



Newcastle Graduate School of Business

Competitive Tactics, Generic Strategies and Firm Performance In
Banking Industry in Cambodia

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I hereby certify that the work embodied in this Dissertation Project is the result of original research and has not been submitted for a higher degree to any other University or Institution.

Veasna KRU

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Abstract

The study was undertaken to identify Porter's (1985) generic strategies employed by commercial banks in Cambodia. It also explored the performance differences between each generic strategy group. The study also aimed to identify competitive tactics and their associated performance. Competitive tactics are competitive methods employed by the banks such as vigorous cost reduction, pursuing high technology, or targeting a special segment of the markets to obtain competitive advantages in the industry. Generic strategies refers to Porter's competitive strategies which include cost leadership, differentiation, focus (focus on cost or focus on differentiation), and stuck-in-the-middle strategies. Each competitive tactic is clustered in accordance with Porter's generic strategies. Firm performance refers to financial performance such as profit margin, return on asset, and return on equity. Nevertheless, only return on asset (ROA) is used in this study as it is a primary banking industry measure (FDIC, 1995) and it is also consistent with the measurements of bank performance in previous studies (Power and Hanh, 2004, Hanh and Power, 2010). The questionnaires, which include questions about competitive tactics, were sent to senior management of the banks such as CEOs or presidents of banks to complete. The performance of each bank- such as financial information was taken from public available information such as annual reports. Then, statistical methods were used to analyse the data to identify competitive tactics and generic strategies employed by the banks and their relationship with firm performance. The study identified the strategies used by commercial banks in Cambodia. Porter's (1985) generic strategies were employed by all commercial banks in Cambodia; nevertheless, most of them used combination of Porter's (1985) generic strategies rather than pure strategy. Additionally, the study found that the performance difference between each strategic group was not statistically significant. Nevertheless, it was found that some strategy groups had higher performance than others. Regarding competitive tactics which support each generic strategy, the study found that most competitive tactics were not associated with performance. The study

also found that none of the combination of competitive tactics within and between each generic strategy contributed to performance.

Chapter 1: Introduction

To remain competitive as well as to improve performance in the industry, management has to carefully analyze the competitive environment in order to employ the right competitive strategy for their firm. Porter (1980, 1985) proposes generic competitive strategies including, cost leadership, differentiation and focus, for firms to employ in order to have performance levels higher than industry average. He argues that higher performance can be achieved in a competitive industry by employing one of these generic strategies.

The outcomes of this study add to the body of informed discussion, taking a previously underexplored approach in the form of the location and industry of research participants.

This chapter provides an overview of the research problems, research objectives, the contribution to practices and theory and the outline of the dissertation.

1.1 Problem Statement

According to Porter (1980, 1985), firms not pursuing one of his strategy types or pursuing more than one strategy type simultaneously will be undifferentiated and will experience lower performance. A number of empirical studies (Dess and Davis, 1984; Hambrick, 1983; Hawes and Crittendon, 1984; Parker and Helms, 1992; Reitsperger, Daniel, Tallman, Parker and Chismar, 1993) found support for Porter's (1985) generic strategies. Nevertheless, other studies (Chan and Wong, 1999; Cross, 1999; Kim, Nam and Stimpert, 2004; Hlavacka, Ljuba, Viera and Robert, 2001; Pertusa-Ortega, Molina-Azorin and Claver-Cortes, 2008; Spanos, Zaralis and Lioukas, 2004) found that cost leadership and differentiation strategies are not mutually exclusive; they can be combined to obtain higher performance than a single strategy. Nevertheless, these studies still support the notion that generic strategies influence performance. In addition to generic strategies, competitive tactics are very important for a firm to employ in order to gain competitive advantages; nevertheless,

only a very small number of prime studies (Allen and Helms, 2006, Chan and Wong, 1999; Power and Hahn, 2004) put emphasis on competitive tactics and their relationship with performance. Different competitive tactics within each generic strategy may be associated with different performances. Therefore, it is very important for a firm, not only to employ the right generic strategy but also, the right competitive tactics in order to gain competitive advantages.

It is questionable whether Porter's (1985) generic strategies are valid in the banking industry, supporting the main objective of the research which is the exploration of Porter's (1985) generic strategies employed by commercial banks in Cambodia. Issues are also raised as to their performance differences and the relationship between competitive tactics and organization performance.

1.2 Research objectives

The main research objectives were to explore generic strategies employed by commercial banks in Cambodia, to explore performance differences between commercial banks employing different generic strategies, and, to explore the relationship between competitive tactics and organization performance. Therefore, there are three main research objectives which presented to be addressed through three research questions. This first question was described as "What generic strategies are used by commercial banks in Cambodia?" This first objective aimed to explore generic strategies employed by commercial banks in Cambodia. After generic strategies employed by commercial banks in Cambodia were identified, it was important to find out whether or not they had performance differences. Therefore, the second research question for the second research objective could be described as "What is the performance associated with the chosen strategy?" The last research objective was to explore the relationship between competitive tactics and organization performance. Each generic strategy demonstrated different competitive tactics to support the strategy; for instance, to have cost leadership strategy, banks may vigorously pursue cost reduction, setting price below competitors or emphasizing on cost cutting and internal efficiency programs. Commercial banks

pursuing differentiation strategy may have promotion and advertising expenditure above industry average, provide complementary services or allocate major expenditure on technology to differentiate products and services. It may not be necessary for commercial banks to employ all competitive tactics, but commercial banks may employ any one or combination of competitive tactics that significantly contribute to organization performance. Therefore, the third research question that supports the third research objective was described as “What competitive tactics are strongly associated with performance?” Hence, the last research objective was to identify competitive tactics associated with performance; the combination between two or more competitive tactics within each generic strategy that significantly predict the performance; and, the combination between two or more competitive tactics from different generic strategy which significantly predicts the performance of the banks,

1.3 Contribution to the Theory

The study identified Porter's (1985) generic strategies in the banking industry in Cambodia as well as competitive tactics which significantly contributed to performance. The result not only contributes to the literature, but also to practitioners, specifically, to management of the commercial banks in Cambodia. Knowing that generic strategy that is associated with high performance in the banking industry could be very beneficial to the managements. Moreover, as there are several competitive tactics in each generic strategy, not all competitive tactics equally impact on performance, and some competitive tactics have less impact on performance. Therefore, the result is very beneficial to the management to employ the appropriate competitive tactics to have higher performance specifically in the light of hybrid strategy yielding high performance which can be seen in a number of studies (Chan and Wong, 1999; Cross, 1999; Gopalakrishna and Subramanian, 2001; Karnani, 1984; Kim, Nam and Stimpert, 2004; Miller and Friesen, 1986; Hill, 1988, Miller, 1992; Johnson and Scholes, Whittington 2005; Fuerer and Chaharbaghi, 1997; Hlavacka, Ljuba, Viera and Robert, 2001; Pertusa-Ortega, Molina-Azorin and Claver-Cortes, 2008; Spanos, Zaralis and Lioukas, 2004; White, 1986)

1.4 Importance to practice

Initially, an empirical study contributes to the knowledge of strategic management specifically in this case it was the applications of Porter's (1985) generic strategies to the financial industry in the emerging market. The exploration of the linkage between Porter's (1985) generic strategies and firm performance in the financial industry - particularly in emerging market provide, not only significant contribution to the strategic management literature, but also assist managers to employ the right strategies for their firm to compete in the fast changing environment. Furthermore, the resources based view also enables managers to consider building their strategies around valuable resources by looking both at external industry conditions and at their internal capabilities.

1.5 Outline of Dissertation

This dissertation consists of five chapters including this chapter that provides an overview of the problem statement, research objectives and the contribution to theory and practice, and provides the information for the subsequent chapters.

Chapter 2 presents the theoretical discussion related to strategy and organization performance based on a thorough review of relevant and contributory literature. The chapter provides the general discussion about the concept of strategies and some of strategy typologies. Strategy typologies such as Chandler (1962) which included volume expansion, geographic expansion, vertical integration and product diversification are discussed. The discussion of Miles and Snow (1978) typologies which include prospector, defender, analyzer and reactor are also presented. Other strategy typologies such as Mintzberg (1985) (deliberate and emergent strategy and the Resourced Based View of the firm are also discussed. Then, the chapter provides the detailed discussion of the Porter's (1985) generic strategies which include cost leadership, differentiation, focus and stuck-in-the middle strategies. Performance measures were also brought for discussion to determine a suitable performance

measurement for the Cambodian banking industry. Competitive tactics and their associated performance are also brought forward for discussion in this chapter. In the last part of the chapter, limitations and key assumptions of this study are introduced. Then, the chapter concludes the contribution to knowledge.

Chapter 3 discusses research methodology in general as it supports studies such as the research methodology selected for use in this dissertation. Research questions in this study which include questions to explore generic strategies used by commercial banks in Cambodia, performance differences between each generic strategy and the relationship between competitive tactics and organization performance are addressed in details. Following on from research questions, research philosophy which includes positivism, interpretivism and realism are discussed. The chapter also presents the advantages and disadvantages of each philosophical position so that the appropriate position can be adopted for this research. Additionally, this chapter also presents the discussion of different research designs which include experimental design; cross-sectional or survey design; longitudinal design; case study design; and comparative design. The chapter also provides the reason why cross-sectional design is suitable for this research study.

After research design is discussed, the chapter pursues the identification of appropriate sampling techniques including the discussion of probability including simple random, systematic, stratified random, cluster and multi stage and nonprobability sampling techniques including quota, purposive, snowball, self-selection and convenience sampling to select samples. Additionally, the chapter provides discussion of different data collection methods for quantitative research study including mail survey telephone survey, e-survey, personal administered survey, interview and focus group. The discussion of scales and their reliability and validity are also presented in this chapter following by some scale construction techniques such as Likert scale, forced-choice scales, semantic differential scales, Thurstone scale, Guttman scales and others. Then, the chapter also presents how the

questionnaires are design specifically by looking at previous studies. Finally, chapter three concludes with the ethical considerations.

Chapter 4 presents the results of the study. The study contains three research questions. The first question was to explore Porter's (1985) generic strategies used by commercial banks in Cambodia. The chapter presents the result of statistical analysis which grouped commercial banks in different clusters based on strategies they employed. The second research question was to explore performance differences between each strategy group, the chapter present the results of statistical analysis which show how commercial banks in different strategy group perform. The last research question is to explore the relationship between competitive tactics and their performance. The chapter presents statistical analysis of the relationship between competitive tactics within each generic strategy that are associated with performance. The chapter also presents the result of the combination between two or more competitive tactics within each generic strategy as well as between two or more competitive tactics in different generic strategies that significantly contribute to performance.

Chapter 5 presents the discussion of the findings. The findings from Chapter 4 are used to develop a theoretical model of generic strategy and firm performance. Firstly, this chapter presents findings by comparing to the results of previous studies. Porter's (1985) generic strategies identified in banking in Cambodia are compared with strategies used by banks in previous research. Performance differences between banks employing different strategies are also compared to those found in previous studies. The relationship between competitive tactics and performance found in this study are also described and compared to those found in previous studies. The discussions of the results by comparing with the result of the previous studies are used as the implication for the practices and theory. These are also presented in this chapter. The chapter also discusses the limitations of the research as well as suggesting future research. Finally, chapter 5 concludes with the summary of the dissertation and concluding remarks.

Chapter 2: Literature Review

2.1 Introduction

To remain competitive as well as to improve performance in the industry, management has to carefully analyze the competitive environment in order to employ the right competitive strategy for their firm. Porter (1980, 1985) proposes generic competitive strategies including, cost leadership, differentiation and focus (either on cost or differentiation), for firms to employ in order to have performance higher than industry average. He argues that higher performance can be achieved in a competitive industry by employing one of these three generic strategies. According to Porter (1980, 1985), firms not pursuing one of these strategy types or pursuing more than one strategy type simultaneously will be undifferentiated and will experience lower performance. A number of empirical studies (Dess and Davis, 1984; Hambrick, 1983; Hawes and Crittendon, 1984; Parker and Helms, 1992; Reitsperger, Daniel, Tallman, Parker and Chismar, 1993) found support for Porter's (1985) generic strategies. Nevertheless, several other studies (Chan and Wong, 1999; Cross, 1999; Kim, Nam and Stimpert, 2004; Hlavacka, Ljuba, Viera and Robert, 2001; Pertusa-Ortega, Molina-Azorin and Claver-Cortes, 2008; Spanos, Zaralis and Lioukas, 2004) found that cost leadership and differentiation strategies are not mutually exclusive; they can be combined to obtain higher performance than single strategy. However, these studies still support the notion that generic strategies influence performance. In addition to generic strategies, competitive tactics are very important for a firm to employ in order to gain competitive advantages; nevertheless, only a very small number of studies (Allen and Helms, 2006, Chan and Wong, 1999; Power and Hahn, 2004) put emphasis on competitive tactics and their relationship with performance. Different competitive tactics within each generic strategy may be associated with different performances. Therefore, it is very important for a firm not only to employ the right generic strategy but also the right competitive tactics in order to gain competitive advantages. This chapter provides a review of existing literature related to strategy and organization's performance.

2.2 Defining Topics

Michael Porter's generic strategies are among the outstanding strategy typologies in strategic management literature. According to Porter's (1985) competitive strategies, firms employing a single strategy outperform firms pursuing multiple strategies simultaneously. A number of empirical studies have found support for Porter's (1985) theory since its inception. The applications of Porter's (1985) competitive strategies to different industries and countries were noted among the extant literature. The studies of the relationships between firms' competitive strategy and other aspects of management are also to be found. Nevertheless, some studies revealed that the relationship between competitive strategies and firm's performance is also questionable, particularly in the financial industry. Though competitive tactics - which were the tools for organizations pursuing generic strategies, attracted very few researchers, specifically their relationship with performance in the banking industry was researched by Power and Hanh (2004). Knowing which competitive tactics contribute to performance allows management of a firm to take the right tools to pursue generic strategies that are associated with performance.

This represents one of the research topics in strategic management, particularly the applicability and validity of the Porter's (1985) competitive strategies to financial industry and competitive tactics and their performance. In the following sections, overall concepts of strategy and strategy typologies are discussed. The resource-based view (RBV) is also discussed before the presentation of the literature related to performance and its measurement, as well as the linkage between competitive strategies and performance and competitive tactics and their performance, to identify the gaps in the current literature regarding Porter's (1985) generic strategies; and, competitive tactics for pursuing Porter's (1985) generic strategies.

2.3 What is Strategy

The word strategy comes from the Greek *strategos*, referring to a military general and combining the words '*stratos*' (the army) and '*ago*' (to lead). The concept of

strategy has emerged as a central theme in field of strategic management (Andrews, 1971; Hofer, 1975; Schendel and Hofer, 1979) and as increasingly important to the field of organizational theory (Aldrich and Pfeffer, 1976; Child, 1972). Nevertheless, there is a wide variety in the meaning of the word strategy. Scholars writing on strategy agree that no consensus on its definition exists (Bourgeois, 1980; Gluck, Kaufman, and Walleck, 1982; Glueck, 1980; Hatten, 1979; Hofer and Schendel, 1978; Lenz, 1980; Rumelt, 1979; Spender, 1979; Steiner, 1979). Chandler (1962, p. 13) stated that “strategy is the determination of the basic long term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.” Hence, according to Chandler (1962), strategy contains two parts being - determining the long term objectives; and, how to achieve them through courses of action and resource allocation. Buzzel and Gale (1987) also have similar perspectives on strategy. Buzzell and Gale (1987) refer by strategy to the policies and key decisions involving significant resource allocations adopted by management, that have major impacts on financial performance. Buzzel and Gales (1987) clearly stated the linkages between strategy and firm performance, specifically financial performance. Mintzberg (1990) defined strategy in terms of a process. Mintzberg (1990) suggests that the term strategy is used to mean a plan, a ploy, a pattern, a position or a perspective - the 5 Ps. Mintzberg viewed strategy as a plan or ploy to cope with or respond to a competitor. He also sees strategy as a pattern in a stream of decisions. Mintzberg (1990) sees strategy as a position of the firm in relation to competitors. He also uses the term strategy as perspective to emphasize the group of strategy makers. Indeed, Mintzberg’s (1990) definition of strategy is not completely different from previous scholars; he emphasizes on how to achieve the objectives through implementation. Porter (1996) refers strategy to a process of creating a unique and valuable position. Porter (1996) focuses on winning the market by building a unique position that competitors cannot imitate. The essence of strategy is choosing to perform activities differently than rivals do (Porter, 1996). Seth and Thomas (1994) define strategy as an integration of objectives, policies and action plan. According to Seth and Thomas (1994, p. 166-167),

Strategy is the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.

