Creation of firm performance through resource orchestration: the case of ÜLKER

Article

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Abstract

This study aims to investigate the complex interaction of different resource sets and capabilities in the process of performance creation within the context of resource-based theory. In order to address this objective, an inductive case study approach that included multiple data collection methods such as in-depth interviews, observation and documentation was utilized. Qualitative data analysis indicated organizational culture, reputational assets, human capital, business processes and networking capabilities as the most important determinants of firm performance within the context of an emerging market firm case study findings.

1. Background to the research

Over the last quarter century, a large body of strategic management research has worked on the understanding of how firms' resources and capabilities lead to performance variations among firms. One of the most important theoretical stream of strategic management that aims to explain the performance differences among firms, resource-based view (henceforth known as the RBV) considers intangible resources as the most likely sources of firm success because they are not easily acquired and replicated in factor markets (Michalisin *et al*., 1997; Barney *et al*., 2011). However, firms are bundles of intangible and tangible resources. For this reason, it is very unlikely for a firm to compete on the basis of a single intangible resource, important as it may be (Sirmon *et al.*, 2011; Kor & Mesko, 2013). According to Huselid (1995), "one-dimensional studies are likely to underestimate the biases associated with examining an individual resource as such studies do not simultaneously account for the effects of other factors" (p. 642). Similarly, Galbreath and Galvin (2006, p. 151) suggest that "studying an individual intangible resource (*e.g.*, reputation, brand) apart from other factors might offer misleading results". Moreover, resources are not productive on their own and it is the capabilities that assemble, integrate, and manage the bundles of resources (Teece, 2007; Maritan & Peteraf, 2011).

Therefore, in recent years, the RBV's focal point has been to gain insights about managing strategic resources effectively since a firm's ability to acquire, bundle, deploy and develop resources through complex social and organizational capabilities is more important than absolute resource levels in achieving sustainable competitive advantage as well as driving performance (Teece, 2007; Maritan & Peteraf, 2011; Sirmon *et al*., 2007, 2011). As of yet, the "black box" role of these social and organizational capabilities in creating firm performance is an unexplained issue in the RBV research which needs further examination (Maritan & Peteraf, 2011; Sirmon *et al*., 2007, 2011; Bridoux *et al*., 2013; Huesch, 2013). Sirmon *et al*. (2011) and Bridoux *et al*. (2013) suggest that a complete understanding of the interactions, causal relationships and other value-creating mechanisms among resources and capabilities is not only a necessary condition for managers to make effective decisions regarding their own resource investments but also an important issue for academics to build a more accurate resource-based theory.

While Foss (2011) emphasizes the importance of knowledge-based capabilities such as routines and knowledge sharing and management tools in incorporating firm-level resources, Maritan and Peteraf (2011) who introduce a process-oriented perspective state the resource-capability linking role of managerial and business processes in explaining the generation of firm performance. Additionally, Sirmon *et al*. (2011) focus on the facilitating role of knowledge in resource-capability interactions and the pioneering role of networking capabilities such as the idiosyncratic relationships between firm managers (Ahearne *et al*., 2014) and other business parties that may lead to effective strategic partnerships in creating firm performance.

Huesch (2013) combines the arguments of these RBV scholars and discusses about the synergy created by the positive interaction of productive and quality resources with managerial capabilities using business processes (*i.e*., IT systems, intranet, EDI, and ERP) and knowledge-based routines and other tools (*i.e*., social relations of employees, mobile and digital social media tools, websites and call centers). The existence of complementarities among resources and capabilities in creating firm performance is a common perception in the RBV research (Sirmon *et al*., 2011; Huesch, 2013).

The complex network of interconnections of other resources and capabilities in the process of performance creation can be explained by an example. A number of studies (*e.g*., Ray *et al*., 2004; Hult *et al*., 2007) found a significant relationship between distribution capability and performance. What researchers found was a direct relationship. In fact, distribution capability is only part of a system of resources and capabilities responsible for an enduring competitive advantage and it may determine other resources and capabilities by interacting with other micro-foundations. Namely, distribution can provide further knowledge of logistical efficiencies and knowledge of customers (Levitas & Ndofor, 2006). Knowledge obtained provides the impetus for developing new products and desired areas for expansion. Through expanding to new markets and/or segments, more cash can be obtained as a performance indicator. Hence, creation of firm performance is difficult to be understood if the resources and/or capabilities are studied individually. But as a result of collective and conjoint actions of resources and capabilities, performance creation process belongs to an exceptionally intricate and complex web of links that is beyond true comprehension of RBV researchers (Levitas & Ndofor, 2006; Foss, 2011; Bridoux *et al*., 2013). What is known and what needs to be explored in this process is depicted in figure 1.

