the multinational agencies in this research.

Team motivation is expected to be increased by some entertaining activities, such as birthday parties or New Year celebrations. Besides, network trainings are held only at senior levels that are limited and do not affect the rest of the teams. Therefore, these factors are not significant factors influencing the performances of our national case studies. Employee involvement that could affect the performances of the multinational agencies can only be sustained through advancement opportunities given by the multinational networks. When considering that only small number of people have these opportunities, it could be said that employee involvement cannot be considered as a significant factor determining the performance levels among the multinational agencies. Table 6.7 indicates the practices of multinational agencies to increase employee involvements.

Table 6.7 Employee Involvement Methods of the Multinational Agencies

<b>Organizational Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Employee Involvement</b>			
<b>Performance Measurement</b>	Subjective, one-sided evaluation	Subjective, one-sided evaluation	Subjective, one-sided evaluation
<b>Rewards</b>	Salary increases, annual bonuses Rotations inside and in network	Salary increases, annual bonuses, trainings and Cannes conferences	Salary increases, annual bonuses
<b>Relation with Top Manager</b>	Open communication No hesitancy	Open communication Some hesitancy	Open communication No hesitancy
<b>Team Motivation</b>	Entertaining activities (birthdays, New Year celebrations, dinner at outside, parties...)	Some entertaining activities (birthdays, New Year celebrations)	Mainly spontaneous gatherings, birthday celebrations.
<b>Training and Seminars</b>	Network trainings for directors, In-house seminars of directors No specific program for employees  Not extensive No identified budget	Network trainings for directors No specific program for employees, but supportive. Not extensive Identified budget	No specific program Not extensive No identified budget

Contrary to the multinational agencies, the national agencies in this study have specific methods for performance measurements and conduct designated activities for the development of their employees and teams. Although there is a slight difference between the agencies on their practices, performance measurement is seen as an insignificant factor since all the agencies give a great deal of concern to be fair and also pay attention to prepare training programs including some entertaining sessions. There is a slight difference between the agencies that superior agency has also allocated budget for training and seminars. Besides, the agencies with higher performances organize special agency weekends. There is open communication between employees and top managements in the national agencies. Therefore, relation with top managers is not a significant factor for the national agencies, either. Overall, the national agencies seem to apply similar policies and practices to maintain the involvements of their employees. Employee involvement is not a significant factor for the competitiveness of national agencies although the national agencies pay special attention to this issue. Table 6.8 presents the practices of national agencies to increase employee involvements.

Table 6.8 Employee Involvement Methods of the National Agencies

<b>Organizational Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Employee Involvement</b>			
<b>Performance Measurement</b>	Objective, joint evaluation	Objective, joint evaluation	Joint evaluation of all directors, less subjective
<b>Rewards</b>	Salary increases, bonuses	Salary increases, annual bonuses, career development	Salary increases, extra bonuses, annual bonuses, shareholder project
<b>Relation with Top Manager</b>	Open communication No hesitancy	Open communication, special session monthly No hesitancy	Open communication No hesitancy
<b>Team Motivation</b>	Edutainment	Edutainment	Edutainment
<b>Training and Seminars</b>	Planned, routine activities Special agency training weekends In-house seminars, presentations Including everyone Identified budget	Planned routine activities and also spontaneous activities Special agency training weekends In-house seminars, presentations, Including everyone No identified budget	Planned and spontaneous activities STEP workshops, In-house seminars, presentations Including everyone No identified budget, but supportive for important events

### 6.2.1.2 Service Quality

There is a positive relationship between the range of services offered by the multinational agencies and their performances that those agencies that are able to offer a wide variety of services through their holding company advantages have better performances. Thus, service range is an important factor indicating the service quality that alters the performance. Table 6.9 provides a comparison about service qualities of the multinational agencies.

Table 6.9 Determinants of Service Quality in the Multinational Agencies

<b>Organizational Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Quality Service</b>			
<b>Range</b>	– Full advertising and communication solutions with holding support	– Full advertising and communication solutions with holding support	– Focused on advertising
<b>Client Relations</b>	<ul style="list-style-type: none"> <li>– Annual evaluations with objective criteria</li> <li>– Written briefing formats</li> <li>– Daily follow-ups with account executives</li> <li>– Oldest client Nestle, 15 years</li> <li>– Key clients Coca Cola and Nestle</li> </ul>	<ul style="list-style-type: none"> <li>– Annual evaluations</li> <li>– Written briefing formats</li> <li>– Daily follow-ups with account executives, weekly reports</li> <li>– Oldest client Renault, 25 years</li> <li>– Key client is Akbank for 7 years</li> </ul>	<ul style="list-style-type: none"> <li>– No formal client evaluation</li> <li>– Written briefing formats</li> <li>– Daily follow-ups with account executives</li> <li>– Key and Oldest client Fortis, 6 years</li> </ul>
<b>Tools, Trademarks Owned</b>	<ul style="list-style-type: none"> <li>– 3 main tools to structure work process</li> <li>– Indication of codified knowledge</li> </ul>	<ul style="list-style-type: none"> <li>– 3 main tools of the network</li> <li>– Indication of codified knowledge</li> </ul>	<ul style="list-style-type: none"> <li>– No tools or trademarks of its own</li> <li>– Indication of tacit knowledge</li> </ul>
<b>Supplier Relations</b>	<ul style="list-style-type: none"> <li>– Professional selection, exclusivity agreement</li> <li>– Short-term</li> </ul>	<ul style="list-style-type: none"> <li>– Mainly selected through personal relations, no exclusivity</li> <li>– Long term</li> </ul>	<ul style="list-style-type: none"> <li>– Mainly selected through personal relations, no exclusivity</li> <li>– --</li> </ul>
<b>Outsourcing</b>	Not exist	Not exist	Not exist

The multinational agencies have similar practices in their client relations, such as the uses of written forms of client briefing, daily correspondences with clients, etc. Thus, client relation method is not a significant factor in explaining the differences among the performance levels of the multinational agencies. However, there is a linear relationship between the client audits and agency performances that those are audited annually by their clients have better performances. It is also seen that those who have long years of cooperation with their clients (both the oldest client and the key client) have better performances.

It is also seen that performance increases are positively correlated with the use of strategic tools and trademarks. The relation with the suppliers could be an important factor if they are chosen professionally and for shorter terms. Outsourcing is found as an irrelevant factor to cause performance differences among the agencies.

The national agencies are audited by their clients, annually. Besides, they give quite concern to arrange the relations with clients in formal ways, and use written forms of briefings and execute daily correspondences through account executives. Although none of them has an exclusive supplier of its own, the superior agency enjoys the advantages of long term relations with a well-known production company. Since these factors are common for all of the national agencies in this study, they cannot be the ones influencing the performance differences among the national agencies.

The national agencies in this study differ according to their range of services that the one whose main focus is advertising (oppose to the integrated marketing services) has better performance than others. It is observed that term of client relations increases at the superior performance level, but it does not change simultaneously with the performances. The tools or trademarks used for increasing service quality are found insignificant for the national agencies since neither superior agency nor less satisfying agency has their own tools. It is also a good indicator of the usage of tacit knowledge which is seen as an important competitive advantage. Outsourcing is irrelevant factor for the national agencies, as well. Table 6.10 provides a comparison about service qualities of national agencies.