Gelderen, Frese and Thurik (2000) refer to strategy as the plans for actions that influence how people are doing. Farjoun (2002), extend the earlier definitions of strategy (Chandler, 1962; Andrews, 1971; Porter, 1980; Quinn, 1980; Mintzberg and Waters, 1985; Itami and Roehl, 1987; Bowman and Hurrey, 1993; Brown and Eisenhardt, 1998) by defining a firm's strategy as the planned or actual coordination of the firm's major goals and actions, in time and space, that continuously co-align the firm with its environment. According to Gibus and Kemp (2003, p. 11), "strategy is a coordinated plan that gives the outlines for decisions and activities of a firm and is focused on the application of the resources that a company has at its disposal in such a way that the activities have an additional value to the environment so that the firm can achieve its own goals". Mintzberg, Ahlstrand and Lampel (1998, p. 5) explains the concept of strategy by referring strategy into ten schools.

Design School: strategy formation as a process of conception

Planning School: strategy formation as a formal process

Positioning School: strategy formation as an analysis process

Entrepreneurial School: strategy formation as a visionary process

Cognitive School: strategy formation as a mental process

Learning School: strategy formation as an emergent process

Power School: strategy formation as a process of negotiation

Culture School: strategy formation as a collective process

Environment School: strategy formation as reactive process

Configuration School: strategy formation as a process of transformation

In short, wide varieties of the definitions of strategy were proposed by different scholars. They focus on different aspects of strategy. This also leads to different strategy typologies which are the main discussions in the next section.

2.4 Types of Strategy

As discussed in the preceding section about the wide varieties of strategy definitions that lead to different strategy typologies, a number of prominent strategy typologies in strategic management literature can be seen as among these are, strategy types proposed by Chandler (1962), Miles and Snow (1978) and Mintzberg and Water (1985) and Porter (1980, 1985).

2.4.1 Chandler's Thesis

Chandler (1962), in his thesis, suggests four strategy types including volume expansion, geographic expansion, vertical integration, and product diversification. Chandler's strategy types are for growing organization. Firm can employ each strategy depend on the growth stage.

Volume expansion

The idea of volume expansion is that firm in the current markets may increase production level, increase distribution channels in order to have a higher sales volume. This strategy can be used after introduction of successful products, according to Gibcus and Kemp (2003).

Geographic expansion

After volume expansion, the next logical step should be geographic expansion. Firm may introduce existing products or services to new geographical areas including international markets, according to Gibcus and Kemp (2003).

Vertical integration

In an addition to volume and geographical expansion, firm may pursue vertical integration. Firms may buy or create other business units to bring them close to customers or suppliers. Backward integration leads firm close to suppliers whereas forward integration leads firm close to customers, according to Gibcus and Kemp (2003).

Product diversification

The last strategy type is product diversification. Companies may diversify their products by entering a new industry either through merger, acquisition or creation, according to Gibcus and Kemp (2003).

2.4.2 Miles and Snow Typology

Miles and Snow (1978) proposed four strategy types including, prospectors, defenders, analyzer, and reactors. Miles and Snow typology is one of generic business strategies. Firm can employ any of the three strategies to compete in the industry.

Defenders

Firms adopting defender strategy focus on their market segments by serving what they do best in the markets. As the words imply, strategy of defenders is to defend their defined markets by providing competitive products or services. As they focus on the narrow and stable products and markets, they can pay attention to minimizing costs while simultaneously maintaining or improving product quality. Defenders focus extensively on the defined markets and they tend to ignore developments in other markets. Defenders usually have a few top executive or staffs to perform environment scanning (Miles and Snow, 1978)

Prospectors

Prospector strategy is based on the capability of the firm to find and exploit new product and market opportunities. Firms adopting prospector strategy have a wide

range of products and broad market segments. Prospectors usually emphasize on environment scanning; they not only monitor environment for their defined market segments, but also other market segments to seek opportunities to enter the markets. Prospectors' success is based on the innovation and flexibility to quickly respond to the changed in market conditions, (Miles and Snow, 1978).

Analyzer

Analyzer has combined characteristics of prospector and defender. Firms adopting analyzer strategy not only focus on stable products and markets but also look for other opportunities in new markets. Analyzers minimize risk as defenders while looking for other opportunities as prospectors. Analyzers have a mixture of stable and changing products and markets. Stable products and markets are usually well protected as in defenders while other portion of their products and markets are allowed to go for other opportunities as in prospectors, (Miles and Snow, 1978).

Reactor

The last strategy type of Miles and Snow typologies is reactor. Reactor may have characteristics of all strategy types; however, they respond to environment inconsistently and potentially inappropriately, (Miles and Snow, 1978).

Miles and Snow's strategy typology is also one of the most frequently used strategy typology in empirical research, and underpinned works of many researchers such as Snow and Hrebiniak (1980); Hambrick (1983); Davig (1986); Smith, Guthrie, and Chen (1986, 1989); Venkatraman and Ramanujam (1986); McDaniel and Kolari, (1987); Zajac and Shortell (1989); Shortell and Zajac (1990); Conant, Mokwa, and Varadarajan (1990); Zahra and Pearce (1990); Bahae (1992); Abernethy and Guthrie (1994); Doty and Glick (1994); James and Hatten (1995); Williams and Tse (1995); Brock (1997); Kald, Nilsson, and Rapp (2000); and Slater and Olson (2000). Moreover, Miles and Snow strategy typology has been cited more than 650 times in recent years (Croteau, Raymond, and Bergeron, 1999).

2.4.3 Mintzberg deliberate and emergent strategy

Mintzberg and Water (1985) proposed deliberate and emergent strategies. Deliberate and emergent strategies are the two ends of a continuum, where most strategies fall somewhere between the two (Mintzberg and Water. 1985). Strategy to be considered purely deliberate, should satisfy three conditions. Firstly, for strategy to be purely deliberate, intentions should exist precisely, and be articulated in detail. Secondly, the intentions should be widely accepted or shared among relevant people in the organization. Thirdly, external forces or environment are perfectly predictable, totally benign, or controllable. Strategy considered purely emergent should be consistence over time. Lying between purely deliberate and purely emergent strategies, Mintzberg and Water (1985), suggest eight strategies as follows:

The planned strategy

It is the most deliberate strategy type which is formulated and articulated by top management of organization. The planned strategy comes in formal plans such as budgets, timetable, controls, and so on to ensure surprise-free implementation according to Gibcus and Kemp (2003).

The entrepreneurial strategy

This strategy type is relatively deliberate. Unlike in the planned strategy, in the entrepreneurial strategy, intentions exist in the unarticulated vision of a single leader. In this strategy type, intentions are adaptable to market environment according to Gibcus and Kemp (2003).

The ideological strategy

This strategy type is rather deliberate. It can be seen when the vision or intentions in the organization are common among its members. When they share common intentions they can pursue the intentions as an ideology according to Gibcus and Kemp (2003).

The umbrella strategy

The umbrella strategy is partly deliberate, partly emergent, and deliberately emergent. Leaders set boundaries for other actors in organization to maneuver within them according to Gibcus and Kemp (2003).

The process strategy

This strategy type is also partly deliberate, partly emergent, and deliberately emergent. The process strategy is similar to the umbrella strategy in terms of leadership function. However, in the process strategy leaders do not try to control strategy content but they try to control the process according to Gibcus and Kemp (2003).

The unconnected strategy

The unconnected strategy is organizationally emergent, whether or not deliberate for actor(s). This strategy type comes in enclaves. Unlike other strategy type, in the unconnected strategy, actors do not necessarily follow common intentions in the organization. Individual or units in organization can follow their own intentions for their works. Typically, this came from subunit or single individual in organizations according to Gibcus and Kemp (2003).

The consensus strategy

This strategy type is rather emergent. This type of strategy can be recognized when individual intentions are converge without central or common intentions according to Gibcus and Kemp (2003).

The imposed strategy

It is the most emergent strategy type. In the imposed strategy, external forces can impact on the firm's strategy in other words firms adopting the imposed strategy can change their pattern of action depend on external factors according to Gibcus and Kemp (2003).

2.5 Porter's Competitive Strategy

Porter (1980, 1985) introduces three generic strategies or competitive strategies, namely overall cost leadership, differentiation and focus, for competition. Porter (1980, 1985) argues that a generic strategy should be pursued in a wholly single-minded way and that applying more than one generic strategy concurrently will result in poor performance unless under rare conditions such as a condition in which “simultaneous improvement of cost and differentiation is possible only when a company begins far behind the productivity frontier or when the frontier shifts outward” (Porter, 1996). Porter (1996) sees this condition as the improvement in *operational effectiveness* and distinguishes it from the real success in *strategy*.

		COMPETITIVE ADVANTAGE	
		Lower Cost	Differentiation
COMPETITIVE SCOPE	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3A. Cost Focus	3B. Differentiation Focus

Figure 2.1 Porter's (1985) generic strategies

(Source: Porter, 1985, p.12, Porter, M.E. (1985), *Competitive advantage: Creating and sustaining superior performance*, New York, Free Press

Cost leadership

Firms adopting cost leadership strategy try to be the low-cost producers in the markets. Sources of cost advantages depend on industry structure. Cost advantages may come from economies of scale, economies of scope, propriety technology, preferential access to materials and other factors. With cost advantages, firms are

able to have above-average return or can command price. However, they cannot ignore product differentiation. Products regarded as having cost advantages should be comparable to other competitive products in the markets otherwise the benefits of lower costs are eliminated. Miller, 1992, p. 40) “ Pure cost leadership is most effective when customers are sensitive to price and when there is a fighting chance to maintain a cost advantage because of economies of scale, proprietary technology, or unique access to cheap materials or channels of distribution”.

Product Differentiation

A firm adopting differentiation strategy tries to differentiate its products or services from competitors. They may have unique attributes which are widely valued by buyers. With unique attributes, a firm can charge premium prices for the products and services. Differentiation was adopted in an increasing numbers of industries, specifically in industries that need quality for success (Bacanu, 2010).

Focus

Instead of serving the whole market, firm adopting focus strategy choose specific target markets in the industry. To capture those markets, firms may use cost focus or differentiation focus strategy. Different cost structures in different market segments allow a firm to use cost focus strategy. Meanwhile, different market segments also have different wants and needs; therefore, a firm takes the opportunity by designing products or services to satisfy customers' wants and needs in a specific market segments. *This firm uses differentiation focus strategy.*

Stuck in the middle

This refers to firm that fails to employ any specific generic strategy. Firms may have all types of strategy. However, they fail to achieve any specific strategy. Firm with this situation cannot outperform firms, which have employed any specific strategies; for example, cost leadership or product differentiation.

As mentioned earlier, according to Porter's (1985) competitive strategies, firms employing a single strategy outperform firms that pursue several strategy types simultaneously. A number of empirical studies have found support for Porter's (1985) theory since its inception (Hambrick, 1983; Dess and Davis, 1984; Miller and Friesen, 1986; White, 1986; Robinson and Pearce, 1988). Moreover, the applications of Porter's (1985) competitive strategies to different industries and countries were also noticeable; for instance, shipping (Brooks, 1993), banking (Meidan and Chin, 1995), and hospital services (Kropf and Szafran, 1988), Ireland (McNamee and McHugh, 1989), Portugal (Green, Lisboa, and Yasin, 1993), Korea (Kim and Lim, 1988), Hong Kong (Chan and Wong, 1999) and the People's Republic of China (Liff, He, and Steward, 1993).

The studies of the relationships between firms' competitive strategy and other aspects of management have also been conducted extensively; for instance, the human relations strategy (Schuler and Jackson, 1989); information technology (Huff, 1988); industrial engineering (Petersen, 1992); manufacturing strategy (Kotha and Orne, 1989); logistics (McGinnis and Kohn, 1988); environmental scanning (Jennings and Lumpkin, 1992); planning processes (Powell, 1994); management selection (Govindarajan, 1989; Sheibar, 1986); and managerial biases in perceptions of competitive strategy (Nystrom, 1994).

Nevertheless, they provide mixed results. Moreover, some subsequent works have revealed that Porter's (1985) generic strategies are not really 'generic' but contingent upon the operating environment in question (Hill, 1988; Murray, 1988; Wright and Parsinia, 1988; Miller and Dess, 1993; Reitsperger, Daniel, Tallman and Chismar, 1993; Kean, Niemeyer and Miller, 1996). Therefore, it can be concluded that linkage between competitive strategy and firm's performance is also questionable.

Porter (1980, 1985) argues that firms pursuing a single strategy such as overall low cost leadership; differentiation; or focus; outperform firm pursuing multiple strategies simultaneously. A number of scholars cast doubt on the stuck-in-the-middle hypothesis of Porter's (1985) theory (e.g. Miller and Toulouse, 1986; Watkins,

1986; Miller and Dess, 1993; Kean, Niemeyer and Miller 1996). Particularly, with the emergence of the resource based view of the firm, it is doubtful whether firms pursuing a single strategy can outperform firm pursuing multiple strategy, or whether firms pursuing multiple strategies simultaneously are able to cope with an increasingly dynamic and competitive operating environment, and achieve better performance than firms pursuing single strategy, (Ahmed, Hardaker, and Carpenter, 1996).

2.6 Resourced-Based Theory

The resource-based view of the firm (RBV) was initiated by Wernerfelt (1984), Rumelt (1987) and Barney (1986). RBV owes much of its genesis to the classical works of Selznick (1957) and Penrose (1959) published in late 1950s. RBV has been growing in popularity in the strategy literature since the mid-1980s. There has been, since the mid 1990s, significant criticism of RBV which brought the development of the theory into dynamic relief. According to RBV, resources are the main drivers for organizational performance, and firm's sustainable competitive advantages are created through unique bundles of resources, (Wernerfelt, 1984; Barney, 1991). The basic logic of the RBV starts with the assumption that a company has a unique resource or a bundle of resources (distinctive competencies) (Barney 1997). Resources are defined as "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc., controlled by a firm that enable a firm to conceive of and implement strategies that improve its efficiency and effectiveness" (Barney, 1991). Although terminology varies among RBV scholars (Peteraf, 1993), there appears to be a general consensus on the characteristics of strategic assets, namely they must be: (1) valuable (Dierickx and Cool, 1989), (2) rare (Reed and DeFillippi, 1990), (3) imperfectly mobile (Barney, 1991), and (4) imperfectly inimitable either because of *causal ambiguity* or *social complexity* (Teece, 1987; Winter, 1987). Indeed, RBV emphasizes on the capability of management to identify, develop and deploy key resources to maximize returns. Therefore, it is likely that firms possessing the appropriate resources will be able to adopt a viable

multi-strategic approach. This provides some arguments against Porter's (1985) stuck-in-middle hypothesis.

2.7. Performance and its measurements

Performance and its measurements are the important components of empirical research in the field of strategic management. Different performance measurements including tangible versus intangible measurements were proposed by a number of researchers in organizational theory. According to Murphy, Trailer and Hill (1996), three fundamental theoretical approaches to measuring organizational effectiveness have evolved. The goal based approach suggests that an organization be evaluated by the goals that it sets for itself (Etzioni, 1964). The systems approach considering the simultaneous achievement of multiple, generic performance aspects (Georgopolous and Tannenbaum, 1957; Yuchtman and Seashore, 1967; Steers, 1975). The multiple constituency approach refers to performance measurement that takes consideration of the multiple constituencies or takes account of stakeholders (Connolly, Conlon, and Deutsch, 1980; Kanter and Brinkerhoff, 1981; Zammuto, 1984).