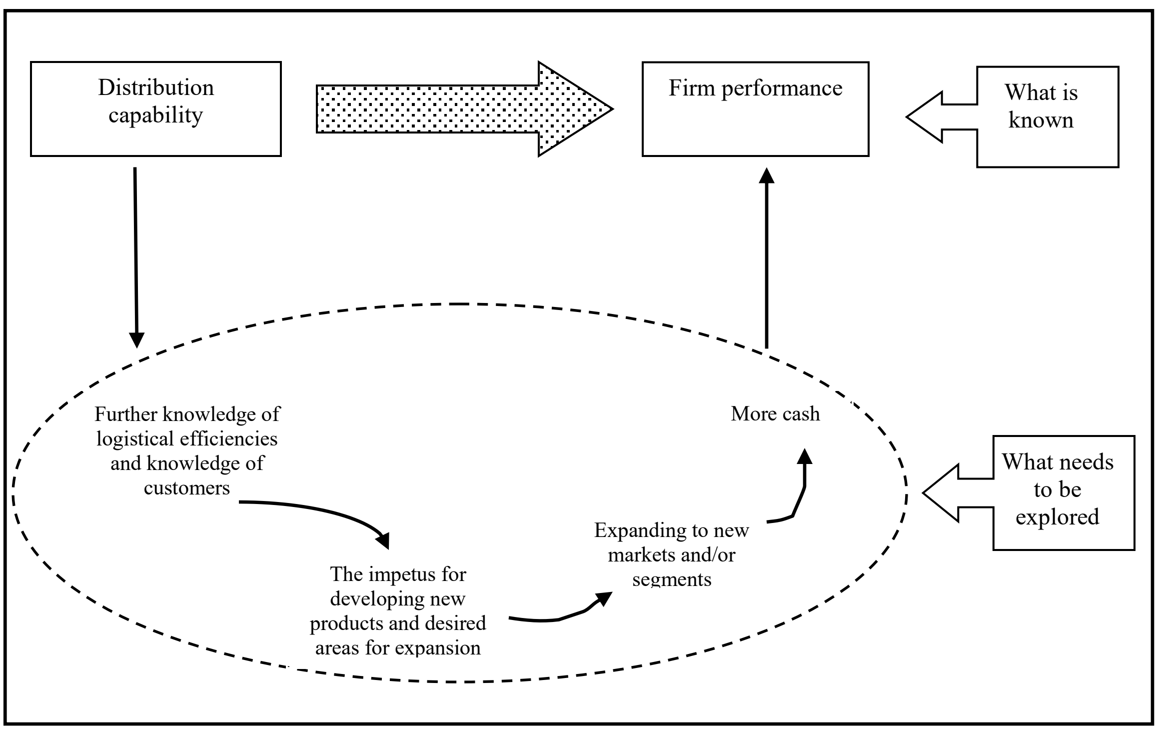


Figure 1. Performance creation process in organizations

Therefore, different types of interactions between tangible and intangible resources along with capabilities created sustainable competitive advantage that lead firm performance. However, as stated by Maritan and Peteraf (2011) and Sirmon *et al*. (2011), the nature of these interactions is still unknown in the RBV literature and more attention should be paid to "how" questions in order to have a better understanding about the underlying mechanisms of firm performance.

2. Research objectives

Although resource influence on firm performance was supported empirically by previous resource-based studies, several researchers (*e.g.*, Ray *et al*., 2004; Helfat *et al*., 2007; Sirmon *et al*., 2008, 2011; Barney *et al*., 2011; Ahearne *et al*., 2014) suggest that this influence not only is due to possessing resources but instead involves process issues and managerial actions "regarding structuring the firm's portfolio of resources, bundling those resources into capabilities, and leveraging the capabilities to realize firm performance" (Sirmon *et al*., 2011, p. 1406). According to Ray *et al.* (2004), resources can only be sources of firm performance if they are exploited through business processes. Barney *et al.* (2011) state that prior resource-based work has primarily focused on the controlled resource-performance relationship but the role of processes and managers in creating value and performance has been overlooked.

Therefore, recognizing the limited testing of the RBV, this study aims to explore how and why these resources and capabilities lead to firm performance (the role of processes and managers) by using the subjective approach of the case study methodology

Although large-scale empirical studies can be used to explore the direct resource-performance relationship, these quantitative methods bypass the complex and embedded nature of intangibles and provide only a limited understanding of why some resources are identified as strategic but others are not, what their roles are, and how these resources are converted into positions of competitive advantage (Rouse & Daellenbach, 1999; Newbert, 2007, 2008; Molloy *et al*., 2011). However, it is vitally important for managers to be informed about best practice. Therefore, understanding of complex nature of resources that are embedded in organizations designates the need for more fieldwork based qualitative studies. Moreover, Molina-Azorin (2009) emphasizes the importance of qualitative research in developing a conceptual resource list which is consistent with the objectives of this study and understanding the managerial and organizational processes through which the resources become valuable.

Finally, management research should offer practical contributions to executives and managers who have to make adequate decisions for firm survival and growth in the competitive business arena. In a practical sense, the results of this study may enhance the understanding of managers about the origins of firm profitability and market performance.

3. Potential contributions to knowledge within the context of emerging markets

Apart from relatively few exceptions (*i.e*., Carmeli, 2001; Makhija, 2003; Khandekar & Sharma, 2005; Cheah *et al*., 2007; Kaufmann & Roesch, 2012), the vast majority of the empirical RBV research concentrates on developed countries such as the US and Western Europe, because of the availability of huge databases such as those of the Foreign Trade Commission (FTC), CRSP, Euromonitor and COMPUSTAT, and very little is known about results outside of this domain (Cavusgil *et al*., 2013). Emerging markets have not been largely ignored because of the sampling and data collection problems along with the lack of homogeneity in economic characteristics which made more difficult for academics and practitioners to conduct research, but most have preferred to work on more "serious" countries (Raymond *et al*., 2001; Tatoglu & Demirbag, 2008).

However, IMF statistics indicate that "emerging markets' share of business has risen steadily from just about 17% in the 1960s to an average of 31% during the period of rapid global trade and financial integration that started in the mid-1980s and it reached to 42% in 2011" (IMF World Economic Outlook, 2012). Kose and Prasad (2010, p. 8) suggest that "emerging markets can no longer be ignored since their economies will hold ever greater shares of global assets and wealth in the following years". Kamal (2011, p. 21) states that "specific research into emerging markets is necessary since the unique characteristics of emerging economies may prove many of the findings in developed economy settings invalid in an emerging economy setting".

Moreover, most of the existing academic work attempted to reveal the sources of the "miracle" success in these countries through the studies (*e.g*., Krugman, 1994; Khanna & Rivkin, 2001; Fatás & Mihov, 2009; Rodrik, 2011) that adopted classical economic perspectives (*i.e.*, neo-liberalism, industrial organization, structural-institutionalism, economic geography and regional integration). Hence, there is little evidence in the academic literature about how much a resource-based view of the firm matters in emerging markets. As a recent alternative approach to these traditional economic perspectives, the resource-based theory which relies on the firm-level resource generation and use to explain economic performance of the firms became popular in strategic management area

(Wernerfelt, 1984; Peteraf & Barney, 2003; Barney *et al.*, 2011). However, despite many RBV studies in the literature, several researchers (*e.g.*, Hoskisson *et al.*, 2000; Carmeli, 2001; Khandekar & Sharma, 2005; Kamal, 2011) suggest that the understanding of how resources are generated and what kinds of resources are most important in firm performance that leads to the economic development was not generally considered in emerging market context.

Khanna and Rivkin (2001) comment that strategic management research should focus on emerging economies since the relative importance of the resources on firm performance may differ radically in emerging markets due to the different economic, political and social structures in developing countries. Similarly, Katsikeas *et al*. (1998) state that findings of the studies conducted in developed countries may not accurately reflect the performance realities in emerging economies since priorities of firms in resource possession differ. As a supporting result for Katsikeas *et al*. (1998), Raymond *et al.* (2001) found in a comparative study that while developing a positive reputation of a firm was the primary concern for Korean firms, cutting costs through technological development or economies of scale was more important for the US firms to be able to increase export performance.

In another study that was conducted in Turkey, Sandikci and Ger (2007) found that brand, image and reputation related resources were among the most important resource priorities of the Turkish firms since being or becoming a modern person/family (like Westerners) was of utmost concern for the Turkish consumers. Especially the motivation of consumption for the lower and middle classes was to consume like Westerners. So, "having electronics, kitchen appliances, cell phones, and detergents, eating McDonald's hamburgers and other fast food, drinking Coke, and shopping in malls were regarded to make a normal modern life" (Sandikci & Ger, 2007, p. 145). So, many Turkish firms have shifted their investments to the reputational intangible resources from tangible resources of manufacturing. Conversely, similar types of studies (*e.g*., Spencer, 2003; Fiss & Zajac, 2004) that were conducted in developed countries (*i.e*. Germany and the US) revealed that despite the considerable efforts of developed country firms to improve image and reputation related resources, their main priorities of resource possession were knowledge and human resources. Therefore, it is worthwhile investigating firms in emerging markets and exploring new data in settings outside the Western World as this may yield significant new insights about the issue.