Table 6.10 Determinants of Service Quality in the National Agencies

<b>Organizational Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Quality Service</b>			
<b>Range</b>	Focused on advertising	Focused on advertising	Focused on media planning and buying and advertising
<b>Client Relations</b>	<ul style="list-style-type: none"> <li>– Annual client evaluations</li> <li>– Written briefing formats</li> <li>– Daily follow-ups with related team members</li> <li>– Oldest client Garanti Bank, 15 years</li> <li>– (with the years in former agency)</li> <li>– Key client Turkcell, 6 years</li> </ul>	<ul style="list-style-type: none"> <li>– Annual client evaluations</li> <li>– Written briefing formats</li> <li>– Daily follow-ups with account executives</li> <li>– Oldest client Sony Ericsson, 5 years</li> <li>– Key client is THY, 1 years</li> </ul>	<ul style="list-style-type: none"> <li>– Annual client evaluations</li> <li>– Written briefing formats</li> <li>– Daily follow-ups with account executives</li> <li>– Oldest client Bosch, 12 years</li> <li>– Key clients Bosch and Türkiye Katılım Bank, 12 years, 1 year, resp.</li> </ul>
<b>Tools, Trademarks Owned</b>	<ul style="list-style-type: none"> <li>– No tools or trademarks of its own</li> <li>– Indication of tacit knowledge</li> </ul>	<ul style="list-style-type: none"> <li>– 1 tool</li> <li>– Indication of codified knowledge</li> </ul>	<ul style="list-style-type: none"> <li>– No tools or trademarks of its own</li> <li>– Indication of codified knowledge</li> </ul>
<b>Supplier Relations</b>	<ul style="list-style-type: none"> <li>– Mainly selected through personal relations, no exclusivity</li> <li>– Long-term</li> <li>– Co-operation with Plato Film gets cost-effectiveness and speed</li> </ul>	<ul style="list-style-type: none"> <li>– Mainly selected through client relations, no exclusivity.</li> </ul>	<ul style="list-style-type: none"> <li>– Mainly selected through client relations, no exclusivity.</li> </ul>
<b>Outsourcing</b>	Not exist	Not exist	Not exist

### 6.2.1.3 Organizational Structure

The multinational agencies in this study are hierarchical organizations that encourage specialization, divisions and ranks. There are layers of management in the agencies, and narrow span of control and less delegation for the employees. Organizational structures of the agencies foster internal communication to be done mainly by intranet, therefore personal communication that creates a warm atmosphere in the agencies is less likely to be observed. The role of strategic planning department in the agencies changes parallel to the increases in performances. While it is seen as an important function at less satisfying performance level, it becomes an asset for the agencies with

higher performances. Thus, strategic planning is an important factor for competitiveness of the multinational agencies.

The network control over management increases simultaneously with the performances of the multinational agencies that the superior agency since it is wholly owned by the multinational network is totally depended on its network management. The role of the owners becomes evident when the performance and the multinational status of the agency weaken. Then, the owners have full control on the strategic decisions and the all of the operations.

It is observed that when the performances are high, the uses of various procedures and norms are increased. Thus, there is an indication of codified knowledge that could increase the performances of the multinational agencies. Table 6.11 presents the organizational structures of national agencies.

Table 6.11 Organizational Structures of the Multinational Agencies

Organizational Capabilities	Superior	Moderate	Less Satisfying
<b>Organizational Structure</b>	<ul style="list-style-type: none"> <li>- Account team structure</li> <li>- Divisions and levels of specializations</li> <li>- Hierarchical structure, intranet communication</li> <li>- Weekly team meetings</li> <li>- Narrow span of management</li> <li>- Strategic Planning is an asset</li> <li>- 100% network control on management team</li> <li>- Procedures for almost every activity</li> <li>- Indication of codified knowledge</li> </ul>	<ul style="list-style-type: none"> <li>- Account team structure</li> <li>- Divisions and levels of specializations</li> <li>- Hierarchical structure, intranet communication, special intranet for executive committee</li> <li>- Weekly team meetings</li> <li>- Narrow span of management</li> <li>- Strategic Planning is an asset</li> <li>- Network has control on executive committee and the management team</li> <li>- Strict rules, procedures and norms</li> <li>- Indication of codified knowledge</li> </ul>	<ul style="list-style-type: none"> <li>- Account team structure</li> <li>- Divisions and levels of specializations</li> <li>- Hierarchical structure, mostly intranet communication</li> <li>- Weekly team meetings</li> <li>- Narrow span of management</li> <li>- Strategic Planning is important</li> <li>- Owners have full control</li> <li>- No formal procedures and norms</li> <li>- Indication of tacit knowledge</li> </ul>

On the other hand, the national agencies are free from formal rules and procedures, so that tacit knowledge might be important for their organizational activities. It is observed that indication of tacit knowledge enhances parallel with the increases in the performances of agencies. An important attribute at superior performance level is to have a flat organization structure which increases communication and speed. Besides, the superior agency has a different team structure which encourages wider span of management and higher degree of empowerment for its employees. Since this structure and management style is unique for the superior agency, it will be evaluated as a case specific factor. Thus, team structure for the national agencies is not a significant factor, either.

It is also seen that the role of strategic planning in the organizations is changing simultaneously with the performances of the agencies. In less satisfying level, it is one of the functions needed to finalize projects while in the moderate performance level, it is seen as an important asset differentiating the agency from its competitors. In case of superior performance level, it is again seen as one of the functions, but as a part of total competencies. Because the superior agency tries to compete with its all competencies, strategic planning is seen as a unified function. It is also the reason of why all core team players in the superior agency are expected to have strategic planning abilities at the same time. Table 6.12 presents the organizational structures of national agencies, and Table 6.13 summarizes the total results about firm's organizational capabilities in this study. An overall conclusion can be drawn from this table that range of services, especially strategic planning services could be important for the competitiveness of the case studies.

Table 6.12 Organizational Structures of the National Agencies

Organizational Capabilities	Superior	Moderate	Less Satisfying
<p><b>Organizational Structure</b></p>	<ul style="list-style-type: none"> <li>- Brand teams with multi-functional members</li> <li>- Fewer divisions and no level of specializations</li> <li>- Flat structure, both intranet and personal communication</li> <li>- Weekly team meetings</li> <li>- Wider span of management</li> <li>- Strategic Planning is one of the functions</li> <li>- Owners and professional managers have both control</li> <li>- No formal procedures and norms</li> <li>- Indication of tacit knowledge</li> </ul>	<ul style="list-style-type: none"> <li>- Account team structure</li> <li>- Divisions and levels of specializations</li> <li>- Hierarchical structure, mainly intranet communication</li> <li>- Weekly team meetings</li> <li>- Narrow span of management</li> <li>- Strategic Planning is an asset</li> <li>- Owners and top level executives have both control</li> <li>- No formal procedures and norms</li> <li>- Indication of tacit knowledge</li> </ul>	<ul style="list-style-type: none"> <li>- Account team structure</li> <li>- Divisions and levels of specializations</li> <li>- Hierarchical structure, but friendly environment, personal communication</li> <li>- Weekly team meetings</li> <li>- Narrow span of management</li> <li>- Strategic Planning is one of the functions</li> <li>- Owners also professional managers have control</li> <li>- No formal procedures and norms</li> <li>- Indication of tacit knowledge</li> </ul>