In strategy literature, Venkatraman and Ramanujam, (1986) based on these approaches, proposed three levels of strategy.

Venkatraman and Ramanujam (1986) proposed three general levels of firm performance. Firstly, financial performance measurements are the narrowest concept of business performance, being considered necessary, but not sufficient to define overall effectiveness (Chakravarthy, 1986). Secondly, business performance measures product quality, market share and market growth and other market-related performance. Business performance refers to a broader conceptualization of organizational performance by focusing on factors that ultimately lead to financial performance (Hofer and Sandberg, 1987; Kaplan, 1983). The last performance is organizational effectiveness which takes account of stakeholders; for example, social responsibility and employee's satisfaction.

Similarly, Hart (1992), based on the three levels of firm performance, proposed five dimensions to measure firm performance including current profitability, in the financial performance level, growth/share and, future positioning in business performance level, and quality and social responsibility in organizational effectiveness.

Kaplan and Norton (1996) introduced the balanced scorecard for performance measurement. They also go beyond financial performance by taking into account other organization's performance.

In the banking industry, bankers have increasingly adopted innovative performance metrics such as risk-adjusted return on capital (RAROC) and economic value added (EVA), which assist managers in making such difficult and complex decisions, (Kimball, 1998). The methods incorporate an opportunity cost of equity capital which potentially can offer great benefits in terms of improved risk management, greater efficiency in the use of capital, and quicker and more informed decision-making on the part of managers, according to Kimball (1998).

Nevertheless, there is no consensus on using performance measurements. For instance, Chandler and Hanks (1994) used six items divided into two groups to measure firm performance. The first group consisted of perceived growth in market share, perceived change in cash flow, and sales growth. This group was used to measure growth. The second group consists of sales volume, amount of earnings and net worth of the firm. This group is used to measure business volume. In the banking industry, Chan and Wong (1999) used return on asset and change in market share.

However, according to Murphy, Trailer, and Hill (1996) in their extensive literature review of 52 empirical research studies on entrepreneurship, five measurements of firms' performance were used frequently in this area of research, these are: sales growth, profit margin, return on investment, return on equity, and return on asset.

Indeed, it very important for researchers as well as managers to choose the appropriate performance measurements. Performance measurements should not limit to only financial performance, it should take account of other nonfinancial performance as suggested by Venkatraman and Ramanujam (1986). This would allow firm to ensure long term performance.

Nevertheless, according to Hanh and Power (2010) the measure used to test performance for conducting research related to performance of banks is return on asset (ROA) since it is a primary banking industry measure (FDIC, 1995). Power and Hanh (2004) and Hanh and Power (2010) also used ROA to measure performance of the bank. Hanh and Power (2010) also argue that using ROA is consistent with Porter's (1980, 1985) as ROA is one form of Return of Investment.

2.8. Competitive Strategy and Performance

The relationship between generic strategies and firm performance is one of the controversial topics in the field of strategic management. It is also one of the key concerns of business strategy research. Among the most notable generic strategies, (Porter; 1980, 1985) generic competitive strategies are unquestionably among the most substantial and influential contributions that have been made to the study of strategic behaviour in organizations (Campbell-Hunt, 2000). According to Porter (1980, 1985), a firm can outperform competitors by pursuing overall cost leadership differentiation, or, focus on either low cost or differentiation. To achieve more than average return, a firm should follow only one strategy at a time. A firm attempting to combine low costs and differentiation simultaneously will end up "stuck in the middle" (Porter, 1980, p. 41). A number of empirical studies (Dess and Davis, 1984; Hambrick, 1983; Hawes and Crittendon, 1984; Nayyar, 1993; Parker and Helms, 1992; Reitsperger, Daniel, Tallman, Parker and Chismar, 1993) found support for Porter's (1985) generic strategies. Nevertheless, studies (Chan and Wong, 1999; Cross, 1999; Gopalakrishna and Subramanian, 2001; Karnani, 1984; Kim, Nam and Stimpert, 2004; Miller and Friesen; 1986; Hill, 1988, Miller, 1992; Johnson and

Scholes, Whittington 2005; Fuerer and Chaharbaghi, 1997; Hlavacka, Ljuba, Viera and Robert, 2001; Pertusa-Ortega, Molina-Azorin and Claver-Cortes, 2008; Spanos, Zaralis and Lioukas, 2004; White, 1986) found that cost leadership and differentiation strategies are not mutually exclusive; they can be combined to obtain higher performance than a single strategy. This empirical evidence casts doubt on Porter's (1985) argument that the combination of cost leadership and differentiation strategy which is called stuck-in-the-middle strategy is associated with lower performance. Nevertheless, these studies still support the notion that Porter's (1985) generic strategies influence performance. The different results may come from the fact that some scholars distinguish the concept of combination of cost leadership and differentiation strategy from stuck-in-the-middle strategy. For instance, Pertusa-Ortega *et al.*, (2008) distinguishes hybrid strategy from stuck-in-the-middle strategy, in that, in hybrid strategy, firms emphasize on both low cost and differentiation whereas in stuck-in-the-middle strategy, firms place low or medium emphasis on all generic strategies. Some scholars (Dess and Davis, 1984; Gopalakrishna and Subramanian, 2001; Kim and Lim 1988) refer to stuck-in-the-middle strategy to the firms that have low or medium scores in all the generic strategies in their studies. Miller and Dess, (1993) and Spanos, Zaralis, and Lioukas (2004) refer stuck-in-the-middle strategy to the situation that firms place medium emphasis on all generic strategies. Power and Hahn (2004) refer stuck-in-the-middle strategy in banking industry to the situation that banks do not have a clear strategy and follow the actions of competitors.

According to Porter (1980, 1985), there is no single best strategy which means that a firm can employ one of the three generic strategies to achieve a performance better than industry average. Nevertheless, some studies (Baack and Boggs, 2007; Koo, Song, Kim and Nam, 2007; Power and Hahn, 2004) found that not all generic strategies are associated with high performance in a specific industry. For instance, in *ebusiness*, differentiation strategy is the best route to achieve higher performance (Koo, Song, Kim and Nam; 2007 and Koo, Koh and Nam, 2004). Baack and Boggs (2007) also argued that implementation of a cost-leadership strategy by developed-

country multinational companies is rarely effective in emerging markets. However, differentiation strategies work better in different markets. In the banking industry in the USA, Power and Hahn (2004) found that only cost leadership strategy allowed bank to have higher performance than stuck-in-the-middle. They argued that in the banking industry it may be difficult to generate superior performance using differentiation or focus strategy. The studies of the relationship between Porter's (1985) generic strategies were mainly conducted in the developed countries and very few of those were in the banking industry. This is the groundwork supporting the main objectives of the research, the exploration of generic strategies competitive tactics and their associated performance in the commercial banking industry in Cambodia.

2.9. Competitive Tactics and Performance

Although Porter's (1985) generic strategies have attracted several studies, only a very small number of studies (Allen and Helms, 2006, Chan and Wong, 1999; Power and Hahn, 2004) put emphasis on competitive tactics and their relationship with performance. Competitive tactics are very important for firms to nurture in order to sustain a performance advantage. Power and Hahn (2004) also examined the relationship between competitive tactics and performance, but do not emphasize performance differences of different competitive tactics. Knowing performance differences of each competitive tactic allows managers to emphasize on the right competitive methods. Specifically, under the belief that hybrid strategies are the route to superior performance, there may be an optimal combination between competitive tactics clustered in different generic strategies.

Cost leadership, differentiation, and focus are the three generic strategies that enable firms to perform above industry average, according to Porter (1985). Nevertheless, to employ any of the three generic strategies, firms need to choose different competitive tactics. Competitive tactics are tools for organizations to pursue generic strategies. According to Day and Wensley (1988) competitive tactics can be skills such as staff

or management capability or resources such as operating capability, location comprehensiveness of distribution system, brand equity and manufacturing or processing assets that firms have in order to use them to compete in the competitive market. Pecotich, Purdie, and Hattie (2003) studied the executive perceptions of strategic typologies in Australian context using 102 competitive tactics, which support four strategic typologies (growth versus retrenchment, the product/market matrix, the grand strategy alternatives, and Porter's generic strategies). Among 102 competitive tactics, 47 competitive tactics were used to support Porter's generic strategies such as cost leadership, focus, and differentiation strategies. Nevertheless, those competitive tactics were not for banking industry specific. Power and Hahn (2004) used 26 competitive tactics to support Porter's generic strategies specifically for banking industry; therefore, most of competitive tactics used in this study were drawn from this study. Allen and Helms (2006) used 25 competitive tactics to support Porter's generic strategy; nevertheless, those competitive tactics were not for banking industry specific. Allen, Helms, Takeda, White, and White (2006), used 24 competitive tactics to support Porter's generic strategies in Japan; nevertheless, those competitive tactics were not for banking industry specific. Pertusa-Ortega, Molina-Arozin and Claver-Cortes (2008) used a number of competitive tactics to support Porter's generic strategies. By reviewing competitive tactics used in these studies and considering the use of competitive tactics in banking industry in Cambodia, 28 competitive tactics which were in the questionnaires were used to determine generic strategies employed by commercial banks in this study.

2.10 Research Problem

This study contains three main research questions. The first research question is related to the applicability of Porter's (1985) generic strategies in the banking industry in Cambodia. As mentioned earlier, several empirical studies on Porter's (1985) generic strategies provide different results related to the relationship between different generic strategies and firm's performance. Indeed, it is not certain that Porter's (1985) generic strategies are applicable in the banking industry in Cambodia. Therefore, the first research question can be described as:

Question one: What generic strategies are used by commercial banks in Cambodia?

The second research question is to explore the performance differences between each generic strategy.

Question two: What is the performance associated with the chosen strategy?

The third research question is to explore the relationship between competitive tactics and their associated performance. Research can be defined as

Question three: What are competitive tactics strongly associated with performance?

2.11 Limitations and Key Assumptions

As discussed in the preceding paragraph, Porter's (1985) generic strategies are not the only strategy typology in the strategic management literature. A number of prominent strategy typologies in strategic management literature can be seen such as strategy types proposed by Chandler (1962), Miles and Snow (1978) and Mintzberg and Water (1985) and Porter (1980, 1985). Therefore, Porter's (1985) competitive strategy which is the chosen topic for this research also has limitations. It captures one part of strategy literature; in other words, it focuses only on the position of the firms.

Moreover, the study of Porter's (1985) competitive strategies also contains a number of assumptions, such as the assumption related to operating environment of the firm and other impacts on performance of the firms. The first assumption of Porter's (1985) competitive strategy is that the industry environment largely determines the firm's freedom to maneuver. The environment has far more influence on shaping firms' strategies than the other way around, (Gibcus and Kemp, 2003). The second

assumption is related to the impacts of the planning and execution of strategy. Indeed, although firms employed the same strategy they can get different results due to the difference in planning and execution, (Mankins and Steele, 2005). Therefore, Porter's (1985) competitive strategies contain assumption that planning and execution of strategy are the same in all firms, or, they have no impact on performance. In RBV, two assumptions were made including the assumptions that a company has a unique resource or a bundle of resources (distinctive competencies) and resource bundles and capabilities are heterogeneous across firms.

2.12. Contribution to Knowledge

First of all, contribution of the empirical study would include the addition to knowledge of strategic management specifically the applications of Porter's (1985) generic strategies to the financial industry in the emerging market. The exploration of the linkage between Porter's (1985) generic strategies and firm performance in financial industry -particularly in emerging market, provides not only significant contribution to the strategic management literature but also enable managers to employ the right strategies for their firm to compete in the fast changing environment. Furthermore, the RBV also enables managers to consider building their strategies on valuable resources by looking both at external industry conditions and at their internal capabilities.

Chapter 3: Research Methodology

3.1 Introduction

This chapter discusses the conceptual framework of the research methodology used in this study. It provides more details of the research questions and the appropriate methods for this research. It also provides a discussion of research philosophy specifically philosophical positions such as positivism, interpretivism and realism were discussed so that a suitable philosophical position could be followed for this research study. The research design was selected from a number of research designs such as experimental design, cross-sectional study design, longitudinal design, case study design, and comparative design. Sampling techniques have also been discussed in this chapter. A number of data collection methods, scale techniques and questionnaire designs are also discussed in the following sections in this chapter.

3.2 Research questions

This study contains three main research questions. The first research question is related to the applicability of Porter's generic strategies in the banking industry in Cambodia. As mentioned earlier, several empirical studies on Porter's generic strategies provide different results related to the relationship between different generic strategies and a firm's performance. Indeed, it is not certain that Porter's generic strategies are applicable in the banking industry in Cambodia. Therefore, the first research question can be described as

Question one: What generic strategies are used by commercial banks in Cambodia?

H1. Porter's generic strategies can be identified in banking industry in Cambodia.

This hypothesis is the basis for the next important hypothesis which related to performance differences between each Porter's generic strategies providing the

answer sought of the second research question. The second research objective was to explore the performance differences between each generic strategy.

Question two: What is the performance associated with the chosen strategy?

H2. There are performance differences between each generic strategy.

Specifically, this research question is to explore the performance differences between each generic strategy. Porter (1980, 1985) suggests that there is no single best strategy. One of the three generic strategies is applicable in all industry in most nations. Nevertheless, some studies (Baack and Boggs, 2007; Koo, Song, Kim and Nam, 2007; Power and Hahn, 2004) found that not all generic strategies are associated with high performance in a specific industry. Therefore, hypothesis H2 is very important not only to answer the research question but also tell us what generic strategy works best in banking industry in Cambodia.

The third research approach was to explore the relationship between competitive tactics and their associated performance.

Question three: What are competitive tactics strongly associated with performance?

H3. There are specific competitive tactics which are more strongly associated with higher performance within each generic strategy.

Because of the inequality of the impact was considered to be very important to explore the relationship between each competitive tactic and performance of the firm. Not all competitive tactics equally impact on performance. Some competitive tactics may have more impacts than others on performance. Knowing this allows managers to employ the appropriate competitive tactics that significantly impact on performance. Nevertheless, knowing the individual competitive tactic which impacts

on performance is not enough as there may be a combination of competitive tactics that may produce better results. Therefore, we should test the following hypothesis.

H4. The combinations of two or more competitive tactics which significantly predict the performance of the banks within each generic strategy significantly predict the performance of the banks.

In addition, knowing the effect of the combination between different competitive tactics with each generic strategy is also not enough specifically in the light of performance advantage of the combination of cost leadership and differentiation strategies. There may be some optimal combination of competitive tactics from different generic strategies. Therefore, the last hypothesis is

H5. The combinations of two competitive tactics which significantly predict the performance of the banks from different generic strategies significantly predict the performance of the banks.

3.3 Research Philosophy

In the preceding section, research questions were presented in more depth. In this section, the research philosophy is discussed in order to identify the appropriate philosophical position for this study. Indeed, research philosophy reflects the belief of researchers regarding how research should be conducted and what research results are expected. Saunders, Lewis and Thornhill (2007) argued that it is very important for researchers to understand philosophical issues as it help researchers to identify and create research designs outside of the past experiences. Therefore, according to Saunders, *et. al.*, (2007), researchers should understand research philosophy, specifically several philosophical positions so that they can follow one of the philosophical positions which is appropriate for their study, but which, may differ from their past research. According to Blake (2009), in management research, three philosophical positions including positivism, social constructionism (interpretivism) and realism are widely accepted. Nevertheless, as mentioned earlier, researchers

should understand all philosophical positions before taking any philosophical position as being optimally appropriate for their study as Easterby-Smith, Thorpe and Lowe (2006) argued that taking a balanced view of the different philosophical positions is important because research problems may require a combination of methods drawn from more than one position. Therefore, in the following section, the three philosophical positions including positivism, interpretivism and realism are explored.