In this context, this study aims to contribute to the understanding of the relative importance of tangible and intangible resources and capabilities on performance creation by providing several illustrations derived from the case study of the world's 12^{th} largest food and confectionery manufacturing company, Ülker (Candy Industry Report, 2013).

4. Qualitative approach adopted: Inductive case study

Inductive case study method offers "a rich content of organizational complexity from an insider's perspective by providing insightful stories" (Collis & Hussey, 2003, p. 68). Rouse and Daellenbach (1999) suggest that the roles of complex system resources should be examined *in* natural organizational settings and there is no need for the researcher to control and manipulate behavioral events neither in identifying nor in examining resources and capabilities. Thus, the *in* organizations aspect of this study points out the choice of a case study. Additionally, given the complex and embedded characteristics of resources and capabilities, the exploratory nature of the study requires the use of "what", "how" and "why" types of questions and researchers need to interact closely with top managers in the organizations to maximize the quality of data collected. In such circumstances, case studies provide in-depth knowledge and deeper understanding of the sources of firm success by taking the researcher into the organization (Eisenhardt, 1989; Yin, 2003).

5. Firm selection and gaining access

Firm size was considered as a selection criterion since several types of asset and capability ownership may generally be found in large firms rather than small and medium ones (Rawley & Simcoe, 2013). Gaining access to the firms has been a problem for the researcher since the aim of the research was considered as a sensitive and strategic topic which includes firm performance related figures by the prospective participating firms.

Moreover, a considerable number of theorists (*e.g.*, Hambrick & Cannella, 2004; Menz, 2012) who emphasize the significant role of top management in strategy related issues consider only top managers or board members as the key and reliable informants who can adequately assess the firm's resource base with respect to its performance by their specialized knowledge. Hence, the interviews should have been made only with the executives and senior top managers who deal with firm's strategy and make strategic decisions (*e.g.*, CEO, general manager, assistant general manager, group directors). So, the sample targeted for the interviews was highly ranked within the organizations and this situation made the access problem more difficult and complex for the researcher. For this reason, access was established through the network and personal relations of the researcher. Some of the top managers of the participating firm had friendship relations with the researcher and they requested other managers who work in the same organization to participate the study. It also needs to be acknowledged that the researcher had previously worked within the training, education and HR function of the case study organization between the years 2005-2008. Hence, the most appropriate firm that provided access to the researcher was selected.

6. Data collection and analysis

Data was collected by using multiple sources. The multiple sources used in this study were the semi-structured interviews with the managers of the firm taking part in the study, the observations within the organization in the complete observer mode and the documents that provide information about the organization. The interviews included only executives and senior top managers (*e.g*., CEO, general manager, assistant general manager, group directors) who deal with firm's strategy and have adequate knowledge to assess the firm's resource base and authority to answer the questions is chosen as the key informant (Hall, 1992; Hambrick & Cannella, 2004; McKelvie & Davidsson, 2009).

Several researchers (*e.g*., Eisenhardt, 1989; Collis & Hussey, 2003; Yin, 2003) state that the use of multiple data sources should be a common practice in research which particularly aims to build theory since it increases the validity and reliability of the findings.

In the stage of the analysis, narratives were used in order to provide some real snapshots from the interviews and compel researcher to be less mechanistic and more coherent. After multiple readings of the interview questions and transcripts that contain the answers of the participants, the open-ended text and narratives were interpreted by a thematic analysis based on identifying recurrent words and emerging themes (Patton, 1990). Findings derived from inductive (thematic) analyses along with the development of individual causal network model of the company.

A causal network helps to identify causal mechanisms and complex interactions between variables and provides a rich picture that explains "why variables are related, why they are rated differently, why some precede others, and which ones matter more" (Miles and Huberman, 1994, p. 160). In order to clearly display all kind of relationships between well-defined concepts along with the complex interactions, a causal network model for the case was generated.

In the causal network model employed in this study, whilst dotted lines (- - -) showed the relationships between resources and capabilities, direct lines (—) showed the relationship between a resource/capability and firm performance and points (•) denoted the interactions of resources and capabilities. Direction of the relationships was shown by arrows and names of the resource and capabilities that were derived from the qualitative findings were shown in boxes with assigned numbers and letters (*e.g.*, 1b, 3c). For example, in a relational notation; (1e → 3b → 11 [PER–PROF]) taken from Ülker case where (1e) was assigned to indicate "ambition to develop a creative business", (3b) was assigned to indicate "vehicles and trucks for a country-wide distribution" and 11[PER–PROF] was assigned to indicate "profitability as a firm performance criterion", the notation attempted to mean that "ambition to develop a creative business led the owner to make investment on vehicles and trucks for a country-wide distribution which increased profitability of the firm". Causal network modeling is widely used in qualitative investigations because it brings out directional relations along with co-relational ones.

Case study: ÜLKER

"Daddy, don't forget to bring Ülker home"… people of all ages have a happy memory associated with an Ülker brand product. A product from Ülker has sometimes been the sole witness to many of those happy moments.

Company Name	: Yıldız Holding
Trading Name	: Ülker (Yıldız Holding's "trademark" brand of food products)
Founder	: 1944 – Asım and Sabri Berksan
Ownership Structure	: 44.38% Yıldız Holding A.Ş., 21.44% Dynamic Growth Fund, 34.18% Others (including free float)
Turnover (2012)	: 1.327 million USD
Growth Rate (2012)	: 57% (Turnover growth)
Number of Employees	: 29500

Ülker is among the most well-known brand names in Turkey. The biscuit and chocolate manufacturing company was founded in 1944 by Asım and Sabri Berksan. Over time, the Ülker brand became so famous that the family changed its surname from Berksan to Ülker. The company currently manufactures 3.560 separate products and nearly 300 sub-brands in 41 separate categories. The product range comprises biscuits, chocolate, candy, chewing gum, liquid oil, milk and dairy products, carbonated beverages, coffee and baby food. Ülker has always been at the highest ranks on the 1000 largest companies list of Istanbul Chamber of Industry (ISO 1000) and it achieved a 57% turnover growth rate that amounted to 1.327 million USD in 2012. Ülker has become well-known in more than 85 countries because of its exports and the company has production facilities located in 6 foreign countries. These facts make Ülker the 12th largest food and confectionery manufacturer in the world and a company preferred by global brands who wish to establish strategic partnerships in Turkey[1]. Information for this case study is based on the in-depth interviews conducted with three top managers of the company. The causal network model of relationships between resources, capabilities and firm performance is shown in figure 2. Numbers and lower case letters in parentheses are used to denote the relationships between variables.