### 6.13 Summary of Results 3: Organizational Capabilities

<b>Organizational Capabilities</b>	<b>National</b>	<b>Multinational</b>	<b>Overall Results</b>
<b>Employee Involvement</b>			
Performance Measurement	<b>UI</b>	<b>UI</b>	
Rewards	<b>I</b>	<b>I</b>	The type and variety of rewards are negatively correlated with the performance of the nationals
Relation with Top Manager	<b>UI</b>	<b>UI</b>	
Team Motivation	<b>UI</b>	<b>UI</b>	
Training and Seminars	<b>UI</b>	<b>UI</b>	
<b>Quality Service</b>			
Service Range	<b>I</b>	<b>I</b>	While the service Ranges of the nationals narrowed, they are getting more successful, contrary to the multinationals.
Client Relations Methods	<b>UI</b>	<b>I</b>	Partially significant
Tools, Trademarks Owned	<b>UI</b>	<b>I</b>	
Supplier Relations	<b>UI</b>	<b>I</b>	
Outsourcing	<b>IR</b>	<b>IR</b>	The agencies under the study do not apply for outsourcing
<b>Organizational Structure</b>			
Team structure and management	<b>UI</b>	<b>UI</b>	The superior national agency has a unique structure that could be a factor of its competitiveness
Dependability on formal rules, norms, and procedures	<b>UI</b>	<b>I</b>	
Control of owners/network	<b>UI</b>	<b>I</b>	All owners are in charge and have full control over the business
Communication system among teams	<b>I</b>	<b>UI</b>	Using both intranet and personal communication is positively correlated for the performance of the national agencies
The role of strategic planning	<b>I</b>	<b>I</b>	

**I:** Important; **UI:** Unimportant; **IR:** Irrelevant

## 6.2.2 Managerial Capabilities

### 6.2.2.1 Top Manager's Status and Credibility

The multinational agencies demonstrate significant differences according to their top managers' status and credibility. When the performances of the agencies increase, the effect of status of top managers and their credibility weaken. Table 6.14 provides the status and credibility of top managers of multinational agencies.

Table 6.14 The Status and Credibility of the Top Managers of the Multinational Agencies

Managerial Capabilities	Superior	Moderate	Less Satisfying
<b>Top Managers</b>			
<b>Status</b>	<ul style="list-style-type: none"> <li>– Professional Manager</li> <li>– Business oriented</li> </ul>	<ul style="list-style-type: none"> <li>– Executive Committee Member</li> <li>– Business oriented</li> </ul>	<ul style="list-style-type: none"> <li>– Owner</li> <li>– Art oriented</li> </ul>
<b>Credibility</b>	<ul style="list-style-type: none"> <li>– 10 years of experience</li> <li>– Not very well known</li> <li>– No specific awards or certificates</li> <li>– Involved with advertising only</li> <li>– Not participate to industrial organizations, events</li> <li>– Gives speeches, seminars at universities rarely</li> <li>– Contribution is evident</li> <li>– Strong reputation inside the agency</li> </ul>	<ul style="list-style-type: none"> <li>– 15 years of experience</li> <li>– Well known</li> <li>– No specific awards or certificates</li> <li>– Involved with advertising only</li> <li>– Participates to industrial organizations, events</li> <li>– Gives speeches, seminars, courses at universities occasionally</li> <li>– Contribution is evident</li> <li>– Strong reputation in the industry</li> </ul>	<ul style="list-style-type: none"> <li>– 20 years of experience</li> <li>– Very well known</li> <li>– Numerous awards and appreciations</li> <li>– Involved with poem and essay writing also</li> <li>– Participate to industrial organizations, events</li> <li>– Gives speeches, seminars, courses at universities regularly</li> <li>– Contribution is evident</li> <li>– Strong reputation in every side of advertising industry</li> </ul>

For the national agencies, it is essential to have distinguished and admired top managers in generating competitive advantage. Top manager's credibility is positively correlated with the performance levels of the national agencies. The national agencies in this study have top managers who are also owners with art backgrounds and long years of experiences. Thus, top manager's status is not a significant factor for the

performances of the national agencies. Table 6.15 provides the attributes of the top managers of the national agencies.

Table 6.15 The Status and Credibility of the Top Managers of the National Agencies

<b>Managerial Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Top Managers</b>			
<b>Status</b>	<ul style="list-style-type: none"> <li>- Owners</li> <li>- Art oriented</li> </ul>	<ul style="list-style-type: none"> <li>- Owner</li> <li>- Art oriented</li> </ul>	<ul style="list-style-type: none"> <li>- Owner</li> <li>- Art oriented</li> </ul>
<b>Credibility</b>	<ul style="list-style-type: none"> <li>- 20 years of experiences</li> <li>- Became legends already</li> <li>- Numerous awards and appreciations</li> <li>- Involved with music and publishing businesses also</li> <li>- Not participate to industrial associations, events</li> <li>- Give speeches, seminars at universities occasionally. One is a lecturer in a university</li> <li>- Contribution is evident</li> <li>- Strong reputation in every side of advertising industry</li> </ul>	<ul style="list-style-type: none"> <li>- 20 years of experience</li> <li>- Very well known</li> <li>- No specific awards of his own</li> <li>- Involved with advertising only</li> <li>- Participates to industrial associations, events</li> <li>- Gives speeches, seminars at universities occasionally</li> <li>- Contribution is evident</li> <li>- Strong reputation in the industry</li> </ul>	<ul style="list-style-type: none"> <li>- 20 years of experience</li> <li>- Not known very much</li> <li>- Several awards and appreciations</li> <li>- Involved with advertising only</li> <li>- Rarely participate to industrial associations, events</li> <li>- Gives speeches, seminars at universities rarely</li> <li>- Contribution is not evident</li> <li>- Strong reputation inside the agency, and in client side</li> </ul>

### 6.2.2.2 Managerial Knowledge

For the multinational agencies in this study there is a negative correlation between the experiences of the management teams and the agency performances. Table 6.16 indicates the nature of managerial knowledge in multinational agencies.

Table 6.16 Managerial Knowledge at the Multinational Agencies

<b>Managerial Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Managerial Knowledge</b>			
<b>Experience</b>	Average 10 years of experience	Average 14 years of experience	Average 18 years of experience
<b>Education</b>	<ul style="list-style-type: none"> <li>- 2 advanced degrees</li> <li>- 1 international work experience</li> <li>- Network trainings for senior managers</li> <li>- Senior managers attend international conferences or seminars</li> </ul>	<ul style="list-style-type: none"> <li>- 1 international advanced degree</li> <li>- 1 international work experience</li> <li>- Network trainings for senior managers</li> <li>- Senior managers attend international conferences or seminars</li> </ul>	<ul style="list-style-type: none"> <li>- No advance degrees or international experience</li> <li>- No network trainings</li> <li>- No specific publications for management team</li> <li>- Word-of mouth communication</li> </ul>
<b>Training and Seminars</b>	<ul style="list-style-type: none"> <li>- No specific publications for management team</li> </ul>	<ul style="list-style-type: none"> <li>- No specific publications for management team</li> </ul>	
<b>Type of information monitored</b>	<ul style="list-style-type: none"> <li>- Subscribed media reports-Universal McCann</li> </ul>	<ul style="list-style-type: none"> <li>- Word-of mouth communication</li> </ul>	
<b>Consultancy</b>	<ul style="list-style-type: none"> <li>- a financial consultant</li> </ul>	<ul style="list-style-type: none"> <li>- Subscribed media reports-Group's media company</li> <li>- Industrial publications</li> <li>- Word-of mouth communication</li> <li>- a financial consultant Network consultants occasionally</li> </ul>	<ul style="list-style-type: none"> <li>- No consultant</li> </ul>

It is more important for the successful multinational agencies to have managers with better education and international experiences than having managers with long years of experiences. There are positive correlations between the networks' contributions to the managers and the agency performances that the agencies whose managers are sent to the international conferences, congress, fairs and to the network training programs have better performances.