3.3.1 Positivism

Positivism is a research philosophy in which researchers believe that methods of the natural sciences can be applied to the study of social reality and beyond (Bryman, 2004). Positivists believe that a research can be conducted independently from social environment they believe that the researcher will not be affected by their own beliefs and values during the study. Typically, positivists employ quantitative or scientific methods which are highly structured. Therefore, it is possible for the research to be replicated by other researchers who are interested in doing so. Bryman (2004, 11) pointed out 5 principles of positivism as follows:

1. Only phenomena and hence knowledge confirmed by the sense can genuinely be warranted as knowledge;
2. The purpose of the theory is to generate hypotheses that can be tested and that will thereby allow explanations of laws to be assessed;
3. Knowledge is arrived at through the gathering of facts that provide the basis for laws;
4. Science must (and presumably can) be conducted in a way that is value free (that is objective); and
5. There is a clear distinction between scientific statements and normative statements and belief that the former are the true domain of the scientist. This last principle is implied by the first because the truth or otherwise of normative statements cannot be confirmed by senses.

3.3.2 Interpretivism

In contrast to the positivism, interpretivism is a research philosophy in which researchers believe that people experience physical and social reality in different ways. In order to understand the subjects being investigated, researchers should take consideration of the environment of the research study and involve in the study so that they can understand and present a precise description of study, Weber (2004) discussed the difference between positivism and interpretivism as in the Table 3.1

Table 3.1: Differences between Positivism and Interpretivism (Weber, 2004).

Metatheoretical Assumptions About	Positivism	Interpretivism
Ontology	Person (researcher) and reality are separated	Person (researcher) and reality are inseparable (life-world)
Epistemology	Objective reality exists beyond the human mind	Knowledge of the world is intentionally constituted through a person's lived experiences.
Research Object	Research object has inherent qualities that exist independently of the researcher.	Research object is interpreted in light of meaning structure of person's (researcher) lived experience.
Method	Statistic, content analysis	Hermeneutics, phenomenology, etc.
Theory of Truth	Correspondence theory of truth: One to one mapping between research statements and reality	Truth as intentional fulfillment: interpretations of research match lived experience of object.
Validity	Certainty: data truly measure reality	Defensible knowledge claims.
Reliability	Replicability: research result can be reproduced	Interpretive awareness: researcher recognizes and addresses implications of their subjectivity.

Source: Class notes provided by Jörgen Sandberg.

Table 3.1 provides clear differences between the two philosophical positions related to ontology, epistemology, research objects, method, and theory of truth, validity and reliability. Easterby- Smith *et. al*, (2002) also provide the comparison between positivism and interpretivism as in Table 3.2. which focused on a number of aspects such as observer, human interest, explanation, research progress, concepts, units of analysis, generalization, and sampling.

Table 3.2 Comparison of positivism and social constructionism

	Positivism	Social Constructionism
The Observer	Must be independent	Is part of what is being observed
Human Interest	Should be irrelevant	Are the main drivers of science
Explanation	Must demonstrate causality	Aim to increase general understanding of the situation
Research progress through	Hypothesis and deduction	Gathering rich data from which ideas are induced
Concepts	Need to be operational so they can be measured	Should incorporate stakeholder perspectives
Units of analysis	Should be reduced to simplest terms	May include the complexity of 'whole' situations
Generalization through	Statistical probability	Theoretical abstraction
Sampling requires	Large numbers selected randomly	Small number of cases chosen for specific reason.

Source: Easterby-Smith, M., Thorpe, R. and Lowe, A. (2002), *Management Research: An Introduction* (2nd edition), Sage, London

The two philosophical positions have different characteristics. Indeed, we cannot say that one position is better than another position. Both philosophical positions have their own advantages and disadvantages as presented by Saunders, *et. al*, (2007) in table 3.3.

Table 3.3 Advantages and disadvantages of positivism and interpretivism

	Positivism	Interpretivism
Advantages	<ol style="list-style-type: none"> 1. Economical collection of large amount of data. 2. Clear theoretical focus for the research from the outset. 3. Greater opportunity for researcher to retain control of the research process. 4. Easily comparable data. 	<ol style="list-style-type: none"> 1. Facilitate understanding of how and why. 2. Enable researcher to be alive to changes, which occur during the research process. 3. Good at understanding social processes.
Disadvantages	<ol style="list-style-type: none"> 1. Inflexible, direction often cannot be changed once data collection has begun. 2. Weak at understanding social processes 3. Often doesn't discover the meanings people attach to social phenomena. 	<ol style="list-style-type: none"> 1. Data collection can be time consuming. 2. Data analysis is difficult. 3. Researcher has to live with the uncertainty that clear patterns may not emerge 4. Generally, perceived as less credible by non-researchers.

Saunders, Lewis, Thornhill (2007) Research methods for business students, 4th edition, Financial Time Press, Essex, England.

3.3.3 Realism

Realism is a philosophical position standing between positivism and interpretivism. Therefore, it shares some characteristics of both philosophical positions. Bryman

(2004, p.12) provides a clear explanation about this philosophical position in which realism is referred to a belief that natural and social sciences can and should apply the same kinds of approach to the collection of data and to explanation, and a commitment to the view that there is an external reality to which scientists direct their attention.

In this section, the research philosophy is discussed, specifically positivism, interpretivism and realism. Indeed, after discussing the three philosophical positions, it is recognized that positivism is the appropriate position for this study, as it contains a number of advantages including economical collection of large amount of data, clear theoretical focus for the research from the outset, greater opportunity for researcher to retain control of the research process, and easily comparable data.

3.4 Research design

In the preceding sections, research questions were addressed following by the discussions of philosophical positions of research including positivism, interpretivism and realism. It is recognized that positivism is an appropriate philosophical position for this study. In this section, the research design which is the architectural blueprint for conducting the research is discussed. As mentioned earlier, research is a complex processes; researchers have different philosophical positions. Hence, they also have different research design. Bryman (2004) discussed five types of research designs including experimental design, cross-sectional or survey design; longitudinal design; case study design; and comparative design.

3.4.1 Experimental design

As the word “experiment” implies, experimental design is research that is designed to investigate the possible causes and effects one independent variable on other variable(s) by manipulating the independent variable controlling other dependent variables(s). Swanson and Holton (2005) also argued that experimental research is a research design for testing theories or propositions in a specific condition, in which, researchers investigate the relationships between their defined independent variables

and dependent variable by manipulating independent variable to influence other dependent variable.

3.4.2 Cross-sectional research design

The second type of research design is cross-sectional design or survey design. According to Bryman (2004) although cross-sectional design is associated with surveys, there are several other research methods can be categorized in this type including structured observation, content analysis, official statistics, and diaries. Cross-sectional design, therefore, is referred to a research design in which data are collected at one point in time to make comparison across different types of participants. Bryman (2004, 41) also provides an explanation of cross-sectional design in which he mentioned that

“a cross-sectional design entails the collection of data on more than one case [usually quite a lot more than one case] and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables [usually many more than two] which are then examine to detect the pattern of association.”

According to Bryman (2004), in cross-sectional design, four points were emphasized including several respondents or several cases are studied; the data are collected at a single point in time; quantitative or quantifiable data should be used to investigate the variation between respondents or participants; and only the patterns of the relationship between variables can be examined.

3.4.3 Longitudinal design

The third type of research design discussed by Bryman (2004) was longitudinal design. It is a distinctive form of research design as it involves in time and cost. In longitudinal design, the surveys are conducted twice within the same sample in different points of time in order to investigate the pattern of change of the sample related to the topics for investigation from a single point of time to another single point of time. Bryman (2004) distinguished two types of longitudinal study which is

panel study and cohort study. For the panel study, a sample often, a randomly selected national one is the focus of data collection on at least two (and often more) occasion. For cohort study, researchers select an entire cohort of people or randomly selected sample of them as the focus of data collection; then data collection will be also conducted twice from the chosen cohort or sample.

3.4.4 Case Study

The fourth research design discussed by Bryman (2004) was case study design. As the words imply, this type of design involve in a detailed and intensive analysis of a single case. According to Robson (2002), case study can be defined as a strategy for doing research which involves in an investigation of a particular contemporary observable fact within its real life context using multiple sources of evidence.

3.4.5 Comparative design

The fifth research design discussed by Bryman (2004) was comparative design. It involves the study using similar or identical methods of two contrasting cases or situations. By employing similar or identical research method, researchers can compare two cases or situation, for example, the studies of the impacts of generic strategies on performance in different culture. The comparative design can be used to study the comparison of the impact of generic strategies on performance in different culture by employing identical research methods in different countries with different cultures.

In this section, a number of research designs are discussed specifically the five research designs discussed by Bryman (2004), among the five types of research design, it is recognized that cross-sectional design is suitable for this research study as the study involves more than one case (banking industry in Cambodia) in a single point in time. The study also aimed to explore the pattern of association between generic strategies, competitive tactics and firm performance.

3.5 Sampling

Typically, most studies cannot be done for the whole population due to the budget and time constraints. It is very costly and time consuming to survey the whole population. For example, a national census which is conducted over the whole population in the country requires a significant budget and time. Therefore, researchers select representatives from the whole population which is called a sample for study. Therefore, it is very important for researchers to select the right samples that represent the whole population correctly. According to Saunders, *et. al.*, (2007), any number of sampling techniques can be used to select samples, including probability, and non-probability sampling. Probability sampling technique includes simple random, systematic, stratified random, cluster and multi stage.

Simple random sampling is a technique for selecting samples at random from sampling frame which is a list of potential participants using either a random number table or a computer which contains an accurate or and accessible sampling frame. This technique is suitable for choosing a few hundred respondents. Nevertheless, this technique may incur high cost if large sample size is needed and sampling frame is not computerized.

Systematic sampling is a technique for selecting the sample at regular interval from the sampling frame (Saunders, *et. al.*, (2007)). For instance, researchers want to have a sample of 200 students from 2,000 students which correspond to 1 out of 10. Firstly, researchers can select sample number 6 out of the first 10 population from the sampling frame. Then researchers continue to choose number 16, 26, until population number 1996 to get 200 respondents. According to Saunders, *et. al.*, (2007), this kind of technique also requires accurate and accessible sampling frame. This kind of technique can be used to select from all sample size.

Stratified random sampling technique is a modified of random sampling. Under this technique population is divided into two or more relevant and significant strata based on one or a number of attributes. A random sample (simple or systematic) is then used to select sample from each strata. In order to use this technique, accurate and accessible sampling is also needed; moreover, sampling frame should be divisible

into relevant strata. This technique provides a better comparison across strata (Saunders, *et. al.*, (2007)

Cluster sampling technique is similar to stratified sampling as in this technique population is also divided into discrete groups prior to sampling. Clustering sampling technique, therefore, also require accurate and accessible sampling frame. The technique does not require high amount of money if the lists of relevant clusters are available. However, this kind of technique is quite difficult to explain to support workers.

Multi-stage sampling sometimes called multi-stages cluster sampling is a development of cluster sampling. The technique involves in taking series of clustering samples each involving in some forms of random sampling.

In addition to probability sampling, researchers also can use non probability sampling techniques including quota, purposefull, snowball, self-selection and convenience sampling to select samples. Quota sampling is similar to stratified sampling technique in terms of dividing population intro group or strata. Nevertheless, in quota sampling technique, selection of sample from each group is based on quota not on random. With this technique, the likelihood of samples being representatives is reasonable or high. Nevertheless, it has moderately high cost. According to Bryman (2004) this sampling technique is extensively used in social research such as market research and political opinion polling but it is rarely used in academic social research.

Another non-probability sampling technique is purposive or judgment sampling. This technique allows researcher to select sample what will best enable researcher to accomplish research objectives. This sampling technique is often used when working with very small samples such as in the case study research (Saunders, *et. al.*, (2007). In this technique, the likelihood of samples being representative is also low; nevertheless, this technique incurs a reasonable cost.

Additionally, snowball sampling techniques are commonly used in a study in which members of the population is difficult to identify. Snowball sampling technique allows researchers to select a few cases or samples for initial selection. Then through the initial cases or samples, other cases or samples can be identified and new cases or samples also can help researchers to identify other cases or samples. For instance, researcher firstly identify A and B as the initial samples then A and B refer to C and D as the new samples then C and D refer to E and F as other samples. Nevertheless, the likelihood of samples being representatives is low; however, it associates with a reasonable cost.

Another non-probability sampling technique is self-selection. Self-selection sampling is a sampling technique in which researchers allow participants to identify their desire to participate in the studies. In this technique the likelihood of samples being representatives is also low; nevertheless, it is a low cost technique usually used for exploratory research.

Lastly, convenience sampling is a technique for selecting a sample based on researcher convenience. In this sampling technique, the likelihood of samples being representatives of the non-represented population elements is very low. Nevertheless, it is one of the low cost sampling techniques.

This study has been conducted on commercial banks in Cambodia, which according to National Bank of Cambodia (Central Bank of Cambodia), the banking industry in Cambodia comprise of 21 commercial banks, 5 international bank branches, 2 representative offices of international banks, 6 specialized banks and 18 registered microfinance institutions. This study focuses only on commercial banks as international bank branches, representative offices of international banks, specialized banks and microfinance institutions have different strategies as well as different objectives. Therefore, due to the small number of commercial banks in Cambodia, study of all commercial banks in Cambodia is feasible. This was seen as overcoming sampling issues. Therefore, questionnaires were sent to the management of all commercial banks.

3.6 Data collection methods

Research questions, research philosophy, research design and sampling methods were discussed and the chosen form identified in the preceding sections; in this section data collection methods are discussed. Indeed, there are a number of data collection methods for quantitative research study including mail survey telephone survey, e-survey, personal administered survey, interview and focus group.

3.6.1 Mail survey or postal survey

Mail survey or postal survey is one of the data collection methods in which survey instrument is sent to respondents and returned by mail. This data collection method has a number of advantages including low cost to be administered, quick to administer and less respondent bias. Nevertheless, it also has disadvantage, for example, respondent may not be able to clarify the question.

3.6.2 Telephone survey

Telephone survey is one of the data collection methods in which standardized questionnaire is used to survey respondents by telephone. The main advantage of this data collection method is the maximum response rate; nevertheless, it has high cost.

3.6.3 E-survey

Electronic survey is one of the modern data collection methods which use computer technology to deliver surveys to potential respondents and collect the survey data from actual respondent, (Jansen, Corley and Jansen, 2007). Jansen, Corley, and Jansen (2007) categorize electronic surveying into three main categories based upon the type of technology relied upon to distribute the survey and collect the data including point of contact which involves in having the respondent fill out an e-survey on a computer provided by the researcher, either on-site or in a laboratory setting, e-mail-based surveys which use email to send and collection questionnaire, and the web-based survey which refer to survey instrument that physically reside on a network server can respondents or participant can access through web browser. Bryman (2004) points out a number of advantages of electronic surveying including

low cost, faster response, attractive format, mixed administration, unrestricted compass, fewer unanswered question, better response to open questions and a number of disadvantages including low response rate, restricted to online populations, require motivation, confidential and anonymously issues, and multiple replies.

3.6.4 Interview

Interview is one of the main data collection methods, with researchers able to elicit responses from interviewee or respondent. Indeed, there are several types of interview as Bryman (2004) mentioned including structured interview, standardized interview, semi-structured interview, unstructured interview, intensive interview, qualitative interview, in-depth interview, focused interview, focus group, group interview, oral history interview, life history interview. Interview allows researcher and participant to explore the meaning of the questions and answers and resolve any ambiguities and can provide a friendly emphasis to data collection (Gorman and Clayton, 1997, p. 124). Nevertheless, it is time consuming and involves high cost.