[1] Corporate information was taken from the official website: www.ulker.com.tr

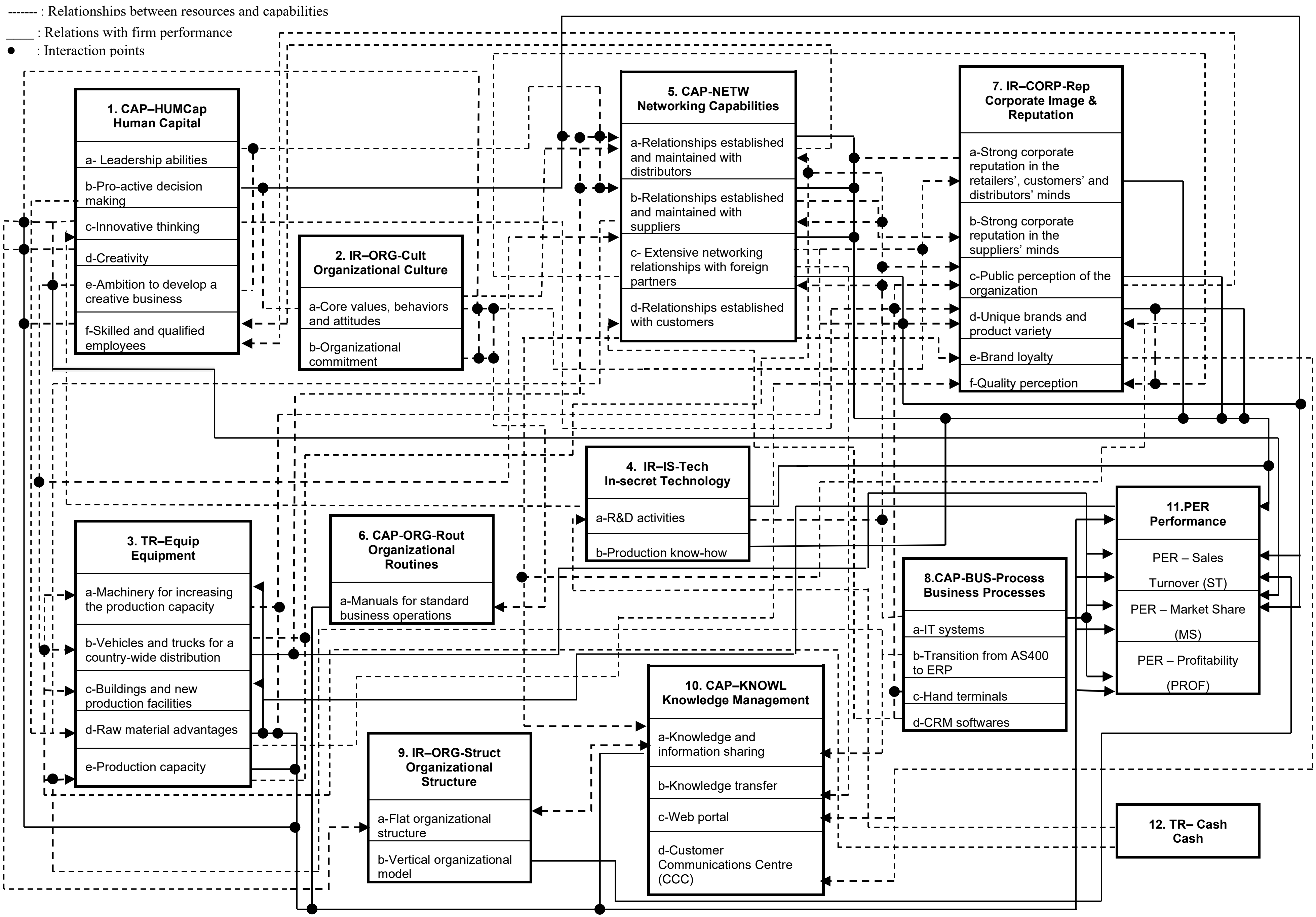


Figure 2. The causal network model of relationships between resources, capabilities, and firm performance (IR: Intangible Resources, TR: Tangible Resources, CAP: Capabilities)

Background on the business

Ülker Food Manufacturing which was established as a family owned company prepares itself to celebrate its 70^{th} anniversary in 2014. In fact, everything started with a small bakery in which three workers produced 200 kg of biscuits per day. In these years, the biscuits and chocolate market of Turkey was unsaturated and the demand for these products was increasing. The founder of the company knew that this huge market potential would enable him to create a successful and profitable business and fast and effective distribution system was the key success factor in food sector (1e → 3b → 11 [PER–PROF]). The manager A elaborates this situation:

> "Sabri Ülker noticed that an effective and unique operation strategy would bring the success. This kind of a distribution system would not only enable the company to appear on the shelves of the sales points with high penetration rates but also to increase its market share (1b → 11 [PER–MS, PER–ST]). For this reason, Ülker made a decision to deliver products country – wide without asking transportation fee from the sales points in 1955. The company established a system of touring salesman which was a kind of revolution in distribution strategy in Turkey (1c, 1e → 11 [PER–MS]). With this operation, the company also established strong ties with its distributors which have provided many advantages to the company in difficult economic times (1b → 5a → 11). This growing business compelled the firm to invest a new factory and machinery for the necessary capacity increase (11 → 3a, 3c). The system has been developed so far and in 2012, nearly 4000 trucks distribute the Ülker goods to 220.000 sales points every week (from kiosks to large supermarket chains) out of 250.000 retailers in Turkey (3b → 11 [PER–MS, PER–ST])".

The powerful distribution system was supported by the networking capabilities of Ülker that enabled the firm to establish strong relations with its customers, suppliers and distributors (5a, 5b → 3b). This proximity which was maintained over many years led to a loyal customer base and the Ülker distributors and retailers felt as if biscuit and chocolate can only be bought from Ülker (5a → 11).

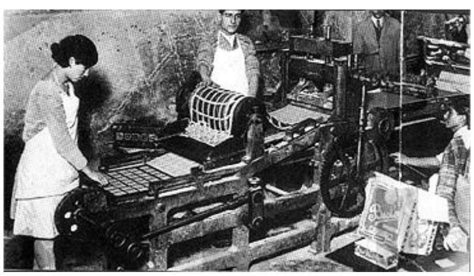
Moreover, in economic turmoil where the customers faced with difficulty in paying their debts to the company, the founder of Ülker supported the customers financially (1b, 2a → 5a) without getting capital interest. Again, the manager A explains the rationale behind the founder's attitude:

> "... Our founder knew that close relationships with the retailers were very important for future success (5a → 11) because they were the ones that would sell and promote the products of the company. He always mentioned that the company and the sellers were in the same boat. If the boat starts to leak water, everyone in the boat would suffer damage. For this reason, he has always been very pleasant and helpful to the retailers and this relationship has turned to a mutual form in the following years (7a → 5a). Ülker also established great relationships with its suppliers (sugar, wheat, milk and cacao providers), in early years of the company, payments

were always made before the due dates which created a very strong and reliable corporate image for the company (5b → 7b). Moreover, these relationships enabled Ülker to reach scarce raw materials (especially, cacao) at lower prices and this position helped the company to sustain cost advantages against its competitors (5b → 3d → 11)".