The dependability on word-of-mouth communication and informal information is observed when the performances decrease. Therefore, the importance of formal and original network information and training has also been verified. The management teams in the multinational agencies do not have special publications of their own; they review the same materials with the staff. Thus, allocation of specific materials or



resources for the management team is insignificant for the performances of multinational agencies. There are no specific or regular consultants of the agencies related with the core activities. Thus, consultancy is not a relevant variable for multinational agencies.

For the national agencies, it is adequately important to acquire managers with both better education and long years of experience. The national agencies do not make specific investments on their management teams, either. Generally, seminars or training programs are organized for all core team players. The management teams in the successful agencies do not have special publications of their own; they review the same materials with the rest of their teams. However, participation to some international conferences and fairs is observed when the performance increases. Thus, the motive for international competency could be an important factor affecting competitiveness of the national agencies in this study. Consultancy is an irrelevant factor to explain performance differences among the agencies. Table 6.17 indicates the nature of managerial knowledge in the national agencies in this study.

Table 6.17 Managerial Knowledge at the National Agencies

<b>Managerial Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Managerial Knowledge</b>			
<b>Experience</b>	– Average 16 years of experience		
<b>Education</b>	– 3 advanced degrees – 2 international work experiences	– Average 18 years of experience – 2 advanced degrees – 1 international work experience	– Average 19 years of experience – 3 advanced degrees – No specific training courses for managers
<b>Training and Seminars</b>	– No specific training courses for managers – No specific publications for management team	– No specific training courses for managers – Subscribed reports	– Specific publications for management team Subscribed media reports and online information
<b>Type of information monitored</b>	– Subscribed media reports – Library – Senior managers attend international conferences seminars/fairs	– Governmental institutes and reports – Industrial publications	– No consultant
<b>Consultancy</b>	– No consultant	– 2 well-known consultants	

Overall, managerial knowledge in the agencies under the study could be only a significant factor when the agencies acquire young, well-educated and internationally experienced managers and send them to the international trade meetings and other training and development programs.

### **6.2.2.3 Managerial Strategy**

The multinational agencies that have formal corporate strategies defined by their headquarters share them with each employee. However, they do not share their local strategies and goals with the employees. It could also be interrelated with their poor practices on employee involvements. Thus, explicitness in the corporate strategy is not a significant factor for the competitiveness of the multinational agencies in this study. There is a positive correlation with the recruitment strategy and the performances that the employees chosen after a long and complicated procedure may have an effect on the overall performances of their agencies. It is also observed that there is a positive correlation between the performances and the number of interns accepted each year. Thus, the agencies that provide more opportunity to young people could be more successful. The participation to advertising pitches is insignificant with the performance levels of the agencies. Table 6.18 shows the uses of managerial strategies at the multinational agencies in this study.

Table 6.18 Managerial Strategies of the Multinational Agencies

<b>Managerial Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Managerial Strategy</b>			
<b>Mission and Vision Statements</b>	– Global statements are known and shared	– Explained in more general terms	– No written forms, shared informally
<b>Recruitment Strategies</b>	– Selection criteria include all job related specialties. A long and complicated procedure for recruitment	– Selection criteria include all job related specialties.	– Selection criteria include all related specialties.
<b>Attendance to pitches</b>	– 4 attendances/2 gains	– 6 gains	– N/A
<b>Program for new talents</b>	– Only summer internships, 10-12 interns each year for a three month period – Employment opportunity for interns	– Only summer internships, 5-6 interns each year for a month period – Employment opportunity for interns	– Only summer internships, 2-3 interns for a month period – Employment opportunity for interns

There are no significant differences among the national agencies about forms of their mission and vision statements. Whether they are written or not; or shared formally or informally, there are no significant differences that could affect competitive positions of the national agencies. Since team management is one of the fundamental issues for the national agencies, they give quite consideration to select their employees. It is observed that there is a slight difference among the agencies according to their recruitment strategy. The agencies that have better performances apply long and complicated procedure when selecting their team members. Thus, recruitment strategy is a significant factor for the national agencies. The interest to find new talent also enhances when the performances are getting better. Thus, a specific talent program and providing employment opportunity to interns may increase the competitive abilities of the national agencies.

The number of attendances to advertising pitches is insignificant with the performance levels of the national agencies. Table 6.19 shows the uses of managerial strategies of national agencies, and Table 6.20 presents the total results regarding the managerial

capabilities in this study. Accordingly, managerial capabilities that may alter the competitive advantages of the case studies are more related with having better trained and educated managers, applying good recruitment strategies and providing opportunities to young talents.

Table 6.19 Managerial Strategies of the National Agencies

<b>Managerial Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Managerial Strategy</b>			
<b>Mission and Vision Statements</b>	– No written forms, shared informally	– Written forms, shared formally and informally	– No written forms, shared informally
<b>Recruitment Strategies</b>	– Selection criteria includes all job related specialties, long and complicated procedure for recruitment	– Selection criteria includes all job related specialties	– Selection criteria includes all job related specialties,
<b>Attendance to pitches</b>	– 1 attendance/1 gain	– 2 gains	– 7 attendences/3 gains
<b>Program for new talents</b>	– A specific workshop of its own, and summer internships – 2-3 interns each year for a month – Employment opportunity for interns	– No program, only internships – 3-4 interns each year for a month or more – Employment opportunity for interns	– No program, only summer internships – 2-3 interns for a month – No employment opportunity

Table 6.20 Summary of Results 4: Managerial Capabilities

Managerial Capabilities	National	Multinational	Overall Results
<b>Top Manager's Status and Credibility</b>			
Top Manager's Status	<b>UI</b>	<b>I</b>	The status decrease contrary to the performance of the multinational agencies
Top Manager's Credibility	<b>I</b>	<b>I</b>	Top managers' credibility enhances with the performances of the nationals, but a reverse relation is true for multinationals
Managerial Knowledge	<b>I</b>	<b>I</b>	Partially significant
<b>Managerial Strategy</b>			
Explicitness in strategy	<b>UI</b>	<b>UI</b>	
Recruitment Strategies	<b>I</b>	<b>I</b>	Successful agencies give special importance to recruitment
Number of pitches	<b>UI</b>	<b>UI</b>	
Program for new talents	<b>I</b>	<b>I</b>	Successful agencies give opportunities to young people

**I:** Important; **UI:** Unimportant; **IR:** Irrelevant

### 6.3. Analysis of Firm Knowledge

Most importantly, it is seen that the use of codified knowledge increases when the performances of multinational agencies increase. Thus, codified knowledge could be an important factor determinates the competitive strength of the multinational agencies in this study. Similarly, the number of industries experienced also increases when the performances are getting higher. It could be interrelated with the age of agencies, and the length of their multinational presences. Table 6.21 shows the comparison among the multinational agencies on their knowledge resources.