3.6.5 Focus group

The focus group is one of the data collection methods in which there are several participants joining in a group to discuss and interact to generate data. As Barbour and Kitzinger (1999) suggested focus groups are primarily used for generating data out of group discussion and action. Participants in focus groups talk to each other, exchange their ideas on the defined topics. Therefore, focus groups can produce data from the social interaction which are important to the findings. Bryman (2004, p. 346) pointed out that the:

...focus group contains elements of two methods including group interview in which participants discuss several topics and focused interview in which participants or interviewees are selected because they are known to have been involved in a particular situation and are asked about their involvement.

Indeed, Bryman (2004) also categorized focus groups in interview data collection method. The main advantage of focus groups is that it is not difficult to set up a group. The main disadvantage of focus groups is that it is difficult to generate quantitative data from the interaction of the group interaction.

In this study, data collection was divided into two parts. The first of the data were to identify strategies employed by all commercial banks in Cambodia. The second part of data collection was to collect financial performance of all participant banks. Financial information such as balance sheet, income statement and cash flow of all commercial banks in Cambodia are available publicly. These financial data can be downloaded from each commercial bank's website as well as National Bank of Cambodia (central bank of Cambodia) website. For the first part of data collection, upon exploring various data collection methods the benefits are recognized for self-completion questionnaire, and, this method, is used to collect the data.

In this type of data collection method, questionnaires along with information statement explaining the purpose of the studies as well as the guarantee of anonymity of respondents and informed consent were sent to the management of all commercial banks in Cambodia which were able to be identified from National Bank of Cambodia (central bank of Cambodia) reports.

The selection of self-completion questionnaire instead of structure interviews was based on the advantages of self-completion questionnaire over structured interview as follows:

The main advantage of self-completion questionnaire is the cost to administer. It is among the cheapest data collection methods. Questionnaire can be sent through post or handed to potential respondents with a reply paid envelope so that respondents can send the questionnaire back to the researcher. In this research, questionnaire will be sent to respondents who are senior management of all commercial banks in Cambodia with a reply paid envelope; therefore, this kind of data collection method

incurs a minimal cost which is only a postal fee. However, in structure interview, significant amount of cost will be incurred; for instance, travelling cost or telephone cost (for telephone interview).

In an addition to cost advantages, self-completion questionnaires are also quick to administer; after respondents are identified, questionnaire can be sent immediately after the approval of ethic application. Respondents have a time frame for completing the questionnaire; they can complete the questionnaire at any convenient time and then post back to researcher. However, for structured interview, appointment is needed for each participants and it takes more time for large sample size.

Another advantage is the absence of interviewer effects in self-completion questionnaire, according to Bryman (2004); self-completion questionnaire is a data collection method that can eliminate respondent's bias in answering the questions as it may happen in interviews. For instance, in interview, some factors such as ethnicity, gender and social background of researchers may be combined to bias the answers that respondents provide whereas in self-completion questionnaire such kind of effects are eliminated (Bryman, 2004). As suggested by Sudman and Bradburn (1982), when a question has the possibilities of interviewer effects, self-completion questionnaire tend to work better than personal interviews.

Nevertheless, the self-completion questionnaire also contains a number of disadvantages. The main disadvantage is that in self-completion questionnaire, respondents are not able to clarify the questions. Respondents may not understand some questions clearly. In this case, with self-completion questionnaire, respondents are not able to clarify or ask for explanation from researcher as in personal interview. Therefore, they may provide the wrong answer as they may not fully understand the questions. Additionally, the disadvantage of self-completion questionnaire is that the

researcher is not able to know who actually answer the questions. Although questionnaire were sent to management who are responsible for strategic formulation or strategic decision of the banks, these people may delegate, and forward those questionnaires to their associates in order to answer the questions as they may feel that the questionnaire are not important to them; therefore, they pass the questionnaire to their associates who are not actually responsible for strategic decision or strategic formulation. The third disadvantage of self-completion questionnaire is that it is difficult to ask a lot of questions as the respondents may be bored when completing the questionnaire and just provide the answer without caring whether or not it is right or wrong. The number of questions may also affect the return rate of the questionnaire which is already a weak point for such kind of data collection method. As the respondents see a lot of questions, they may not want to participate in the survey as they may think that it consumes a lot of time. Although self-completion questionnaire contains a number of disadvantages, due to the nature of the studies and the advantages to this study, it was concluded that *ceteris paribus* self-completion questionnaire is an appropriate data collection method for this study.

3.7 Scales

In the previous sections, research questions were addressed; the research philosophical positions are also discussed; several types of research design were also explored in which cross-sectional study was considered appropriate for study. Sampling and data collection were also mentioned and identified the appropriate technique for the study. In this section, the scales are discussed. Indeed, measurement is at the core of doing research. Measurement involves assigning numbers to things so that it can facilitate further statistical analysis of the data obtained from the research. The number also facilitates the communication of measurement rules and results. Scaling is the assignment of text statements such as statement of attitude, opinion or feeling to the number or semantics according to the defined rules. Good scales should possess both reliability and validity which will be discussed in the next section.

3.7.1 Reliability

As mentioned earlier, good scales should possess both reliability and validity. Reliability means that the measures using in one study and then employed repeatedly on the same individual will yield similar result. This would assure the stability of the measure. Additionally, the scales should be assured that if the scales employed by different investigators should also have similar results. The reliability show Cronbach's Alpha .89 which is well above .6.

Table 3.4 Reliability Analysis

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.894	.896	28

3.7.2 Validity

In an addition to reliability, to have good scales, they should have validity which means that the scales that employed in the study measure the theoretical concept. Accuracy is the most important when constructing scales. Cook and Campbell (1979) provide four major divisions of experimental validity: Statistical conclusion validity, internal validity, construct validity, and external validity. Nevertheless, the most concern one is the construct validity, (DeCoster, 2000). According to DeCoster (2000), construct validity is the extent to which the measurements taken in a study properly represent the underlying theoretical constructs.

In order to have a good measurement scales, the scales should have reliability and validity as discussed above. Indeed, there are several scale construction techniques such as Likert scale, forced-choice scales, semantic differential scales, Thurstone scale, Guttman scales and others. Nevertheless, only Likert scales, forced-choice

scales, and semantic differential scales are explored in this study as they are commonly used in business survey research.

3.7.3 Likert Scales

Likert Scales are the most widely used scales in business survey research. It is a scaling technique which gives respondent the opportunity to specify their level of the agreement to the statement. For example, in a five point Likert Scales, respondents are asked to choose one of the numbers which represent their level of agreement to the statement being asked which includes 1.Strongly disagree, 2. Disagree, 3. Neither agree nor disagree, 4. Agree, 5.Strongly agree. Some researchers use seven or nine Likert scale. Nevertheless, the most common is five and seven point Likert scales. Likert scales are simple to construct which can be considered the main advantage of the technique. Moreover, it also can be used in many cases while some other scales cannot be used. It is also generally accepted that the Likert scale is reliable. Another advantage of Likert scale is the convenience for respondent to complete the questionnaires.

3.7.4 Semantic differential scales

Semantic differential scale is a scaling technique which has opposite ends of the scale marked with two different or opposing statements. Respondents can choose the point that they fall on the dimension. According to Brace (2004), it is usually to have seven-point scale for differential scales. Nevertheless, it is not necessary to have a statement in each rating. Semantic differential scale need to have statements on the opposite ends only.

3.7.5 Forced-choice scale

Another scaling technique is forced-choice scale which is also frequently used in questionnaire. In forced-choice scale, participants or respondents are instructed to pick one response that best describes his or her reaction.

Among the three scaling technique, Likert scales were considered appropriate for this research study as they allow respondents to choose the degree of the use of competitive tactics. Although the small number of the population was noted, the organizational level of proposed respondents and the individual needs identified through researcher knowledge of the industry the questionnaires use the seven-point Likert scale rather than five-point Likert Scale as it allows respondent to rate degree of use of competitive tactics in a wider range.

Vigorously pursued cost reductions

Never (0%)	Almost never (1-20 %)	Sometimes (21-40%)	About half (41-60 %)	Most time (61-80%)	Almost always (81-99 %)	Always (100%)
1	2	3	4	5	6	7

3.8 Questionnaire design

In designing questions, a number of previous studies related to generic strategies, competitive tactics and firm performance are examined, specifically, Pecotich, Purdie, and Hattie (2003), Power and Hahn (2004), Allen and Helms (2006), Allen, Helms, Takeda, White, and White (2006), and Pertusa-Ortega, Molina-Arozin and Claver-Cortes (2008). After reviewing these studies as well as examining the banking industry in Cambodia, 28 questions which represent 28 competitive tactics are used to ask in the questionnaires. Commercial banks were asked to indicate the degree of use of competitive tactics in each question.

The first 10 questions represent competitive tactics used by commercial banks to pursue cost leadership strategies. Those competitive tactics include

1. Vigorously pursued cost reductions
2. Pricing below competitors
3. Emphasis on cost cutting and internal efficiency program
4. Adoption of procedures to encourage high utilization of assets
5. Developing and refining existing service/products offering
6. Major expenditure on technology-based delivery system to lower costs.

7. Outsourcing function or entering into a joint venture to control cost
8. Specific effort to insure a pool of highly trained/experienced personnel
9. Major effort to maintain lending capacity and flexibility
10. Major effort to insure adequate deposit availability

The next 12 questions represent competitive tactics used by commercial banks to pursue differentiation strategies. Those competitive tactics include

11. Emphasis on training, education and institutional learning
12. Promotion/advertising expenditure above industry average
13. Extensive training of marketing personnel
14. Extensive customer service capabilities
15. Extremely strict service/product quality control procedures
16. Building bank's reputation within the industry
17. Innovation in marketing techniques and methods
18. Complementary services
19. Developing a broad range of services/products
20. Major expenditure on technology to differentiate services/products
21. New product service development
22. Strong branch network

The next 5 questions represent competitive tactics used by commercial banks to pursue focus strategy. Those competitive tactics include

23. Narrow, limited range of services/products
24. Emphasis on marketing specialty services/products
25. Services/products offered in lower prices market segments
26. Services/products offered in higher priced market segments
27. Only serve specific geographic markets (associated, but not significantly so)

Question 28 asked about the firm who pursue actions follow their competitive which can be described as stuck-in-the-middle strategy.

Question 29 asks respondents to provide the name of the respondent's bank. The purpose of this question is to match the questionnaire with financial performance data which are available publicly.

3.9 Ethical considerations

Whenever research is conducted, researchers should not forget ethical considerations relating to the rights of participants, and the researcher's responsibility to these participants and to the truthful reflection of the value and importance of the information sought. According to Bryman (2004) ethical issues arise at a variety of stages in social research. Nevertheless, Bryman (2004) pointed out four main ethical principles that researcher should take into consideration when conducting a research including whether or not the research is harm to the participants; whether or not the research has informed consent; whether or not there is an invasion of privacy; and whether or not deception is involved.

This study complies with the ethical considerations based on the ethical requirement application which is set by University of Newcastle, Australia which are consistent with the guidelines of the AVCC/NHMRC Statement and Guidelines on Research Practice and relevant guidelines including National Statement of Ethical Conduct in Research Involving Humans. This study also complies with ethical principles proposed by The Belmont Report of National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979; National Institutes of Health, 1995; and Tri-Council Working Group, 1996 which include respect for persons and their right to choice (autonomy), beneficence (and its parallel principle non-maleficence), and justice.

3.10 Conclusion

This chapter provides the framework for this research study by providing three research questions. Research philosophy, specifically the three philosophical positions was discussed and it is recognized that positivism was the philosophical

position for this research. Additionally, several research designs were discussed and it concludes that the cross-sectional study was the choice for this study. For sampling methods, several sampling techniques were discussed; nevertheless, due to the small number in the overall population in the study it was feasible to conduct this study with all commercial banks in Cambodia. Data collection methods were also discussed. Several types of data collection methods were also explored; mail survey was the appropriate choice for the research study. Measurement techniques, specifically different scaling methods were also explored and it was found that the seven point Likert scale was the appropriate scaling technique for this research. Finally, the questionnaire design based on the reviews of previous studies was also concluded with 28 competitive tactics that allow respondent to choose the rating that represents their implementation of competitive tactics in the last three years. This research method was used for the research to answer the research questions addressed earlier.

Chapter 4: Results and Findings

4.1 Overview

The banking industry in Cambodia comprises 27 commercial banks (22 locally incorporated and 5 foreign bank branch), 6 specialized banks (5 private owned and 1 state owned), 5 representative offices, 20 licensed microfinance institutions, 26 registered microfinance institutions operated as non-government organization, unregistered microfinance around 60 and registered exchange bureaux 3,937, according to the National Bank of Cambodia as of March 2010 (*Quarterly Bulletin, National Bank of Cambodia*, No. 31, 1st Quarter, 2010, p. 86). This study was conducted on commercial banks in Cambodia. Although the total number of commercial banks in Cambodia was 27 banks, only 22 commercial banks were qualified to complete the questionnaire as the other five commercial banks were incorporated for less than three years. Due to the small number of commercial banks in Cambodia, a study of all commercial banks in Cambodia was feasible. This overcame sampling issues. Therefore, 22 questionnaires were sent to the management including vice presidents, chief executive officers, chief financial officers and general managers of those commercial banks operated more than three years. Only two commercial banks did not respond the questionnaire. The response rate exceeds that of Robin and Pearce (1988), Kotha and Vadlamani (1995), Pecotich, Purdie, and Hattie (2003), Power and Hahn (2004), Allen and Helms (2006), Allen, Helms, Takeda, White, and White (2006), and Pertusa-Ortega, Molina-Arozin and Claver-Cortes (2008) used in similar studies. Therefore, the response is considered appropriate for use in analyzing the Cambodian situation.

4.2 Strategies used in the banking industry in Cambodia

This study contains three main research questions. The first research question is related to the applicability of Porter's generic strategies in the banking industry in Cambodia. The first question explores generic strategies by commercial banks in Cambodia? The hypothesis of the first question is

H1. Porter's generic strategies can be identified in the banking industry in Cambodia.

To test this hypothesis, two steps of analysis were conducted. The first analysis was principal component analysis of factor analysis which was used to reduce the variables to a number of appropriate factors. Then, cluster analysis was used to classify the cases (commercial banks) into a specific number of clusters which employed similar strategies. Firstly, principal components factor analysis using the latent root method (eigenvalues greater than one) was employed. Although factor analysis require a large sample size, Winter, Dodou, and Wieringa (2009) in their study about exploratory factor analysis with small sample sizes found that with sample size below 50 factor analysis also yield a reliable result. They argue that although factor analysis with small sample size is uncommon but certainly not be ruled out in behavioral research data. Therefore, factor analysis can be used for this study. From the SPSS result, Table 4.1 displays the total variance explained at three stages. At the initial stage, it shows factor and associated eigenvalues, the percentage of variance explained and the cumulative percentage. In reference to the eigenvalues, we expected seven factors to be extracted because they have eigenvalues greater than 1. If seven factors were extracted then 82 per cent of variance would be explained. A VARIMAX rotation was used to simplify the factor matrix columns and to obtain a well-defined grouping of variables on each factor using a communality cut off of .4. Therefore, in this analysis, seven factors were extracted. After seven factors were extracted, each factor was examined by using a communality cut of .4. Ordinary, rotation reduces the number of complex variables and improves interpretation. However, by examining the outcomes which, formed the contents of Table 4.2 - which shows the rotated component matrix, we found that the rotated solution still includes several complex variables in which they load more than one factor; for example, major effort to maintain lending capability and flexibility, emphasis on training and education and institutional learning.