In fact the strong and long-standing relationships with the external parties resulted from the founders' leadership styles and attitudes that were highly affected by their culturally and religiously conservative backgrounds (1a, 1e → 5a, 5b). Apart from the focus on work discipline and systematic business operations that were codified in manuals (6a), the founders always emphasized the importance of providing financial and non-financial advantages to customers for a successful business (5a, 5b → 11). Eventually, this way of doing business reflected to the organizational culture of the company (2a). A strong and high-performing organizational culture of the company has always dictated to its employees that Ülker must do business without compromising honesty and integrity. The manager A continues:

"Obedience of the employees to the organizational culture and conducting business accordingly does not only solidify the positive image of the company among its stakeholders (2a → 7a), but it also enhances the commitment of the employees to the organization (2a → 2b). We feel proud as long as relax while we are doing our job and this makes us work happy and effective in this organization. Moreover, a positive corporate reputation always attracts the qualified job seekers in the market (7c → 1f)".



Organizational culture and innovation ability

Over the years, with the influence of the shared values, beliefs, expectations, rituals and the behaviors' of the founder, the company developed a strong organizational culture that provided a framework for organizational values, ethics, effectiveness, and efficiency. This unique organizational culture did not only help individuals understand the way things are done in the company but it also created a team spirit that increased the commitment and performance of the employees (2a → 2b → 6a → 11). The manager B explains the positive repercussions of the organizational culture:

"... Our employees feel themselves as the members of a big family (2b). Although the importance of self-discipline to get things done correctly and timely on a consistent basis was frequently mentioned, maximum effort was shown in order to provide a relaxed and comfortable working atmosphere in the company. Everyone who works for this company lives and breathes the core values. No other company I have ever worked in has placed that much emphasis on its culture and core values (2a). We believe that only a company which was comprised of happy and satisfied people can be creative and innovative, and this situation eventually makes contribution to firm success (2a → 1c, 1d → 11)".

Indeed, a high performance organizational culture was evident in Ülker (2a). Apart from representing the cohesiveness of the organization (2a → 2b), this unique organizational culture formed a sound basis for the company's industrial, managerial, marketing and sales, advertising and customer relations activities (2a → 5a) which made Ülker more than just a brand name. Employees are always motivated to do better work and produce innovative systems and products (2a, 2b → 1c, 1d → 11). Consistent with the explanations of the interviewees, Ülker was the first cookie company in Turkey that employed conveyor belts in production (1d). Similarly, as a new packaging technology in food industry, cellophane-based packaging was firstly used by Ülker in 1979. According to the manager B:

> "... Although organizational culture (2a) of Ülker was built around core values, challenging norms and preconceived notions about how business should be conducted and things should be done, creation of new ideas and development of new products were always fostered in the company (1c, 1d). This indulgent culture to new and innovative ideas is supported with a relatively flat organizational structure (2a, 2b → 1c, 1d → 9a) in order to ensure effective communication and enhance knowledge sharing (2a, 2b → 1c, 1d → 9a → 10a). As a result, most of the innovative products in the industry came from Ülker which helped the company sustain competitive advantage (2a, 2b → 1c, 1d → 11). For example, the first cookie with fig filling in the world was produced by the company under the brand name (7d) of Biskrem. This unique product that offered a different taste to consumers achieved rather high sales volumes especially in the US, Australia, Turkic Republics and Arabic Peninsula (1c →7d → 11)".

Along with the effects of organizational culture, innovation ability of the company was also influenced from the R&D efforts (4a → 1c) that trace back to 1974. The manager A states:

> "The first R&D department of the company was established in 1974. As time goes by, most of the divisions either supported the R&D department or developed and created new projects themselves to keep the competitive position of the firm in the markets (4a → 11). In order to enhance the creativity and innovation ability of the organization, the divisions were urged to work together and share their knowledge and expertise (10a → 9a → 1c, 1d). Especially, the R&D department of the IT division played a great role in developing new software and hardware (8a) that enabled the organization to increase the efficiency of existing product range by adding new high quality products manufactured under hygienic conditions (8a → 7d). Moreover, with the support of the IT, R&D department developed environmentally friendly bio-degradable packaging and anti-bacterial film that protect the consumer and make the world a better place to live (8a → 4a → 7d)".

These investments (12) to the R&D and the developments of environmentally sound products did not only strengthen the positive image of the organization (12 → 4a → 7d → 7c) but also helped the company to add its portfolio new customers who had environmental consciousness (7c → 11). The increasing number of customers and market share along with the strong distribution channel (3b) made the company to follow a vertical integration strategy which shifted the firm's policy from purchasing raw materials to producing raw materials and increasing the range of the product portfolio (3d).

Vertical integration strategy and concern for the quality

As a rudiment of the vertical integration strategy, the company started to expand its operations in different categories such as sugar and starch, vegetable and industrial oil, water, flour, milk and margarine. In fact, this strategic decision was the result of the determination to eliminate quality risks in raw materials (3d). But the excellent capacity of raw material production (3a) provided an ample opportunity to the firm for the execution of a diversification strategy (3d) which increased the number of the markets, customer segments and branded goods of the company (3a → 3d → 11 [PER–MS, PER–ST]). As a result of diversification strategy, a number of new categories such as baby food, dairy products, confectionery, cake, ice cream, carbonated drinks, fruit juice, desserts, chewing gum, and some cooking ingredients (*e.g.*, bouillon, baking powder, vanilla) were included to the product portfolio. Ülker's vertical integration strategy can be perceived better with the establishment of PNS-Cerestar joint venture (5c). PNS was formed in 1993 as a joint venture with Cerestar which is a member of the Cargill Group (US) and Europe's largest starch producer. This was among the most important steps in the timeline of vertical integration strategy. In order to address the raw material needs of the group companies, PNS produced sugar, oils, fats, flour and starch as the ingredients that were used by most of the manufacturing firms (5c → 3d → 11). The packaging division that specialized in plastic film applications, paper and corrugated cardboard also played a crucial role in the integrated structure of the company.