Table 6.21 Knowledge Accumulation in Multinational Agencies

<b>Managerial Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Firm Knowledge</b>			
<b>Experienced industries</b>	– Almost all, 4 main industries	– Almost all, 5 main industries	– Several industries, 4 main industries
<b>Collaboration with companies</b>	– Group companies	– Group companies – A sister company	– No collaboration
<b>Collaboration with universities</b>	– No formal collaboration	– No formal collaboration	– No formal collaboration
<b>Sources of information and knowledge</b>	<ul style="list-style-type: none"> <li>– Original network information and knowledge.</li> <li>– Mainly industrial reports and brand reports</li> <li>– Global information about practices</li> <li>– McCann Academy</li> </ul>	<ul style="list-style-type: none"> <li>– Original network information and knowledge</li> <li>– Mainly industrial reports and brand reports</li> <li>– Global information about practices</li> <li>– Retailletter</li> <li>– Publicis Consultancies</li> </ul>	<ul style="list-style-type: none"> <li>– Network information is limited. Some industrial reports, brand reports and global information about practices</li> <li>– Movidaca</li> </ul>
<b>Type of knowledge</b>	codified knowledge	codified knowledge	tacit knowledge
<b>Information Flow</b>	– Through intranet mainly	– Through intranet mainly	– intranet mainly and also face to face communication
<b>Monitored materials</b>	<ul style="list-style-type: none"> <li>– Main industrial and business magazines</li> <li>– Daily newspapers, Shots films</li> </ul>	<ul style="list-style-type: none"> <li>– Main national industrial and business magazines</li> <li>– Main international academic and popular business magazines</li> <li>– Daily newspapers, Shots</li> </ul>	<ul style="list-style-type: none"> <li>– Main national industrial and business magazines</li> <li>– Daily newspapers, Shots</li> </ul>

Successful multinational agencies have strong networks which are able to provide outstanding information and knowledge about the recent practices in the industry. They also gain support from their group companies which are supporting their agencies with the latest local developments. Thus, the most important tangible resource of the multinational agencies, company status also determines the type and capacity of the knowledge used in the agencies. The information flow indicates a positive correlation with the agency performances that the use of indirect communication and intranet increase when the agency performances are getting

higher. The multinational agencies in this study have no collaboration with the universities, thus it is not a relevant factor for their competitiveness.

It is seen that the variety of materials monitored change insignificantly with the performances of agencies. Thus, they are not important factors to demonstrate the effects of knowledge management on competitiveness of the agencies.

Contrary to multinational agencies, the use of tacit knowledge increases in the national agencies when the performances of the agencies are getting higher. Thus, tacit knowledge could be an important attribute determining the competitive strength of the national agencies in this study. All national agencies give a great deal of consideration to become a learning organization, but knowledge accumulation in the national agencies does not indicate a meaningful relationship with the performances. Table 6.22 shows the comparison among the national agencies on their knowledge resources.

Table 6.22 Knowledge Accumulation in National Agencies

<b>Managerial Capabilities</b>	<b>Superior</b>	<b>Moderate</b>	<b>Less Satisfying</b>
<b>Firm Knowledge</b>			
<b>Experienced industries</b>	– Almost all, 2 main industries	– Almost all, 4 main industries	– Several industries, 2 main industries
<b>Collaboration with companies</b>	– No collaboration	– 1 collaboration	– No collaboration
<b>Collaboration with universities</b>	– No formal collaboration	– No formal collaboration	– No formal collaboration
<b>Sources of information and knowledge</b>	– A large reserve of secondary information and knowledge – A Special Library	– Secondary information and knowledge	– Various information and knowledge related with advertising Media Planning and Buying Dept.
<b>Type of knowledge</b>	Tacit knowledge	Both tacit and codified knowledge	Both tacit and codified knowledge
<b>Information Flow</b>	– Intranet, face to face communication, monthly meetings on new issues	– Intranet –“Avlu”	– face to face communication, monthly presentations on new issues
<b>Monitored materials</b>	– A library includes various academic and popular national and international publications – Daily newspapers, Shots films	– Main national industrial and business magazines – Main international art magazines – Daily newspapers, Shots	– Main national and international industrial and business magazines, online information portals – Daily newspapers, Shots

The information flow in the national agencies diversifies, but the uses of both face to face communication and intranet could have an influence on the performances. It is observed that the number of experienced industries is positively correlated with the performance levels of the national agencies. Therefore, the large number of industries experienced could be a significant indicator of the superior performance for the national agencies in this study. It is seen that collaborations with other agencies or with academic institutions are irrelevant with the performances of national agencies.

Table 6.23 presents the total results about firm knowledge of our case study firms. It can be seen that firm knowledge that may increase the competitive abilities of the case studies are related with the number of industries experienced and the type of knowledge, tacit or codified used by the agencies.

Table 6.23. Summary of Results 5: Firm Knowledge

<b>FIRM KNOWLEDGE</b>	<b>NATIONAL</b>	<b>MULTINATIONAL</b>	<b>OVERALL RESULTS</b>
Experienced industries	<b>I</b>	<b>UI</b>	
Collaboration with companies	<b>IR</b>	<b>I</b>	Multinationals have advantages of their group companies
Collaboration with universities	<b>IR</b>	<b>IR</b>	
Sources of information and knowledge	<b>UI</b>	<b>I</b>	Nationals rely on tacit while multinationals rely on codified knowledge
Type of knowledge	<b>I</b>	<b>I</b>	
Information Flow	<b>UI</b>	<b>I</b>	While nationals keep personal contact in communication, multinationals use intranet
Monitored materials	<b>UI</b>	<b>UI</b>	

**I:** Important; **UI:** Unimportant; **IR:** Irrelevant



## **Chapter 7**

### **Findings and Conclusions**

#### **7.1 Results**

This qualitative study reveals important results for the main purpose of the thesis: To explore the factors that are affecting the competitiveness of the professional service firms. In the following part, the results will be discussed under the heading of each research question.

***1. What are the impacts of a firm's tangible and intangible resources on its competitiveness while operating in a professional service industry? Which resources are more effective?***

The results indicate that the uses of tangible resources seem to be changing between the national and the multinational agencies. There is only one tangible factor that might influence the competitiveness of both types of the agencies: Age of employees. However, the nature of this factor also changes with the type of agency. While there are more mature employees in the successful multinational agencies, relatively younger employees are more observed when the performances of the national agencies increase. In both situations, company age could play a moderating role. Since those multinational agencies that have better performances are mature agencies, they may include many mature employees who have been working for long years in the same agency. It could also be verified by looking at the relatively low turnover rates of the successful multinational agencies in this study. On the other hand, it is usual for a younger national agency to prefer making investment on young people.

The findings of this qualitative study point out that the most significant tangible factors for the competitiveness of the multinational agencies could be:

- company age,
- the number of years of multinational status, and
- the nature of multinational status.

As the age of a company and the number of years under the multinational status increase, so does the performance of the multinational agency. Similarly, there are positive correlations between the nature of multinational status and level of performances that the whole ownership could be an important indicator for achieving success in a host country. It can be said that the whole multinational ownership enhances the control of headquarters on subsidiaries that may cause to a better performance.

Moreover, it is observed that the multinational agencies which have strong position globally have better performances. Thus, a strong multinational network seems to be an important factor for achieving a local success. In short, this study indicates that strong multinational networks are more likely to achieve superior performances in host countries if they make direct investments and get experienced in the market for a time period.

The number of employees could also be a significant factor for competitiveness of the multinational agencies since successful multinational agencies in this study are large organizations. But, it does not mean that they rely on more human resources to accomplish their core tasks. They employ relatively larger staff for their administrative issues that could be related with their professional and institutionalized structures. The employee compensations given at the multinational agencies could also have an effect on the overall performance of the agencies.

There are three tangible factors specific for competitiveness of the national agencies: The amount of core employees in the agencies, the number of employees with international work experience, and the length of working hours. In order to be competitive, the national agencies in this study rely on more people to accomplish their core activities. Besides, they tend to acquire employees with international experiences to be internationally compatible. The national agencies tend to work in excessive hours to be able to catch their multinational counterparts and increase their competitive abilities.

It seems like that intangible resources are more effective than tangibles for the advertising agencies in this study since more intangible factors than tangibles are found to identify performance differences among the agencies. Whether they are national or multinational, the successful agencies have more top class clients with low turnover rates and more creative awards, and are heavily involved with promotional activities. It is understood that client relations could be one of the major issues for the competitiveness of the advertising agencies. The agencies who serve for the large client companies for long period of time can be found reputable and in turn could become more competitive. The agencies focus on creating strong brand image by applying promotional activities and gaining creative acknowledgments are more likely to show better performances in the market.