Table 4.1 Total variance explained

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.512	33.971	33.971	9.512	33.971	33.971	4.443	15.867	15.867
2	3.331	11.895	45.866	3.331	11.895	45.866	4.294	15.336	31.203
3	2.878	10.278	56.144	2.878	10.278	56.144	3.488	12.456	43.658
4	2.498	8.922	65.066	2.498	8.922	65.066	3.007	10.740	54.398
5	2.091	7.468	72.535	2.091	7.468	72.535	2.912	10.398	64.797
6	1.464	5.228	77.763	1.464	5.228	77.763	2.547	9.097	73.893
7	1.266	4.522	82.286	1.266	4.522	82.286	2.350	8.392	82.286
8	.998	3.565	85.850						
9	.871	3.112	88.962						
10	.818	2.921	91.883						
11	.549	1.961	93.845						
12	.436	1.558	95.403						
13	.340	1.214	96.617						
14	.310	1.107	97.723						
15	.262	.934	98.658						
16	.174	.622	99.280						
17	.104	.372	99.652						
18	.060	.213	99.865						
19	.038	.135	100.000						
20	5.959E-16	2.128E-15	100.000						
21	2.933E-16	1.047E-15	100.000						
22	2.542E-16	9.079E-16	100.000						
23	1.514E-16	5.406E-16	100.000						
24	2.598E-17	9.280E-17	100.000						
25	-1.040E-16	-3.714E-16	100.000						
26	-1.757E-16	-6.275E-16	100.000						
27	-3.786E-16	-1.352E-15	100.000						
28	-4.920E-16	-1.757E-15	100.000						

Extraction Method: Principal Component Analysis.

Table 4.2 Scree Plot

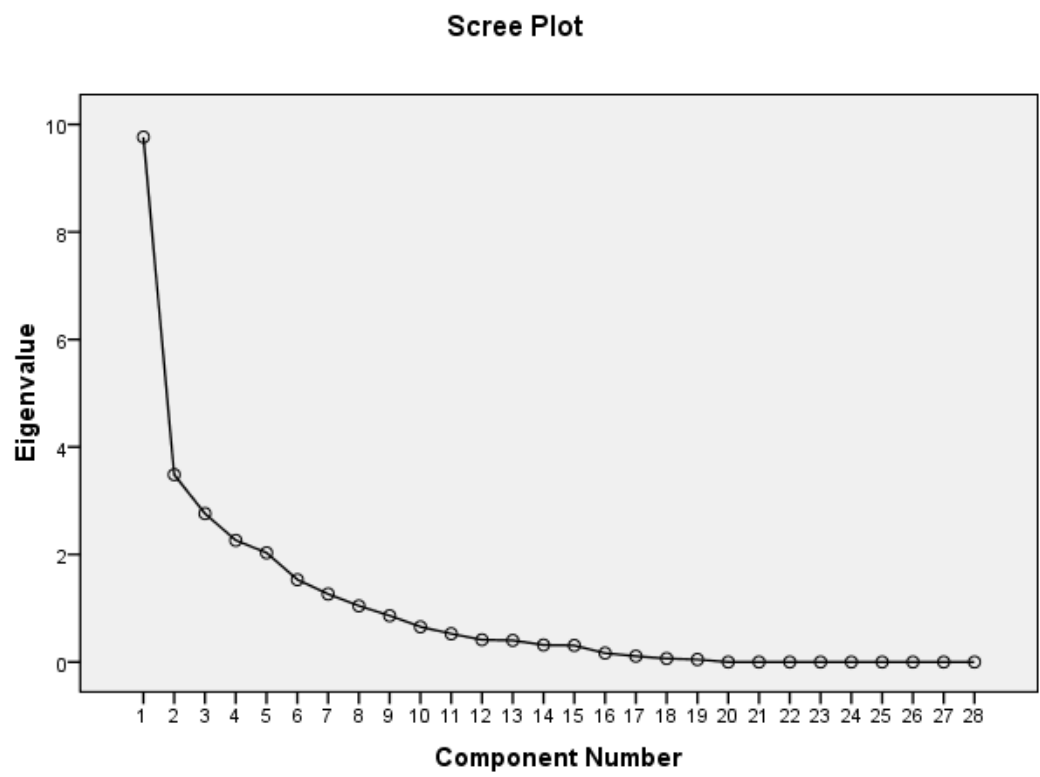


Table 4.3 Rotated component matrix

Rotated Component Matrix^a

	Component						
	1	2	3	4	5	6	7
Vigorously pursued cost reductions	.031	.034	-.060	.074	.923	.115	-.003
Price below competitors	-.067	-.242	.262	-.056	.480	.652	-.092
Emphasis on cost cutting and internal efficiency program	.200	.146	.126	.002	.920	-.146	-.012
Adoption of procedures to encourage high utility of assets	.014	.274	.334	.681	.314	-.161	.130
Developing and refining existing products/services offering	.135	.669	.173	.234	.201	-.249	-.220
Major expenditure on technology based delivery system to lower cost	.010	.603	-.264	.258	.393	.268	.178
Outsourcing function or entering into a joint venture to control cost	-.087	-.010	.125	-.014	.007	.896	.326
Specific effort or entering a pool of highly trained/experienced personnel	.342	.059	.768	.251	.166	-.059	-.076
Major effort to maintain lending capacity and flexibility	.476	.124	.157	.666	.065	-.108	-.215
Major effort to insure adequate deposit availability	.700	.367	.122	.426	.124	.092	-.207
Emphasis on training, education and institutional learning	.655	.045	.311	-.196	.507	.017	.084
Promotion/advertising expenditure above industry average	.348	.238	.402	-.082	.343	-.014	.464
Extensive training of marketing personnel	.216	.354	.834	-.007	.075	.082	.039
Extensive customer services capability	.680	.026	.278	.490	.103	.117	-.198
Extremely strict service/product quality control procedures	.683	.221	.444	.175	.130	-.179	.107
Building bank's reputation within the industry	.874	.207	.166	.169	.128	-.094	.155
Innovation in marketing techniques and methods	.698	.364	.255	-.194	-.123	-.058	.209
Complementary Services	.097	.266	.383	.560	-.227	.078	.545
Developing a broad range of services/products	.346	.706	.121	.269	-.013	-.303	.266
Major expenditure on technology to different services/products	.282	.719	.221	.118	.092	-.171	.413
New products/services developments	.306	.830	.219	-.158	-.116	-.300	.083
Strong branch network	.197	.851	.286	.152	.030	.062	-.020
Narrow/limited range of products/services	.008	-.337	-.265	-.169	-.097	.731	-.095
Emphasis on marketing specialty products/services	.298	.265	.668	-.009	-.029	.033	.352
Products/services offered in lower priced market segments	-.024	.113	-.020	.011	-.009	.112	.884
Products/services offered in high priced market segments	.563	.236	-.078	-.052	-.067	-.012	-.478
Only serve specific geographic market (associated, but not significantly so)	.111	.069	.542	-.374	-.314	.503	-.055
Following actions of competitors	-.020	-.091	.255	-.851	.122	.122	-.101

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 16 iterations.

Factor 1

Factor 1 consists of a number of competitive tactics including

- Major effort to maintain lending capacity and flexibility
- Major effort to ensure adequate deposit availability
- Emphasis on training, education and institutional learning
- Extensive customer services capability
- Extremely strict products and services quality control procedure
- Building bank's reputation within industry
- Innovation in marketing techniques and methods
- Product services offered in high priced market segments

By looking at the competitive tactics in factor 1 we found that they represent different generic strategies, namely, cost leadership strategy, differentiation and focus on specific market segment. Factor 1 includes competitive tactics which represent cost leadership strategy with differentiation and focus on specific market. Nevertheless, it was not necessary to determine the name of factor now as the final objective is to determine the strategy used by commercial banks in Cambodia, which would be identified by clustering analysis which identify cases that used similar factors.

Factor 2

Factor 2 consists of a number of competitive tactics as follows

- Developing and refining and existing products and services offering
- Major expenditure on technology-based delivery system to lower costs
- Developing a broad range of products and services
- Major expenditures on technology to differentiate products and services
- New products and services development
- Strong branch network

Similar to factor 1, factor 2 also comprises of competitive tactics from cost leadership strategy and differentiation strategy, specifically product differentiation.

Factor 3

Factor 3 consists of competitive tactics as follows:

- Specific effort to ensure a pool of highly trained/experienced personnel
- Promotion and advertising above industry average
- Extensive training of marketing personnel
- Extremely strict products and services quality control procedures.
- Emphasis on marketing specialty products and services.
- Only serve specific geographic market (associated but not significantly so).

This factor comprises of most competitive tactics in differentiation strategy with focus on specific geographic area, and, associated but not significantly so.

Factor 4

Factor 4 consists of following competitive tactics

- Adoption of procedures to encourage high utilization of assets
- Major effort to maintain lending capacity and flexibility
- Major effort to ensure adequate deposit availability
- Extensive customer services capability
- Complementary services

This factor also comprises of some cost leadership strategy with two differentiation strategies.

Factor 5

Factor 5 consists of a number of competitive tactics as follows

- Vigorously pursued cost reduction
- Price below competitor
- Emphasis on cost cutting and internal efficiency program
- Emphasis on training, education and institutional learning

Factor 5 consists of a number competitive tactics which are belonged to cost leadership strategy. Therefore, we can name this factor as cost factor.

Factor 6

Factor 6 consists of a number of elements as follow:

- Price below competitors
- Outsource functions or entering into a joint venture to control cost
- Narrow limited range of products and services.
- Only serve specific geographic market (associated but not significantly so)

Factor 6 consists of two competitive tactics which represent cost leadership strategy and two competitive tactics which represent focus strategy, Therefore, this factor can be referred to a cost and focus strategy.

Factor 7

Factor 7 consists of a number competitive tactics as follows

- Promotion and advertising expenditure above industry average
- Complementary services
- Major expenditure on technology to differentiate products and services.
- Products and services offered in low price market

Factor 7 consists of competitive tactics which represent differentiation by focusing on a specific market segment.

Secondly, after 7 factors were derived from factor analysis, the next step was to determine the number of clusters, as well as which case belonged to which clusters. To determine the number of clusters, it is very important to determine the possible strategies employed by commercial banks with regarding to Porter's generic strategies. Table 4.3 shows the possible Porter's generic strategies employed by commercial banks. The first type is pure cost leadership strategy. This type of strategy refers to strategy employed by commercial banks in which they focus on cost leadership by employing several competitive tactics. These range from average

to high, whereas, they put less emphasis on differentiation strategy by employing from average to low competitive tactics in differentiation strategy. Commercial banks employing this strategy type did not employ focus strategy.

Table 4.4 Possible Types of Strategy

Type	Generic Strategy			Type of Strategy
	Cost	Differentiation	Focus	
1	High	Low	None	Pure cost leadership
2	Low	High	None	Pure differentiation
3	High	High	None	Hybrid cost and differentiation
4	High	High	Yes	Cost and differentiation with focus
5	High	Low	Yes	Cost and focus
6	Low	High	Yes	Differentiation and focus
7	Low	Low	Yes/No	Stuck in the middle

Table 4.3 show the possible strategies employed by commercial banks in Cambodia.

The second type of strategy is pure differentiation. This type of strategy is referred to the strategy employed by commercial banks in which they focus on differentiation strategy by employing competitive tactics for differentiation ranging from average to high. Wherein, they put less emphasis on cost leadership by employing competitive tactics for cost leadership strategy ranging from average to low. Commercial banks employing this strategy type did not use focus strategy. The third strategy type refers to the combination of cost leadership and differentiation strategy, in which they focus on both cost leadership by employing competitive tactics for cost leadership ranging from average to high, and differentiation strategy by employing competitive tactics for differentiation ranging from average to high at the same time. However, they do not use focus strategy. The fourth strategy type is similar to the third strategy type. The difference is that commercial banks employed the fourth strategy type focus on specific market segment or geographic segments. The fifth strategy type refers to the combination of cost leadership and focus strategy. Commercial banks

employing the fifth strategy type used competitive tactics for cost leadership ranging from average to high and put less emphasis on differentiation by using competitive tactics for differentiation ranging from average to low; nevertheless they focused on a specific target group. The sixth strategy type is referred to the combination of differentiation and focus strategy. Commercial banks employing the sixth strategy type used competitive tactics for differentiation ranging from average to high, but put less emphasis on cost leadership by using competitive tactics from cost ranging from average to low. Additionally, this type of bank focused on specific target group. The seventh type of strategy is stuck-in-the-middle strategy. Bank employing this strategy put less emphasis on both cost leadership and differentiation strategy. Commercial banks used competitive tactics for cost leadership ranging from average to low and also competitive tactics for differentiation ranging from average to low. Therefore, we can see that 7 types of possible strategies can be employed commercial banks in Cambodia. Therefore, in cluster analysis, K-mean with $K=7$ was used to classify the bank into seven group in order to cluster the cases as much as 7 cluster. The use of K-mean clustering analysis is appropriate here as we want to produce the exact 7 different clusters demanded for greatest possible distinction.

From SPSS analysis, Table 4.4 shows the final cluster center in which each cluster focused on different factors. For example, cluster 1 focused on Factor 2 and factor 5 and cluster 2 focused on factor 1. SPSS result also show the number of commercial banks in each cluster. Table 4.5 shows the number of banks on each cluster.

Table 4.5 Final cluster center

		Final Cluster Centers						
		Cluster						
		1	2	3	4	5	6	7
REGR factor score	1	.23061	1.79322	-.44045	-.69291	.22622	-1.68435	.28466
REGR factor score	2	1.17299	-.43306	-.16550	1.13483	-.24814	-1.97073	.56261
REGR factor score	3	.03498	.55825	-.75901	2.00610	.31444	.16715	-1.55691
REGR factor score	4	-.58370	-2.06922	.67819	1.42735	.08947	-1.38917	-.32457
REGR factor score	5	.71941	.34827	.55913	-1.32810	-.24918	.52265	-2.50328
REGR factor score	6	-1.05145	.30647	.05403	-.87147	.79193	-1.54244	-1.34378
REGR factor score	7	.50352	-2.27746	-.70022	-1.47459	.57579	.29086	.84540

Table 4.6 Number of banks in each cluster

Number of Cases in each		Cluster
Cluster	1	3.000
	2	1.000
	3	5.000
	4	1.000
	5	8.000
	6	1.000
	7	1.000
	Valid	20.000
	Missing	.000

By examining a final cluster in Table 4.4, competitive tactics in each factor and comparing to the possible strategy type in Table 4.3 and number of commercial banks in each cluster in Table 4.5, we can identify the strategy used by commercial banks in Cambodia.

Table 4.7 Strategies used by commercial banks in Cambodia

Cluster Number	Number of Banks	Strategy Type
1	3	Type 1: Pure cost leadership strategy
2	1	Type 4: Cost leadership and differentiation with focus on specific markets
3	5	Type 7: Stuck-in-the-middle strategy
4	1	Type 4: Cost leadership and differentiation with focus on specific markets.
5	8	Type 5: Cost leadership with focus on specific market
6	1	Type 1: Pure cost leadership strategy
7	1	Type 6: Differentiation strategy with focus on specific markets

Table 4.6 show the summary of strategy types used by commercial banks in Cambodia. According to the result of the cluster analysis, although cluster 1 and cluster 6 cluster separately, they can be considered pure cost leadership strategy. Nevertheless, the two clusters emphasize on different competitive tactics. Similarly, Cluster 2 and cluster 4 were clustered in different cluster as they focused on different competitive tactics; nevertheless, they can be categorized in a combination of cost leadership and differentiation with focus on specific markets.

In more details, Table 4.7 shows the generic strategy employed by different group of commercial banks and competitive tactics employed by those commercial banks to support the generic strategy.