Ülker has generally implemented the vertical integration strategy by establishing different types of strategic alliances such as joint venture, merger and acquisition. For example, Natura Food was formed with the acquisition of Swiss Schöller Turkey's ice cream division (5c). Similarly, partnerships with the French cake producer Harris and the Finnish stanol containing goods (that lower body cholesterol) producer Raisio were established. The partnerships created mutual benefits to the parties. Whilst Ülker and Hero AG of Switzerland's agreement enabled the Swiss company to enter the Turkish baby food market, Ülker increased its product range. Moreover, the agreement also included that Hero would have marketed some of Ülker's products in Swiss and Austrian markets (5c → 11 [PER–MS, PER–ST]). The same strategy was used while establishing another partnership with Italian Barilla. The agreement was about joint production in Italy and distribution of Ülker products in Italy and Barilla products in Turkey. With these partnerships, Ülker utilized many benefits: considerable food production knowledge and experience was transferred from world class firms (5c → 10b), the product range and mix of the company increased (5c → 7d), local partnerships in new markets reduced costs of entry and allowed the organization to enter difficult markets such as the EU and US where the competition was fierce and legal barriers were high in terms of hygiene, quality and packaging issues (5c → 3d → 11), and Ülker's corporate name along with its unique brands were highly recognized in the world markets (5c → 7a → 11).

The manager C elaborates:

> "If you want to be a global player, you have to exist in key markets! For this reason, our most radical market entrance decision came for the UK which was probably the most difficult European food business market. Although we tried to enter the UK market with Ülker brand in the past years, we could not appear sufficiently on the British shelves. But since the UK was a prestigious market, we persistently followed aggressive strategies and acquired the local Lovell's brand which provided access to distribution channels and helped us to market other Ülker products in the UK (5c → 3d → 11 [PER–MS, PER–ST])".

The manager C adds how a similar strategy was implemented in the US market:

> "... The US market always caused concern on us because of its huge potential. Although we had a small market share in New York, the goods of the company were not available in the rest of the country. Entering to US would also open the doors of other big markets such as Canada and Mexico. Hence, an agreement between Ülker and Kellogg's which included the distribution of Kellogg's products in Turkey and Turkic Republics and the use of Kellogg's distribution channels to market and sell Ülker products in the US was signed in 2005 (5c → 3a → 11 [PER–MS, PER–ST]). Later, the firms established a cereal production plant in Turkey in 2007".

Apart from broadening the appearance of the Ülker brand in different markets, vertical integration strategy along with an effective supply chain was also used to guarantee the quality of Ülker products (1b → 3d → 7f). The manager C explains the importance of quality issue in food business and how the firm achieved keeping quality via vertical integration strategy:

> "We sell food products and the quality and hygiene issues are vitally important in this sector especially for the brand loyalty (7f → 7e → 11). The Group has six different quality

certifications: ISO 9001, ISO 9002, ISO 14001, OHSAS 18001 and HACCP plus BRC for exporting food products to the UK. But although, obtaining these significant quality certifications was a quality indicator, we knew that the real quality would come from the raw materials (3d → 7f). Therefore, we started to produce most of the raw materials used in our manufacturing ourselves. With this strategy, we were able to have a complete control on the quality of our raw materials. Moreover, production of raw materials provided notable cost advantages that helped the company to sell its products at lower costs and higher profits (3d → 11 [PER–PROF])".

Within the context of vertical integration strategy, the company increased its market share and sales turnover (5c → 11 [PER–MS, PER–ST]), and took noteworthy steps to guarantee the quality of its raw material and products (5c → 3d → 11 [PER–MS, PER–ST]). Besides, with the addition of new products, the company's offerings have been fully horizontally integrated and this variety in the product range provided great advantages to the distribution and sales force in terms of achieving high penetration rates in the sales points of the firm (5c → 7d → 11 [PER–ST]). Against horizontally integrated product strategy, the company's distribution channels are built on a vertical organizational model (9b) in which specialist distribution and marketing companies serve each channel with specific practices that may increase the sales turnover of the firm (9b → 11 [PER–ST]).

Distribution, sales force and the power of brand

Strong production capacity (3e, 3a → 11), raw material availability (3d → 11) and distribution ability (3b → 11) were frequently mentioned among the key success factors in food business. With this concern, Ülker made vast amount of investments to the manufacturing plants, machinery, and production lines as well as vehicles and trucks to achieve large-scale production (12 → 3a, 3c, 3e → 11) and effective nation-wide distribution (12 → 3b → 11). Furthermore, the firm has manufacturing plants in Ukraine, Russia, Iran, Romania, Saudi Arabia, Egypt, Algeria, and Turkic Republics which strengthen the position of Ülker in different geographic markets (3a, 3c, 3e → 11 [PER–MS, PER–ST]). Ülker secures a 57% share of the Turkish biscuits and chocolate market even in the face of fierce competition from leading international firms such as Milka, Nestlé and Cadbury. The firm has the highest penetration rate among its competitors and the role of outstanding distribution (3b) in this achievement is evident. The manager C explains:

"... Our production capacity (3e) is incomparable with the other firms in the market. For example, one of our manufacturing plants (3c) produces 1000 kilograms of biscuits and chocolate covered products daily and this amount corresponds to the weekly production capacity of our largest competitor (3c, 3e → 11). This power of production surely emerged from our specialist company Topkapi Machinery (4b) that builds and designs machinery and

> production lines as well as undertaking large-scale modifications and modernization of the Group's existing plants via its extensive manufacturing and technology expertise (4b → 11). Moreover, the codes and manuals that were used by foremen, engineers, and blue-collar workers in production processes supported smoothly working system (5a → 1f → 3e → 11). However, a strong production does not create value without an effective distribution network (3e → 3b → 5a). That is why we established such a wide-ranging distribution system... Everything aside, only 520 temperature-controlled trucks (3b) which guarantee Ülker's uninterrupted cold-chain and ensure fresh and delicious milk to be on store shelves before dawn in the morning can be a good example to denote the concern showed by the company".

In accordance with the vertical integration strategy (5c), two logistics firms that belong to the company (3b) handle transportation needs of the Group plants, warehouses, and wholesale locations. The company's purpose built warehouses (3c) in Istanbul, Ankara and Izmir that make up the final links in this added-value distribution network (3c → 5c → 11). Although Ülker has the ability to distribute its products with high penetration, the firm is required to offer the best customer service during and after sales to be able to continue this success. In this respect, IT systems (8a) such as CRM tools (8d) and ERP systems (8b) that integrate the hand terminals of sales force (8c) to production, stock, order, and inventory divisions were widely used in the firm. The manager C emphasizes the importance of IT in increasing the effectiveness of distribution ability of the firm (8a → 5a → 11) and establishing a more sophisticated customer database that enables the firm adopt customer-oriented strategies (8d → 7c, 7d → 11):

> "... The new IT system increased our distribution ability radically (8a → 11). With the transition from the old AS400 system to the new ERP system (8b), all processes existed in the manufacturing and distribution divisions were integrated and the flow of information between all divisions was facilitated (8b → 10a). Therefore, all divisions started to speak the same language simultaneously. This information sharing did not only support the optimal stock, inventory (8b → 3e), and production issues but it also cut the costs to which the company incurred because of the unnecessary interactions such as telephone talks, e-mailings and personal conversations (8b → 10a → 11 [PER–PROF]). Especially, with the hand terminal (8c) components of the ERP system the sales force of the company which consisted of nearly 4000 pre-sellers took orders much easier and offered the pre-ordered products at the proper time. I guess the effect of these IT systems on distribution ability of the firm and the effectiveness of the sales force was tremendous! (8a → 5a, 5b, 5c → 11)".