Specifically for the multinational agencies, the number of global clients could also be an important factor for their competitiveness. There is also one specific factor for the national agencies is that their founder's credibility could also play an important role for their reputations, and in turn can have an impact on their competitiveness. Table 7.1 summarizes the tangible and intangible factors affecting the advertising agencies.

Table 7.1 Tangible and Intangible Factors Affecting the Competitiveness of the Advertising Agencies

<b>Factors</b>	<b>Common</b>	<b>Multinational</b>	<b>National</b>
<b>Tangible</b>	Age of employees	<ul style="list-style-type: none"> <li>• Company age</li> <li>• Company status</li> <li>• Length of multinational status</li> <li>• Position of multinational network</li> <li>• Number of employees</li> <li>• Employee compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Rate of core employees</li> <li>• Working hours</li> <li>• The number of employees with International experience</li> </ul>
<b>Intangible</b>	<ul style="list-style-type: none"> <li>• Number of top clients</li> <li>• Rate of client turnover</li> <li>• Promotional activities</li> <li>• Creative acknowledgments</li> </ul>	The number of global clients	Founder's credibility

**2. How do the organizational and managerial capabilities of a firm affect its competitive advantages?**

This study shows that the organizational capabilities that might affect the competitiveness of the advertising agencies under the study are rare, and mostly indicate differences between the multinational and the national agencies. Though, there are two factors; service Range and the role of strategic planning service that might create competitive advantages for the agencies regardless of their origins (whether national or multinational). The multinational agencies that have wide range of services have better performances contrary to the national agencies with superior performances which provide narrowed and specialized services. It could be said that the multinational agencies are able to compete with a wide range of services by using their holding company advantages, hence multinational status and the strength of the

network increases the organizational capabilities of their subsidiaries. In response, the national agencies might have to offer a more specialized and focused service in order to increase their service quality and to be compatible with the multinational agencies. The strategic planning department in the advertising agencies plays an important role in their competitiveness if the agencies give adequate importance to this service and integrate it to the other core services.

The findings of this qualitative study reveal several significant organizational capabilities that might specifically affect the competitiveness of the multinational advertising agencies. When the relations with suppliers are organized in a more professional way, it is observed that the performance of the multinational agencies increases. It could also be said that the multinational agencies that have special tools and trademarks of their own could be more competitive. Thus, intellectual and technological know-how may alter the competitiveness of the advertising agencies. It is also important for the multinational agencies to have formal client audits and to build long term relations with the main clients.

The only important organizational factor specific for the competitiveness of the national agencies in this study is communication system. The use of both intranet communication and face to face communication inside the organization may enhance the organizational capabilities and in turn the competitiveness of the national agencies.

This qualitative research indicates more managerial factors than the organizational factors that are common for the agencies under study. Thus, the managerial capabilities may be more important for the competitiveness of the advertising agencies. For example, when the recruitment strategies become more clear and the employment procedures become more comprehensive and detailed, the agencies show better performances. In addition, the agencies that provide more opportunity to young people to get experienced in their agencies could be more successful.

One of the most significant managerial capabilities for the agencies is their top managers' credibility. However, this factor affects the agencies differently. While the national agencies that work under the management of well-known, extroverted, and highly respected top managers have better performances, successful multinational

networks invest on young and well-educated managers who show commitment and progress in their jobs. Therefore, recognition of top managers in the industry and their years of experience are not very important for the multinational agencies. It could be related with high degree of institutionalism seen in successful multinational agencies that personal qualifications and relations of their top managers have secondary importance comparing to the network's own resources and capabilities. The role of top managers become more evident in national agencies since they are also owners, creative directors, and one of the workers at the same time. Their ambition, their entrepreneurial skills, their educational background, their personality, their personal relations, their credibility are strongly attached with the strategic and operational activities and reputation of their agencies. The management teams also play a fundamental role for national agencies. They are often seen as the indicators of service quality of national agencies.

Another important result of this study is that in both agency groups it is more important to gain the managers with better education and international experiences than those managers with long years of experience. Thus, the agencies prefer to work with internationally compatible, well-educated young managers instead of hiring well-experienced managers. For the multinational agencies, it could be related with their trust to the strong network resources and training programs that are used to improve abilities and knowledge of their managers; thereby they may tend to work with relatively young and less experienced managers in order to train them according to their needs. For the nationals, it could be related with the role of the top managers inside the agencies. Since they all are actively involved in their businesses, they may not need well-experienced managers around. Besides, they may tend to hire those skilled but less experienced managers to provide appropriate training (master-apprentice relationship) and to make an investment for the future. Table 7.2 lists the organizational and managerial factors affecting the advertising agencies.

Table 7.2 Organizational and Managerial Factors Affecting the Competitiveness of the Advertising Agencies

Factors	Common	Multinational	National
<b>Organizational</b>	<ul style="list-style-type: none"> <li>• Service Range</li> <li>• Strategic Planning Service</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier Relations</li> <li>• Tools and Trademarks</li> <li>• Long years of cooperation with main clients</li> <li>• Rules, procedures, norms</li> <li>• Network control</li> </ul>	Communication system
<b>Managerial</b>	<ul style="list-style-type: none"> <li>• Top Manager's Credibility</li> <li>• Recruitment Strategies</li> <li>• Educational background of senior managers</li> <li>• International experience of senior managers</li> <li>• Program for New Talents</li> </ul>		

***3. What is the role of knowledge management in generating competitive advantages for firms belong to a highly sophisticated service industry, like advertising?***

The findings of this qualitative study highlight the importance of knowledge management as a special factor that helps agencies to outperform than their rivals. As in the other professional services, knowledge is the core resource of advertising industry; as both input and output.

There is a strong relation between the performances of the agencies and their interest on knowledge accumulation. Successful agencies are knowledge oriented organizations that they give particular attention to acquire important information and knowledge. This qualitative research also indicates that the agencies that have experienced in various industries have better performances.

For the multinational agencies specifically, the network is the central unit that disseminates the valuable business information and knowledge regularly while providing special in-house and online training programs and even assigning special consultants when deemed necessary. Successful multinational agencies also gain support from their group companies which are informing the agencies with the latest local developments. The information flow in the multinational agencies is managed through intranet mainly when the performances are getting higher. Thus, it could be related with the organizational structures of the agencies that encourage professionalism and institutionalism.

National agencies generate their own knowledge by using various resources to be compatible with those of multinationals. The national agency which has a superior performance has its own library that could be seen as an important competitive advantage for the agency. It is observed that the use of tacit knowledge increases in the national agencies when the performances are getting higher. Thus, the use of tacit knowledge in the service production and in the process of knowledge accumulation could be common characteristics of the national agencies. On the other hand, it is seen that the use of codified knowledge increases in the multinational agencies when their performances increase. Thus, codified knowledge seems to have an impact on the



competitiveness of the multinational agencies. Table 7.3 presents the knowledge related factors affecting the advertising agencies.