Table 4.8 Competitive tactics in each cluster

<p>Cluster 1: Type 1 Cost leadership strategy (3 banks)</p> <ul style="list-style-type: none"> • Developing and refining and existing products and services offering • Major expenditure on technology-based delivery system to lower costs • Developing a broad range of products and services • Major expenditures on technology to differentiate products and services • New products and services development • Strong branch network • Vigorously pursued cost reduction • Price below competitor • Emphasis on cost cutting and internal efficiency program • Emphasis on training, education and institutional learning.
<p>Cluster 2: Type 4 Cost leadership and differentiation with focus on specific target market (1 bank)</p> <ul style="list-style-type: none"> • Major effort to maintain lending capacity and flexibility • Major effort to insure adequate deposit availability • Emphasis on training, education and institutional learning • Extensive customer services capability • Extremely strict products and services quality control procedure • Building bank's reputation within industry • Innovation in marketing techniques and methods • Product services offered in high priced market segments

Cluster 3 Type 7: Stuck-in-the-middle strategy (5 banks)

- Adoption of procedures to encourage high utilization of assets
- Major effort to maintain lending capacity and flexibility
- Major effort to insure adequate deposit availability
- Extensive customer services capability
- Complementary services

Cluster 4. Type 4: Cost and differentiation with focus (1 bank)

- Major expenditure on technology-based delivery system to lower costs
- Specific effort to insure a pool of highly trained/experienced personnel
- Extremely strict products and services quality control procedures.
- Developing and refining and existing products and services offering
- Adoption of procedures to encourage high utilization of assets
- Major effort to maintain lending capacity and flexibility
- Major effort to insure adequate deposit availability
- Developing a broad range of products and services
- New products and services development
- Strong branch network
- Major expenditures on technology to differentiate products and services
- Promotion and advertising above industry average
- Extensive training of marketing personnel
- Emphasis on marketing specialty products and services.
- Extensive customer services capability
- Complementary services
- Only serve specific geographic market (associated but not significantly so).

Cluster 5: Type 5 Cost leadership with focus on specific target market (8 banks)

- Price below competitors
- Outsource functions or entering into a joint venture to control cost
- Narrow limited range of products and services.
- Only serve specific geographic market (associated but not significantly so)

Cluster 6: Type 1 Pure cost leadership strategy (1 bank)

- Vigorously pursued cost reduction
- Price below competitor
- Emphasis on cost cutting and internal efficiency program
- Emphasis on training, education and institutional learning

Cluster 7: Type 6 Differentiation strategy with focus on specific markets (1 bank)

- Promotion and advertising expenditure above industry average
- Complementary services
- Major expenditure on technology to differentiate products and services.
- Products and services offered in low price market

Cluster 1

Cluster 1 comprises 3 commercial banks employing factor 2 and factor 5 with slight reflection of factor 7, which means that banks put less emphasis on factor 7. Therefore, for the purpose the analysis only factor 2 and factor 5 were taken account of. Factor 2 and factor 5 comprised a number of competitive tactics which belonged to cost leadership strategy. As reflected in Table 4.3, we found that banks employed most competitive tactics which belonged to low cost leadership strategy with a low response on differentiation strategy and no focus strategy. Therefore, according to

the list of strategy types, commercial banks in cluster one employed the type-1 strategy which was the pure cost leadership strategy.

Cluster 2

Cluster 2 comprises of one commercial bank employing factor 1 which includes competitive tactics which represent cost leadership strategy with differentiation and focus on specific market. . As reflected in Table 4.3 this strategy type represents different generic strategy namely, cost leadership strategy, differentiation with focus on specific market segment. Therefore, we can consider the bank in this cluster using type-4 strategy.

Cluster 3

Cluster 3 consists of 5 commercial banks employing factor 4 and slight for factor 5, which means that banks put less emphasis on factor 5. Therefore, for the analysis, only factor 4 was taken into consideration. By looking at the competitive tactics in cluster 3 in Table 4.3, we found two competitive tactics for cost leadership strategy with two competitive tactics for differentiation strategy. According to the above classification, the cluster can be regarded as stuck-in-the-middle strategy as they don't emphasize much on cost leadership strategy or differentiation strategy which is Type-7 strategy in the strategy classification table.

Cluster 4

Cluster 4 consists of one bank which employed factor 2, factor 3 and factor 4. By looking at competitive tactics in cluster 4 in Table 4.3, we found that the bank in this cluster put major effort on cost leadership strategy as well as differentiation strategy to serve in a specific geographic market, and associated market (but not significantly so). Therefore, we can name this cluster as cost leadership and differentiation focusing on specific geographic market which is Type-4 strategy.

Cluster 5

Cluster 5 consists of 8 commercial banks which focused on factor 6 and slightly factor 7, which means that banks put minimal emphasis on factor 7. Therefore, for this analysis, only factor 6 was taken into consideration. According to Table 4.3, a number of competitive tactics for cost leadership and focus strategies were used by commercial banks in cluster 5. Therefore, this cluster can be labeled as cost leadership and focus on specific geographic market which is type-5 strategy.

Cluster 6

Cluster 6 consists of one bank that employed factor 5, which comprises a number of competitive tactics for cost leadership strategy. No other competitive tactics were emphasized by the bank in this cluster; therefore, cluster 6 can be classified as a pure cost leadership strategy which is type-1 strategy in the strategy classification table.

Cluster 7

Cluster 7 consists of one commercial bank which employed factor 7 with slight response for factor 2, which means that banks put minimal emphasis on factor 2. Therefore, in this analysis only factor 7 was taken into consideration. According to Table 4.3, factor 7 comprises a number of competitive tactics which represent differentiation by focusing on a specific market segment. Therefore, we can label cluster seven as differentiation strategy focus on specific geographic market which is type-6 strategy.

4.3. Performance differences between each generic strategic group.

The second research question is to explore the performance differences between each generic strategy. The hypothesis for this research question is

H.2 There are performance differences between each generic strategy.

In the preceding section, 7 clusters of commercial banks were identified. Nevertheless, they can be clustered only into six strategy types. In this section, we

explore whether or not the six strategy types have performance differences. To test the performance differences between these generic strategies, analysis of variance (ANOVA) which is a statistical technique for comparing means of different groups, was used to compare the different means of performance for each generic strategy group.

From the SPSS analysis, we obtained Table 4.8 showing different means of ROA of commercial banks in different clusters. Table 4.9 shows the details of performance of commercial banks in each strategic group. Before determining whether or not the difference of means of performance of different strategic group is significant, we have to look at the ANOVA result at Table 4.11. To interpret the output, we must first ensure that the homogeneity assumption has not been violated. Levene's test for homogeneity of variance is not significant ($p > .05$) so that we can be confident that the population variances for each group are approximately equal. Accordingly, in Table 4.10, Levene's test for homogeneity of variances is not significant ($p > .05$)

Table 4.9 Descriptive statistics**Descriptives**

Return on
Assets

			Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1	3	.6333	2.82944	1.63358	-6.3954	7.6621	-2.62	2.52
2	1	2.3200	.	.	.	.	2.32	2.32
3	5	.7400	2.12187	.94893	-1.8947	3.3747	-2.32	3.40
4	1	-.0300	.	.	.	.	-.03	-.03
5	8	1.2475	1.90246	.67262	-.3430	2.8380	-2.64	3.12
6	1	.8000	.	.	.	.	.80	.80
7	1	2.7500	.	.	.	.	2.75	2.75
Total	20	1.0710	1.86932	.41799	.1961	1.9459	-2.64	3.40

Table 4.10 Types of Strategy and Performance

Strategy Type	Return on Asset
Pure cost leadership (cluster 1)	.63
Pure cost leadership (cluster 6)	.80
Average (cluster 1 and cluster 6)	.71
Cost leadership with focus of specific market (cluster 2)	2.32
Cost leadership with focus specific markets (Cluster 5)	1.25
Average (cluster 2 and cluster 5)	1.79
Stuck-in-the-middle strategy	.74
Combination of cost leadership and differentiation with focus on specific market	-.03
Differentiation with focus on specific markets	2.75

Table 4.11 Test of homogeneity of variance

Test of Homogeneity of Variances

Return on Assets

Levene Statistic	df1	df2	Sig.
.460	2	13	.641

According to the result of ANOVA analysis we found that, commercial banks employing type-6 strategy- which is differentiation strategy with specific focus on specific target market, had the highest return on asset ROA (2.75) followed by a combination of cost leadership strategy with focus on specific market in cluster with ROA 2.32 and cost leadership with focus on specific market in cluster 5 with ROA 1.5. It was found that although commercial banks in cluster 2 and cluster 5 used cost leadership strategy by focusing on specific markets, they have different performance as they focused on different competitive tactics. Nevertheless, the average ROA of commercial banks in the two cluster was still high (1.75) comparing to ROA of banks in other clusters. The banks in cluster 1 and cluster 6 were clustered in different clusters as they emphasize on different competitive tactics, but have similar performance with ROA .63 and .8 respectively. The worst performance was among banks employing cost leadership and differentiation strategy with a focus on specific geographic market. Nevertheless, given $p > .05$ in Table 4.12, we can say that the difference is not significant. In effect, we can accept the null hypothesis that there is no difference in performance for each strategic group.

Table 4.12 ANOVA

ANOVA					
Return on Assets					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	7.036	6	1.173	.257	.948
Within Groups	59.356	13	4.566		
Total	66.393	19			

4.4 Competitive tactics and performance

The third research question is to explore the relationship between each of the competitive tactics and the associated performance.

4.4.1 Competitive tactics strongly associated with performance.

The research question can be described as

What are competitive tactics strongly associated with performance?

Three hypotheses for this research question needed to be tested in order to answer the research question.

H3. There are specific competitive tactics which are more strongly associated with higher performance within each generic strategy.

In the previous section, although we drew a conclusion that the differences of performance between each strategic group are not significant we found that two types of strategies which were associated with performance viz. cluster 2 and cluster 7. Cluster 2 comprises of one commercial bank employing a significant number of competitive tactics for cost leadership with slight number of competitive tactics for differentiation. Competitive tactics used by the bank in this cluster were

- Major effort to maintain lending capacity and flexibility
- Major effort to ensure adequate deposit availability

- Emphasis on training, education and institutional learning
- Extensive customer services capability
- Extremely strict products and services quality control procedure
- Building bank's reputation within industry
- Innovation in marketing techniques and methods
- Product services offered in high priced market segments

We wanted to know which competitive tactic strongly predicts the performance. Therefore, to test this hypothesis, Multiple Linear Regression was used to test the hypothesis by using competitive tactics in this cluster as independent variables and ROA as the dependent variable.

According to SPSS results, independent variables together explain 85.3 percent of the variance (R Square) ROA (as in Table 4.12) but are not significant as indicated by the F-values in Table 4.14.

Table 4.13 Model Summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.853 ^a	.727	.423	1.41950

a. Predictors: (Constant), Products/services offered in high priced market segments, Adoption of procedures to encourage high utility of assets, Innovation in marketing techniques and methods, Emphasis on cost cutting and internal efficiency program, Major effort to maintain lending capacity and flexibility, Specific effort or entering a pool of highly trained/experienced personnel, Extensive customer services capability, Extremely strict service/product quality control procedures, Building bank's reputation within the industry, Emphasis on training, education and institutional learning

b. Dependent Variable: Return on Assets

Table 4.14 ANOVA

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	48.258	10	4.826	2.395	.102 ^a
	Residual	18.135	9	2.015		
	Total	66.393	19			

a. Predictors: (Constant), Products/services offered in high priced market segments, Adoption of procedures to encourage high utility of assets, Innovation in marketing techniques and methods, Emphasis on cost cutting and internal efficiency program, Major effort to maintain lending capacity and flexibility, Specific effort or entering a pool of highly trained/experienced personnel, Extensive customer services capability, Extremely strict service/product quality control procedures, Building bank's reputation within the industry, Emphasis on training, education and institutional learning

b. Dependent Variable: Return on Assets

An examination of the t-values in Table 4.14 indicated that only extremely strict product and service quality control procedure contribute to the prediction of performance. Therefore, we can conclude that within this strategic group only extremely strict product and service quality control procedure contribute to the prediction of performance.

Table 4.15 Coefficient

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.595	3.703		-.161	.876
	Emphasis on cost cutting and internal efficiency program	.489	.617	.359	.793	.448
	Adoption of procedures to encourage high utility of assets	-.827	.416	-.607	-1.988	.078
	Specific effort or entering a pool of highly trained/experienced personnel	-1.229	.563	-.902	-2.182	.057
	Major effort to maintain lending capacity and flexibility	1.220	.871	.854	1.400	.195
	Emphasis on training, education and institutional learning	.525	1.467	.306	.358	.728
	Extensive customer services capability	-.176	.566	-.127	-.310	.763
	Extremely strict service/product quality control procedures	1.410	.530	.962	2.658	.026
	Building bank's reputation within the industry	-1.150	1.002	-.906	-1.147	.281
	Innovation in marketing techniques and methods	.331	.482	.204	.687	.510
	Products/services offered in high priced market segments	-.412	.340	-.264	-1.211	.257

a. Dependent Variable: Return on Assets

Cluster 7 consists of one commercial bank which employed factor 7 and slightly factor 2. Factor 7 comprises of a number competitive tactics which represent differentiation by focusing on a specific market segment. Therefore, we can label cluster seven as differentiation strategy focus on specific geographic market which is type-6 strategy.

- Promotion and advertising expenditure above industry average
- Complementary services
- Major expenditure on technology to differentiate products and services.
- Products and services offered in low price market

To identify competitive tactic which contribute to the prediction of performance, a Multi Linear Regression with the four competitive tactics as independent variables and ROA as dependent variable was conducted.

Table 4.16 Model Summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.429 ^a	.184	-.033	1.90004

a. Predictors: (Constant), Products/services offered in lower priced market segments, Promotion/advertising expenditure above industry average, Complementary Services, Major expenditure on technology to different services/products

b. Dependent Variable: Return on Assets

According to SPSS results, the four independent variables together explain 42.9 per cent of variance (R Square) in ROA but are not significant as indicated by F-value in Table 4.16.

An examination of t-values in Table 4.17 indicated that none of the competitive tactic significantly contributes to the prediction of ROA.

Table 4.17 ANOVA

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.241	4	3.060	.848	.517 ^a
	Residual	54.152	15	3.610		
	Total	66.393	19			

a. Predictors: (Constant), Products/services offered in lower priced market segments, Promotion/advertising expenditure above industry average, Complementary Services, Major expenditure on technology to different services/products

b. Dependent Variable: Return on Assets

Table 4.18 Coefficient

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.996	1.868		.533	.602
	Promotion/advertising expenditure above industry average	.088	.462	.054	.190	.852
	Complementary Services	-.532	.466	-.364	-1.142	.271
	Major expenditure on technology to different services/products	-.063	.376	-.055	-.169	.868
	Products/services offered in lower priced market segments	.690	.412	.471	1.674	.115

a. Dependent Variable: Return on Assets

4.4.2 Performance and combination of competitive tactics within each strategy group

Additionally, it was necessary to explore the relationship between competitive tactics within each strategy group, and performance. The hypothesis can be described as

H4. The combinations of competitive tactics which significantly predict the performance of the banks within each generic strategy, significantly predict the performance of the banks.

In the previous section, although we conclude that the performance differences of different strategic groups is not significant, we identified that commercial banks in cluster 2 and cluster 7 have better performance than other clusters. Therefore, to test this hypothesis, stepwise multiple linear regressions were conducted by using all competitive tactics in cluster 2 as independent variables, and ROA as the dependent variable. Then, the same procedure was conducted for cluster seven by using all competitive tactics in cluster 7 as independent variables, and ROA as the dependent variable. According to the SPSS result, we found that all competitive tactics were removed which mean that none of the competitive tactics is associated with performance. Therefore, we can accept the null hypothesis that **there is no specific competitive tactics in cluster 2, is associated with performance within each generic strategy.**

4.4.3 Performance and combination of competitive tactics among other strategy group.

In the previous section, we explored the relation between any combination of competitive tactics within a strategy group and performance. We found that there is no significant relationship between any or a combination of competitive tactics contributing to the performance of the banks employing the strategy type. In this section, we sought to identify any combination of competitive tactics from different strategy group which contribute to predict the performance. The hypothesis can be described as;

H5. The combinations of competitive tactics from different strategy groups contribute to predict the performance of the banks.

To test this hypothesis, stepwise multiple linear regressions using all competitive tactics in the studies as independent variables and ROA as dependent variable were conducted. SPSS results of the stepwise multi linear regression showed that all independent variables were omitted and none of the variables or any combination of the variables contributed to the prediction of performance (ROA).