CRM tools used by the firm helped Ülker's sales force and customer-facing teams to establish close relationships with the customers and suit their future needs (8d → 5d). This close interaction yielded sufficient information about the product requests of the customers (8d → 5d → 10a) and the company used this valuable information to determine what kind of products should be added to its product range (10a → 7d). Customers are encouraged by Ülker to express their opinions either in the web portal (10c) or in the Customer

Communications Centre (CCC) of the firm (10d) which resembles a library where the opinions of the customers were collected. Customers of Ülker associate their emotions of childhood, teen years and adulthood with the brand name and share their feelings and opinions about these relationships on any platform (7e → 10c, 10d → 10a). Therefore, effective CRM applications maintained customer loyalty (8d → 5d → 7e) and the emotional aspects of the mutual relationships that began in the early lives of the customers were developed. The manager A advocates the importance of brand loyalty for Ülker (7e → 11):

> "Ülker's relationship with its customers is a story that spans many years (5d). This dynamic relationship created such an influence on the perception of our brand in the customers' mind that they sometimes acted as guardian angels of Ülker name (5d → 7e). I remember an example which can be found in the website of the company as well: a lady who was in a petrol station saw a wrong labeled package of Ülker chocolate. She viewed all shelves and found five products that had the wrong labeling, and then she immediately bought the products and brought them to the CCC. Before she left the products she wrote a note saying **I could not stand seeing Ülker products in that state**".

The role of brand loyalty (7e) and well-recognized brands (7d) in sustaining competitive advantage was frequently emphasized in the interviews (7e, 7d → 11). The manager C adds:

> "... Ownership of well-known brands is extremely important in our (food) business where hygiene and product reliability issues cause maximum concern on customers (7d → 11). A recent marketing research study indicated Ülker as the second most recognized brand (7c, 7e) in Turkey, in all categories".

Bearing in mind the advantages that can be gained via brand loyalty and ownership of well-recognized brands, the company continuously increased the number of premier brands in its portfolio (7e, 7d → 11). Godiva acquisition (5c), the world's foremost producer of super-premium chocolate products (7f), from the US-based Campbell's Soup Company in 2007 was among the most important steps of implementing this process. Apart from increasing number of unique brands in the product portfolio, Ülker also solidified its globalization strategy with this acquisition that helped the firm in the course of reaching different markets in the world (5c → 7d, 7f → 11). In 2013, Ülker products became available in 120 countries including China, Mali, Djibuti and Trinidad and Tobago. The company still undertakes investments in order to maintain its dominant market share, increase consumer satisfaction, and improve product quality (12 → 3a, 3b, 3c → 11 [PER–MS, PER–ST]).

7. Discussion

It should be noted at the beginning of the discussion section of the study is that the findings of the research rely solely on the perceptual judgments of the top managers of one company. Although using such a research may enable the researcher to have detailed and valuable insights along with a deeper understanding about the phenomena under investigation, the findings must be treated with caution especially for the validation and generalization purposes. As another methodological concern, in the interviews, the respondents were likely to present the company in the best possible manner and this situation made sometimes more difficult for the researcher to make an objective assessment of the organization. Hence, all mentioned limitations should be considered before making some evaluations and inferences with respect to the results of the study.

Human capital that comprises leadership abilities, pro-active decision making, innovative thinking, creativity, ambition to develop a creative business along with the networking capabilities that include relationships established and maintained with distributors, suppliers, customers, foreign partners were seen as the key determinants of firm success in Ülker. In fact, the vital role of human capital as a strategic initiative and enabler of resource interaction in the process of performance creation is widely mentioned in the strategy literature (*e.g*., Moliterno & Wiersema, 2007; Coff & Kryscynski, 2011; Kor & Mesko, 2013). In nearly every process, from structuring the firm's portfolio of resources, to bundling those resources into capabilities, and leveraging the capabilities to realize competitive advantage, managerial intervention is required. Human capital can influence firm performance directly and indirectly. At the individual level, it is quite apparent that the interaction of key individuals and legendary managers with organizational systems can generate direct influences on organizational outcomes (Coff & Kryscynski, 2011). For example, the founder and top management of Ülker made a strategic decision about following the vertical integration strategy that enabled the firm to overcome the problem of supplier dependency by producing rare raw material itself. The vertical integration strategy did not only consist of production of the raw materials that were used in the manufacturing process of the goods but also the packaging material. Then, the firm acquired a number of packaging firms and among one of them (Polinas Inc.) became the largest and most profitable BOPP (Biaxially Oriented Poly Propylene) film producer in Europe over time. These strategic managerial decisions that completely changed and *reconfigured* the resource base of Ülker enabled the firm to move rapidly new directions and lucrative markets, produce new and innovative products which lead to superior returns.

Admittedly, the findings related to the process of firm performance creation and importance of human capital in this process as a dynamic capability could not add more value than replicating previous findings of the RBV. Therefore, the findings offered limited contribution to the "looking inside the black box" (Sirmon *et al*., 2007) attempts of the RBV scholars to provide a better understanding about firm performance creation in this respect. However, Lippman and Rumelt (2003, p. 1085) who highlight the importance of this type of research, suggest that "because the heart of business strategy concerns the creation, manipulation, administration, and deployment of specialized resource combinations", as many RBV studies as possible should be conducted in different settings and countries. In line with their suggestions, the human capital related findings of this study provided some noteworthy results regarding the relative importance of some intangible resources and capabilities in creating firm performance within the context of an emerging market firm.

Organizational culture was found as another most important determinant in the process of performance creation. Owners' attributes and humanist and paternalist leadership characteristics appear to be influential in the generation of predominant core values, attitudes, and behaviors that are the main components of the organizational culture. The company's organizational culture revolves around five main values: trust, honesty, decency, leadership, and innovation and potential employees are expected to possess certain characteristics that ensure them to fit these organizational values. Although organizational culture appeared to be among the most important resources in creating competitive advantage and increasing firm performance, the overmuch conservativeness and its heavily impact on recruitment and human resource practices, work values, and leadership styles may have a number of negative consequences for the firm such as creating inertia and adaptation problems to new business settings. Since the strong and firm culture dictates to employees how to do business and act in the organization based on strict principals, the employees may not demonstrate their skills and qualities freely. Similarly, as the culture influences value systems dominantly, the HR executives tend to attract and select only people who share similar values. Hence, when the composition of the employees of Ülker was analyzed, a diverse workforce was not observed in the company.