Table 7.3 Knowledge-related Factors Affecting the Competitiveness of the Advertising Agencies

<b>Factors</b>	<b>Common</b>	<b>Multinational</b>	<b>National</b>
	<b>The number of industries experienced</b>	<ul style="list-style-type: none"> <li>• <b>Codified knowledge</b></li> <li>• <b>Collaborations with other companies</b></li> <li>• <b>Information flow- the use of intranet</b></li> <li>• <b>Network resources</b></li> </ul>	<p><b>Tacit knowledge</b> <b>Various resources</b></p>

## 7.2 Conclusions

This study contributes to the literature by providing a framework for studying firm level competitiveness in service sector. By applying a so-called “holistic view” (Garelli, 2006), this study investigates all the related resources, capabilities and knowledge of a firm together. More specifically, it addresses to a need for identifying the factors affecting the competitiveness of professional service firms. As resource-based theory argues (Barney, 2001), resources that are intangible in nature are more likely to be sources of competitive advantage than resources that are tangible in nature in today’s economy. Thus, the starting point of this dissertation was to examine the validity of this argument in the context of professional business services since these services have become the main driver of the economy. Even, the cases were selected from one of the highly knowledge intensive industries; advertising agencies.

The qualitative research has explored a number of important factors that seem to be important for the competitiveness of professional service firms. The overall results indicate that the intangible factors from tangibles and the managerial factors from organizational factors are more important. The results may support the previous research which concludes that intangible resources might explain the differences

among firms better than other resources and or capabilities (Garelli, 2006; Barney, 2001; Nachum, 1996; Galbreath, 2005). As pointed out by this research, management of the client portfolio seems to be one of the major issues for professional service firms in building their reputations. It is observed from the cases that successful firms are also those which strategically manage their reputations and involve with promotional activities for a long period.

In an industry where inputs and outputs are both intangible, the management of these intangible resources is a very delicate task. Although there are important differences between the multinational and national firms about the role of their top managers, this study illuminates that knowledge and strategies employed by the senior managers could be important determinants of their firms' competitiveness. As suggested by Lowendahl (2000), strategic management in professional service firms is more about management than tools, models and plans, rather it is about attracting the best professional resources, motivating and mobilizing them, putting them together in an optimal way, and retaining them. According to this research, key success factors related with managerial capabilities could be the concerns for management, recruitment, and development of people and the maintaining the close relations between them. When strategy in professional service firms is explicitly shared, agreed upon and known throughout the firm, the overall firm performances could enhance. The results also contributes to the literature by underlining the importance of senior management in professional business services; so that analyzing managerial knowledge separately from firm's knowledge seems to be a correct method. This result also supports Van Den Bosch and Van Vijk (2000) who point out the necessity to evaluate managerial knowledge apart from firm's general knowledge. As firm knowledge, it seems to be that when firms regardless of their origins enhance their knowledge by serving clients in various industries increase their knowledge and competitive abilities.

One of the main conclusions can be drawn from this qualitative study is that there are important differences between multinational and national firms in relation to factors that generate competitive advantage. Thus, some resources and capabilities and the use of knowledge may differ according to the ownership of firms. It is observed that multinational status could be the major factor enhancing a subsidiary firm's

competitive capabilities. Having a moderating role, multinationality has a paramount effect on firm's reputation, on its service quality and organizational structure, managerial capabilities, and on its knowledge system as whole. Thus, as a tangible factor, firm status could shape all other resources and capabilities in a multinational firm. Moreover, it is seen that there are differences amongst the firms in accordance with their nature of ownership; so that whole multinational ownership that enhances the control of headquarters on subsidiaries may cause to a better performance. Parallel to this, the use of codified knowledge enhances in the successful firms with increased procedures, reports, and in-house training. Once again, it is also supported by this research that inter-organizational learning is a common method for knowledge accumulation in multinational firms.

On the other hand, national firms tend to depend on their own resources and competencies in competition. Therefore, as highlighted by this research, the founder and /or the top manager plays a significant role in shaping the national firm's strategic, managerial, and organizational goals. Another reflection of this could be the high degree of interest for the development of human resources in national firms. It could be concluded that national firms try to build their know-how by investing on their human resources and by applying knowledge generating activities, and managing their teams more effectively. The use of tacit knowledge and the learning from master-apprentice relation can describe the basic characteristics of knowledge accumulation in national firms. It is also observed that productivity could be more important for national firms than multinationals since they have relatively poor financial structure. It may also explain why successful national firms rely more on their human resources to accomplish their task and hire relatively younger employees to be worked in excessive hours.

### **7.3 Limitations**

There are two groups of limitations in the study which should be evaluated in the light of their contexts: 1. The limitations arise from the nature of case studies; and 2. The limitations of a competitiveness study due to its multi-faceted and timely limited characteristics, as discussed previously in the first chapter. Since case studies have generalizability problem and face often with validity problems, the results of this research must be evaluated only as exploratory and instructive for further research. Though, there were several attempts done to minimize such limitations. A multi-case study has been conducted with a total of 6 cases, each representing a category as theoretically established. Therefore, as stated by Mauffette-Leenders, James and Leenders (1997), the case selection has been made theoretically driven to increase validity of the research. Considering that the major competition is among nearly thirty firms in the sector that was investigated, a well-chosen six cases can be claimed to have some representativeness. Another attempt was to increase the internal validity of the research, so that two pilot studies were conducted to assess the length of interviews, the question types, interviewing and data gathering procedures.

The theoretical construct of this study has been established in a broad sense to be able to bring an explanation to a controversial concept which is hard to be measured. Hence, competitiveness of the firms has been evaluated by using a detailed framework and numerous variables. The interrelatedness of some variables is also another limitation of the study since many of the variables are intangible in nature and have common characteristics. Therefore, the evaluation of those could be troublesome. For example, reputation of a firm and its evaluation is closely linked with the firm's service quality (due to the client relations) and firm's top manager's credibility. To minimize this problem, more than one indicator were set for almost each variable, and thereby a much deeper analysis for each variable has been gained.

Another limitation came from the industry under the research. Since advertising is relatively new and small sector in Turkey, there are few firms in this sector and they are yet to accomplish their institutionalization processes. Thus, many of the important data are not available. Especially those that are related with their human resources policies and investments. An analysis about financial structures of firms could not

have been done since advertising agencies keep their all financial information confidential. Thus, the cases and the performances of the agencies were identified according to the data revealing the amount of works (advertisements) done by each agency.

A last limitation was related to the respondents /interviewees in this research. Although the questions are designed to get objective and measurable/classifiable data as much as possible, the respondents might have responded with what they believed to be true. Although the respondents are top executives who most likely to know or to be able to get the correct information, the complete accuracy of their responses cannot be guaranteed, as in most case studies that involve interviews.

Hence, like all studies, the limitations of this study should be evaluated in their contexts, and should not lessen the value of the contributions of this study.

## **7.4 Implications**

There are several implications of this study for academicians and also for managers in the profession as will be discussed in the following sections.

### **7.4.1 Implications for Future Research**

This study should be evaluated just as a beginning for the future firm-level studies involving Turkish advertising sector since it is the first study in this area. The competitiveness of Turkish advertising firms is a fruitful research area considering its rapid growth, its multinational aspects, its highly fragmented structure, its human resources, and etc. Various studies can be done to assess the differences between multinational and national advertising firms in Turkey. For example, it would be interesting to see a comparison between the international offices of the same multinational firm; such as McCann Erickson Türkiye and McCann Erickson Spain. Especially learning from network or inter-organizational learning in professional services could be compared and be better understood. In addition, it would be illuminating to learn the attitudes and beliefs of the clients toward their agencies, and how their relations affect the competitiveness of their agencies in more detail. Future

studies may focus on client perspective of advertising business to exemplify their roles in competition of their suppliers-advertising agencies.

For professional business service researchers in general, this study suggests the use of combined measures for analyzing competitiveness. Its multi-faceted characteristics can only be evaluated by applying a comprehensive framework and a longitudinal research. Further research should focus on intangible resources to develop better measurements. The importance of intangibles for a sector of intangibles in the era of intangible economy should stimulate more investigations.