Obviously, these circumstances may become potential threats for the innovation and creative problem solving abilities of the firm in the following years. Moreover, organizational culture of the company developed organically in tandem with the vision of the founder and most of the strategic decisions were taken based on the past business attitudes and practices of the founder. But, the dynamic nature of the current business environment may require more effective and faster decision making processes. Otherwise, the company can lose lucrative opportunities in markets. Elaboration of the manager C on transition from AS400 to SAP system may provide an insight about the long decision making process that occur in the company:

> "... Although it took five years to convince the board and other top management members to purchase and adapt the SAP system ...".

Apart from the capability oriented properties, reputational intangible assets such as strong corporate reputation of the organization in the retailers', suppliers', customers', and distributors' minds, brand uniqueness and loyalty, and quality perception of the organization were found as the other important sources of performance. In fact, the results regarding the dominant effects of organizational culture and reputational intangible assets along with the strong link between them are coherent with the predominant collectivist culture of Turkey that often "focuses on values such as sharing, group utility, and looking out for the interests of the group and displays large families that are closely bound to each other" (Cavusgil *et al*., 2013, p. 51). The link between organizational culture and the strong impact of brand, image and reputation on firm performance can also be explained by another cultural element, value perceptions of people. Perceived value is defined as "consumer's overall assessment of the utility of product (or service) based on perceptions of what is received and what is given" (Zeithaml, 1988, p. 4). Some authors (*e.g*., Sharma, 2010; Shukla, 2012) who emphasize the influence of local culture on consumer value perceptions suggest that consumption patterns differ significantly in developed and emerging markets. In a study, Sharma (2010) found that materialism had a growing trend in emerging markets, whilst it was slowing down in developed countries. Supported with the increasing exposure to global media and the depiction of western life-styles in local media, the desire for high-quality and/or luxurious goods and services might increase among consumers in emerging markets (Shukla, 2012). In relation to this argument, the report of Bain & Company. (2011) predicts that "85% of all luxury stores will be opening in emerging markets over the coming decade". The report also draws attention to the growing trends of conspicuous consumption in large emerging markets such as China, India, Russia and Brazil as well as in smaller emerging markets such as Malaysia, Egypt, Thailand and Turkey. Therefore, the findings relating to the strong reputational resource effects on firm performance may be tied to the brand and image-oriented consumption patterns of Turkish consumers.

As reported in this case study, the integration of human capital and organizational culture especially accelerates the development of networking capabilities that are found vitally important for the firms to generate performance. The networking capabilities of the firm contributed to performance in three main areas: first, strong relationships with suppliers and foreign partners provide the firm to have raw material and cost advantages, and penetrate existing and/or different markets which lead to the increase in sales turnover, market share, and profitability; second, well-established relationships with the stakeholders positively influenced the perception of corporate image and reputation of the company which increased the number of brand loyal customers and attracted the potential qualified jobseekers; third, knowledge and information acquisition, transfer and sharing ability of the firm enhanced by the extensive networking capabilities that enabled the company to create unique brands, produce more innovative and creative products, address and solve the needs and complaints of customers better, offer superior customer services, and make thorough strategic decisions.

One explanation for these results is that emerging markets are called network societies where long-term relationships based on trust and loyalty are highly valued and the boundary between government and business is blurred (Hoskisson *et al*., 2000; Black & Morrison, 2010). In such a challenging institutional environment, it would be very difficult for firms to obtain competitive advantages such as reaching to scarce raw material offered by local suppliers, accessing to distribution and communication channels, and benefiting from the economic advantages of high sales volumes without establishing good relations with suppliers, distributors, customers and home governments. For instance, the well-established relationships between Ülker and local distributors and suppliers led to competitive advantage by enabling the firm to penetrate the whole market better than its multi-national rivals from developed countries such as Nestlé, and Kraft's Cadburry and Milka. Besides, existence of high levels of bureaucracy and red tape that can result to inefficiencies such as loss of time and funds compels firms to establish relations with politicians and bureaucrats in emerging markets. Furthermore, the limited knowledge of developed country firms regarding the risks and costs that they may encounter in host countries affects their entry mode choices. Due to cultural and institutional barriers, most of the developed country firms enter to emerging markets through strategic partnerships with local firms in the form of joint-venture or M&A based on mutual benefits (Cavusgil *et al*., 2013). This situation also increases the need for having or establishing effective foreign network ties for both sides. Hence, given the emerging market characteristics of the country, the company may have developed special networking capabilities for relationship-based management.

A number of significant interrelationships between knowledge management capabilities and business processes were also evident in promoting fast and efficient nationwide distribution and R&D activities, creating manufacturing and distribution know-how, and providing superior service quality to customers after sales. However, against the dominant effects of the capability based resources in the creation of organizational performance, some tangible resources such as, machinery, vehicles, raw materials, and new production facilities were seen as other significant contributors to firm success in contrast to the previous RBV studies that were conducted in developed countries (*i.e*., Amit & Schoemaker, 1993; Barney, 2001; Galbreath & Galvin, 2006). Although the relative effect of tangible resources compared to intangible resources and capabilities was lower on the performance measures, they were still significantly associated with firm performance according to the findings. The reason for this unexpected tangible resource effect on performance may be elaborated within the context of Turkish business environment specifically. Until the mid 1980s due to the closed economic model based on heavy state intervention, lack of a well functioning private service sector, and the cheap labor cost and raw material advantages in Turkey, most of the Turkish firms have defined their competitive strategy option as low-cost leadership. A low-cost strategy relies “heavily on the ability to improve the manufacturing efficiencies in the firm’s value chain” (Spanos *et al*., 2001, p. 643). Although manufacturing efficiency can be increased through intangible resources such as just-in-time (JIT) and LEAN manufacturing softwares, relative effects of the tangible resources such as low-cost raw material and labor, modern machinery and equipment, and physical buildings and manufacturing plants are greater (St. John & Harrison, 1999; Schroeder *et al*., 2002). Therefore, this choice compelled Turkish firms to make most of their investments on tangible resources that can enable them to achieve low-cost production and operations and this effect may be a result of this situation.

This research aimed to contribute to the RBV literature in the way it investigates the relative effects of resources and capabilities on firm performance and outlines the interrelationships between resources and capabilities in details in the context of an emerging market firm. Although this study reveals some specific insights about the complex nature of the performance creation in an organization, the findings certainly need further replication, explanation, and generalization.

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