This study also suggests that managerial knowledge and the role of senior managers are important issues for professional service businesses and they may require further investigations. The researcher may also involve with human resources applications in professional service firms since human capital is the most important of all for these firms. Knowledge management in professional services, especially those of knowledge-intensive firms certainly require a detail investigation. Is the tacitness of knowledge that helps national firms to be able to compete with their multinational counterparts? Should they keep “tacit” characteristics of their knowledge? How? There are numerous questions arise from this study that might be a starting point for several interesting research.

#### **7.4.2 Implications for Managers**

This study suggests the ways of being competitive for professional service firms, especially for advertising agencies. A professional business firm should compete by all means of its resources, capabilities, skills and knowledge. There are various implications written throughout this dissertation. As many previous studies, this research also concludes that tangibles, like capital, returns, market shares, productivity figures may not be as important as intangibles, like reputation, and creativity. It is also observed that employee relations and human resources are important as much as client relations for business service firms. Therefore, stakeholder management; internal and external environments of the firms should be better managed to increase competitiveness.

Multinational firms need to increase their efforts for development of their human resources by applying performance measurement methods, training courses, in-house meetings, etc. On the other hand, national firms may need to reconsider long working hours and high employee turnover rates. It is also suggested by this research that in the firms where strategies are explicitly shared with the employees to increase their identification with the firm and hence their work motivation, the performances could be elevated. Thus, employee involvement is one of the major concerns for professional service firms. Lastly, it is hoped that interested managers will draw some lessons from the case studies presented in Chapter 5.

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## **Curriculum Vitae**

Çiğdem Şahin received her BA degree in Advertising and Public Relations in 1991 from Anadolu University and M.A degree in 1995 in Advertising from Marquette University, Wisconsin, USA. She worked mainly in the advertising sector in Turkey involving with strategic planning and brand management activities for more than 10 years. She currently works as full-time instructor at Doğuş University, School of Advanced Vocational Studies, and also is the director of Public Relations and Advertising Program. She also provides consultancy services on branding and strategic planning issues. Her research interests include competitiveness, professional service firms- management of advertising business, and competence based management.

## Appendix A Top 100 Advertiser Companies in Turkey

Rank	Advertiser Firms	Total expenditures January- December 2006 (USD in all media)
1	Ulker	16.136.579.823
2	P&G	15.331.739.547
3	Unilever	8.714.110.071
4	Coca Cola Corp.	6.296.751.218
5	Arcelik A.S.	5.335.485.653
6	Benckiser A.S.	5.121.152.789
7	Danone	3.730.921.293
8	Nestle	3.605.115.101
9	Vestel	3.221.605.124
10	Hayat Kimya	3.212.217.502
11	Turkcell Ileti.Hiz.A.S.	3.150.907.435
12	Frito-Lay	3.063.424.896
13	Eti	2.959.226.871
14	Istikbal Mob.	2.854.786.622
15	Yapi Kredi Bankasi	2.542.211.911
16	Gillette	2.314.177.835
17	Avea Iletisim Hizmetleri A.S	2.187.373.507
18	Henkel	1.941.677.676
19	Boytas Mobilya San.A.S.	1.940.397.810
20	Is Bankasi	1.895.471.284
21	Bosch	1.847.517.994
22	Akbank	1.834.750.906
23	Pbg	1.769.030.204
24	Loreal Turkiye	1.727.026.841
25	Braun	1.718.781.985
26	Colgate/Palmolive	1.692.431.496
27	Sutas Gida	1.676.644.516
28	Telsim Mob.Teleko.Hiz.As.	1.565.192.565
29	Garanti Bankasi	1.517.144.926
30	Numil Gida Urunleri San.A.S.	1.484.993.315
31	Top Shop Pazarlama	1.469.381.248
32	Renault - Mais	1.385.918.768
33	Evyap	1.374.500.684
34	Kraft	1.370.540.021
35	Johnson Wax	1.351.154.445
36	Kimberly Clark	1.307.005.267
37	Kent	1.294.835.488
38	Petrol Ofisi	1.270.470.903
39	Hsbc Bank A.S.	1.268.225.483
40	Kilim Mobilya	1.247.572.522
41	Pinar	1.213.569.061
42	Milliyet Gazetecilik A.S.	1.189.256.969

**Appendix A Top 100 Advertiser Companies in Turkey**  
(continued)

<b>Rank</b>	<b>Advertiser Firms</b>	<b>Total expenditures January- December 2006 (USD in all media)</b>
43	Turkiye Finans Katilim Bankasi	1.177.670.932
44	Merkez Gazete Dergi Basim Yayıncılık	1.163.108.234
45	Digiturk	1.143.138.905
46	Seb Grup	1.075.869.961
47	Mehmetoglu Ic Ve Dis Tic.A.S.	1.072.003.904
48	Dr.Oetker Gida San.A.S.	1.025.381.329
49	Turk Medya	992.328.216
50	Evkur Alisveris Merkezleri	971.190.826
51	Bagimsiz Yayıncılık A.S	944.177.854
52	Aygaz	922.403.835
53	Casper Bilgisayar Sistem Leri A.S	912.639.872
54	Opet Petrolculuk A.S.	897.842.101
55	Carrefoursa	886.683.318
56	Hyundai Assan Motor	862.445.440
57	Avon	848.526.372
58	Ford-Otosan Otomotiv	840.844.329
59	Zorlu Tekstil	831.660.482
60	Fiat	829.067.459
61	Dandy	828.006.610
62	Alpet	812.538.859
63	Erdemoglu A.S.	812.221.811
64	Yatas	807.023.234
65	Dogan Online	793.559.136
66	Finans Bank	789.862.665
67	Ipek Kagit	772.335.884
68	Kc Group	751.684.461
69	Johnson & Johnson	747.411.177
70	Simge Yayıncılık A.S.	745.471.637
71	Nokia Mobile Phones Ltd.	729.365.551
72	Migros	723.067.404
73	Dunya Pazarlama	719.420.778
74	Turk Ekonomi Bankasi	713.464.496
75	Ipek Mobilya	693.758.685
76	Pratik Mutfak Pazarlama	690.887.871
77	Profilo Holding	654.543.376
78	Dermacos Kozmetik	654.478.081
79	Honda Turkiye A.S	652.924.478
80	Perfetti Gida San.	640.462.599
81	Has Gida	628.030.759
82	Ferrero / Kinder	626.529.716
83	Eczacibasi	617.325.586

**Appendix A Top 100 Advertiser Companies in Turkey**  
(continued)

Rank	Advertiser Firms	Total expenditures January- December 2006 (USD in all media)
84	Bp	601.804.939
85	Yagmur Mobilya	587.416.728
86	Hurriyet Gazetecilik Matb	583.612.504
87	Betek Boya Ve Kimya San.	575.843.811
88	Yuksel Elek.	575.706.386
89	Bank Asya	573.472.706
90	Dogus Cay	570.742.531
91	Firat Plastik	567.520.817
92	Siemens	560.704.045
93	Electrolux	548.099.192
94	Alfemo Mobilya	546.899.238
95	Dogus Otom.San.Tic.A.S.	535.320.148
96	Turkiye Jokey Klubu	529.579.683
97	Opel Turkiye	521.004.353
98	Motorola St.	512.383.860
99	Mondi Yatak Yorgan San.A.	507.986.300
100	Net Pazarlama	502.558.803

Source: Bileşim Medya Adexplorer Report, January, 2007.