4.5 Conclusion

In conclusion, generic strategies employed by commercial banks in Cambodia were identified. The 20 commercial banks in this study were clustered into 7 clusters, in which cluster 1 comprises 3 commercial banks employing the pure cost leadership strategy; cluster 2 comprises one commercial bank employing the combination of cost leadership and focus on specific market; cluster 3 consists of 5 commercial banks employing a stuck-in-the-middle strategy; cluster 4 consists of one bank which employed cost leadership and differentiation focusing on specific geographic market; cluster 5 consists of 8 commercial banks which focused on a cost leadership and focus on specific geographic market; cluster 6 consists of one bank that employed a pure cost leadership strategy; and cluster 7 consists of one commercial bank which employed a differentiation strategy focus on specific geographic market. Although, the results show the performance differences between commercial banks employing different generic strategies as well as competitive tactics; the differences are not statistically significance. Nevertheless, we found that two clusters (cluster 2 and cluster 7) of commercial banks had high performance. This means that commercial bank employing the combination of cost leadership focus on a specific market, and commercial banks employing a differentiation strategy focus on specific geographic market had higher performance than other commercial banks employing other generic strategies. Within each generic strategy, only extremely strict product and service quality control procedure contribute to the prediction of performance but not

statistically significance. The stepwise regression to explore the any combination of two more competitive tactics that significantly predict performance also found that no any combination of two or more competitive tactics significantly predict performance. The result of study confirms, and also contradicts the results of previous studies regarding the relationship between generic strategies, competitive tactics and performance. This will be discussed in the next chapter.

Chapter 5: Discussions

5.1 Introduction

The study explored the applicability of Porter's (1985) generic strategy specifically the performance differences of each strategy, as well as competitive tactics and their relationship with performance, with the specific purpose of underpinning these to a study of commercial banking in Cambodia. The results, which were presented in the previous chapter, showed that commercial banks in Cambodia also employed Porter's (1985) generic strategies. Furthermore, they can be classified into a number of clusters depending on strategy they employed. Although banks employing different strategies had different performance the differences were not statistical significant. The study also found that most competitive tactics employed by commercial banks were not related to performance. None of the competitive tactics or combination of two or more competitive tactics contributed to the banks' performance. In this chapter, the results are discussed in detail by looking at previous studies, whether or not the results are consistent with those found in previous studies. The implications for practice as well as existing literature are discussed, followed by the limitation of the study and suggested future research.

5.2 Major Findings

The study contains three main research questions aimed at the exploration of generic strategies in banking industry in Cambodia, to identify performance differences between each generic strategy group; and, to explore the relationship between competitive tactics employed by commercial banks and banks' performance.

5.2.1 Strategies used by commercial banks in Cambodia

The first question explores generic strategies by commercial banks in Cambodia? The hypothesis of the first question is

H1. Porter's generic strategies can be identified in the banking industry in Cambodia.

The result showed that Porter's (1985) generic strategies can be identified in the banking industry in Cambodia. Commercial banks employed different generic strategies and different combinations of generic strategies. In chapter 4 (Table 4.3), we demonstrated that there are seven possible of combination of Porter's (1985) generic strategies; nevertheless, the results show that commercial banks in Cambodia employed only 5 types of strategies. Therefore, based on the strategies employing by commercial banks in Cambodia, the banks can be categorized into only five groups.

Although cluster 1 which comprises 3 commercial banks and Cluster 6 which comprises 1 commercial bank employed different competitive tactics and were clustered in different clusters, they can be categorized in a pure cost leadership strategy group.

Cluster 2 which comprises 1 commercial bank and cluster 4 consists of 1 commercial bank were clustered in different clusters as they focused on different competitive tactics; nevertheless, they can be categorized in a combination employed cost leadership and differentiation by focusing on specific geographic market.

Cluster 5 comprising 8 commercial banks employed, of cost leadership and focus on specific markets. Cluster 3 consists of 5 commercial banks employing a stuck-in-the-middle strategy as they don't emphasize much on cost leadership strategy or differentiation strategy.

Cluster 7 consists of 1 commercial bank which employed differentiation strategy focusing on specific geographic markets. These results are consistent with those identified in prior researches in banking industries specifically, Chan and Wong (1999) Power and Hanh (2004) and Hanh and Power (2010). Chan and Wong (1999) who studied the applicability of Porter's (1985) generic strategies in an international banking center (Hong Kong), also identified generic strategies employed banks in

Hong Kong. In their study, they found that banks in Hong Kong employed three distinct strategic approaches including cost leadership strategies, differentiation strategies and a combination of cost leadership strategy and differentiation. Power and Hanh (2004) and Hanh and Power (2010) who studied Porter's (1985) generic strategies in the banking industry in the United States also identified Porter's (1985) generic strategies by grouping them into five strategic groups including broad differentiation strategy, focus strategy, cost leadership strategy, and customer services differentiation strategies. The main difference between the results of the two studies was the combination strategy. Generic strategies identified by Power and Hanh (2004) and Hanh and Power (2010) can be categorized as a pure generic strategy whereas most of generic strategies identified in this studies were combination strategies. The combinations of generic strategies identified in this study are consistent with previous studies that supported the notion that it is possible to pursue a hybrid or combination strategies (Miller and Friesen, 1986; Kim and Lim, 1988; Robinson and Pearce, 1988; Roberts, Brown, and Parini, 1990; Bush and Sinclair, 1992; Wagner and Digman, 1997). In some cases, it is also necessary to employ combination strategies; nevertheless, firms should consider one generic strategy as a main strategy and other generic strategies as secondary (Takala, Sivusuo, Hirvela, and Kekale, 2006).

5.2.2 Performance differences of each strategy group

The second research question is to explore the performance differences between each generic strategy. The hypothesis for this research question can be described as

H.2 There are performance differences between each generic strategy.

Indeed, the result indicated that commercial banks in Cambodia also employed Porter's (1985) generic strategies; and they can be clustered into different groups. Additionally, the study was also aimed at exploring the performance differences within each group. The result of ANOVA analysis indicated that each group demonstrated different performance. For instance, commercial banks employing

differentiation strategy, with specific focus on specific target market had the highest return on asset (ROA) (2.75) followed by a combination of cost leadership and differentiation strategy focusing on specific market in cluster 2 had ROA (2.32). Nevertheless, Commercial banks employing a combination of cost leadership and differentiation strategy with focusing on specific market had the lowest ROA (-.03). Commercial banks employed pure cost leadership strategy which was clustered in different clusters, as they employed different competitive tactics had similar performance. Cluster 1 and cluster 6 had ROA .63 and .8 respectively. Nevertheless, according to the analysis, the performance difference between each cluster is not statistically significant, in which we accept the null hypothesis that there is no difference in performance for each strategic group. The result was consistent with the result found by Chan and Wong (1999) who studied the applicability of Porter's (1985) generic strategies in Hong Kong international banking center that banks employed the combination of cost leadership and differentiation strategy outperformance banks that employed cost leadership or differentiation strategy; but, the performance differences were not statistically significant. Although the results show that the performance differences between each strategy group were not statistically significant, in this study, it was found that commercial banks employed cost leadership and differentiation with focus on specific market (in cluster 2) had high ROA. This result supported the claim by previous research that supports the combination of cost leadership and differentiation strategy to have performance advantage. For instance, Leitner and Guldenberg (2010) who studied the impact of generic strategies on firm performance using a longitudinal study of small and medium-sized enterprises (SMEs) in Austria, found that firms that follow a combination strategy outperform companies with no generic strategy in terms of profitability and growth, and achieve higher profitability than companies that follow a differentiation strategy. The results also support previous studies that suggest that it is possible to pursue a strategy that includes both cost and differentiation competitive methods (Miller and Friesen, 1986; Kim and Lim, 1988; Robinson and Pearce, 1988; Roberts, Brown, and Parini, 1990; Bush and Sinclair, 1992; Wagner and Digman, 1997). Nevertheless, the results were different from those found by

Power and Hanh (2004). Although Power and Hanh (2004) identified Porter's (1985) generic strategies in the banking industry in the USA, those banks could be classified into five different strategic groups depending on generic strategies they employed, including broad differentiation strategy, focus strategy, stuck-in-the-middle strategy, cost leadership strategy, and customer service differentiation strategy. They found that banks employing any of generic strategies alone had higher performance than banks that were among those reportedly stuck-in-the-middle; nevertheless, only banks employing cost leadership strategy had statistical significance for their performance differences with the banks that employed stuck-in-the-middle strategy. Regardless of statistical significance of the performance differences of each strategic group, Power and Hanh (2004) found that banks employing a single strategy outperformed, banks employing the stuck-in-the-middle strategy. Whereas, the results of this study suggest that most banks employed different combination of generic strategies and their performance were not much different from each other. Nevertheless, as mentioned earlier, although the performance differences between each strategy group was not statistically significant, commercial banks were found to employ differentiation strategy by focusing on specific markets; and, commercial banks employing a combination of cost leadership and differentiation strategy focus on specific market (in cluster 2) had higher performance. The result also contradicted those found to support Porter's (1985) generic strategy that single strategy out performance stuck in the middle, for instance, Hambrick (1983), Dess and Davis (1984), Miller and Friesen (1986) and Calingo (1989).

5.2.3 Competitive tactics and performance

The third research question is directed at exploring the relationship between each competitive tactic and its associated performance. The study aimed at identifying competitive tactics that associated with performance, as well as the combination of any competitive tactic within and between each generic strategy that is associated with performance. Hence, there were three hypotheses needing to be tested in order to answer the research question.

H3. There are specific competitive tactics which are more strongly associated with higher performance within each generic strategy.

Although the results show that the performance differences of different strategic groups are not statistically significant, it was found that commercial banks in cluster 2- which employed a combination of cost leadership and differentiation strategy by focusing on specific market; and, commercial banks in cluster 7- which employed differentiation strategy, focused on specific geographic markets had higher performance than banks in other strategy groups. Competitive tactics used by the bank in this cluster were

- Major effort to maintain lending capacity and flexibility
- Major effort to insure adequate deposit availability
- Emphasis on training, education and institutional learning
- Extensive customer services capability
- Extremely strict products and services quality control procedure
- Building bank's reputation within industry
- Innovation in marketing techniques and methods
- Product services offered in high priced market segments

The result of Multiple Linear Regression show that only extremely strict product and service quality control procedure contribute to the prediction of performance.

Commercial banks in cluster 7 employed differentiation strategy focused on specific geographic market. This strategic group includes a number competitive tactics which represent differentiation by focusing on a specific market segment.

- Promotion and advertising expenditure above industry average
- Complementary services
- Major expenditure on technology to differentiate products and services.
- Products and services offered in low price market

Nevertheless, the result of Multi Linear Regression indicated that none of the competitive tactics within this strategic group contribute to the performance.

In addition to identifying the competitive tactics that associated with organization performance; the study also explored any combination of two or more competitive tactics within the identified strategy group that correlated with performance. The fourth hypothesis was defined as

H4. The combinations of two or more competitive tactics which significantly predict the performance of the banks within each generic strategy significantly predict the performance of the banks.

The result of the stepwise regression showed that all competitive tactics were removed, which means that none of the competitive tactics is associated with performance. In other words, the study suggests that we can accept the null hypothesis that **there are no specific competitive tactics in each generic strategy associated with performance within each generic strategy.**

Additionally, the study also attempted to identify any combinations of two or more competitive tactics from different strategy that correlate with performance. This can be observed in the fifth hypothesis that was tested.

H5. The combinations of competitive tactics from different strategy group contribute to predict the performance of the banks.

Nevertheless, the result of the stepwise regression showed that there was no significant relationship between any or a combination of competitive tactics from different generic strategy contributing to the performance of the banks.

The results were different from those identified by Power and Hanh (2004). They found that competitive tactics that result in a cost leadership strategic position appear to be the primary basis for achieving superior performance in the banking industry. Additionally, Power and Hanh (2004) argue that within each strategic group, banks that emphasize on competitive tactics had performance advantages over banks not emphasizing on those competitive tactics. For instance, banks that emphasize on

competitive tactics in broad differentiation strategy, customer services differentiation or cost leadership strategy, reported a higher ROA rating than banks, which did not emphasize all of them. Specifically, in broad differentiation strategy, banks that emphasize on competitive tactics such as the development of a strong branch network, investment in technology to differentiate services and products, providing a broad range of products and services to customers, and the development of new products and services had higher performance than banks that did not emphasize on all these competitive tactics. This is the main contradiction to the result of the current study which identified that most of competitive tactics in the strategic group did not contribute to the performance of the bank except one competitive tactic which is - extremely strict product and service quality control procedure. Nevertheless, they did not point out which competitive tactic, or any combination of competitive tactics, significantly contribute to the performance. Power and Hanh (2004) just mentioned that all competitive tactics were emphasized in order to have higher performance. Similarly, for banks in cost leadership strategy, banks emphasized on the development and refinement of existing products, invested in technology to drive cost down, employed highly trained/experienced personnel, maintained lending and deposit flexibility, and invested in training and organizational learning, achieved slightly higher performance than those banks that did not emphasize any of those competitive tactics. In this strategic group, Power and Hanh (2004) stress that banks employing one of the six competitive tactics have higher ROA than banks that did not emphasize on any of the competitive tactics. Nevertheless, they do not mention which competitive tactics better predict the performance. In customer service differentiation strategy, Power and Hanh (2004) also found that banks that emphasized on outsourcing functions to control cost, building the banks reputation in the market, and the pursuit of extensive customer service had higher performance than bank that did not emphasize all of them. Nevertheless, Power and Hanh (2004) did not identify which competitive tactic significantly contributes to the performance. They only mentioned that banks emphasized all competitive tactics had higher performance than bank that did not emphasize on all of the competitive tactics. The result of the current study is also slightly different from those found by

Allen and Helms (2006) in related to competitive tactics that contributes to performance; nevertheless, Allen and Helms (2006) did not focus on banking industry alone; the studies were conducted across industry, and they identified a number of competitive tactics that significantly correlated with organization performance. For instance, in differentiation strategy, innovation was the most critical factors enhancing performance. In focus differentiation strategy, Allen and Helms (2006) indicate products or services for high price market segment, and, providing specialty products and services were the major competitive tactics that significantly contribute to organization performance. In cost leadership strategy, only minimized distribution cost significantly contribute to the organization performance. In cost-focus strategy, a number of competitive tactics that significantly contribute to the organization performance were identified including improving operational efficiency, extensive training of front-line personnel and controlling the quality of their products or services.

5.3 Implications of the findings for practice

The study identified different generic strategies specifically different combination of generic strategy used by commercial banks in Cambodia.

5.3.1 Porter's (1985) generic strategies in banking industry

The results of this study were consistent with previous studies which suggest that Porter's (1985) generic strategies are applicable in the banking industry. This study found that no commercial bank employed pure differentiation strategy. Nevertheless, the study found four commercial banks employed pure cost leadership strategy; the rest of the banks employed combination of one or more generic strategy. As mentioned earlier, the result was different from those identified by Power and Hanh (2004) in which banks employed pure generic strategies. The implication for the practice is that commercial banks in Cambodia cannot employ one generic strategy and ignore other generic strategies. Although the study

identified 3 banks employing pure cost leadership strategy. Nevertheless, they also put some effort on competitive tactics for other generic strategies.

5.3.2 Performance differences of Porter's (1985) generic strategies

The study identified five strategic groups in banking industry in Cambodia. Although the result indicated that the performance differences between each strategic group were not statistically significant, it was found that each strategic group had different performances. Banks that employed differentiation strategy with a focus on specific markets, had the highest ROA, followed by the combination of cost leadership and focus on specific markets. Therefore, management should consider these strategies, and whether or not they are suitable for their banks. While performance differences between each generic strategy were not statistically significant, managers should take other factors into consideration such as implementation of the strategy. Indeed, implementation is one of the key factors determining organization's performance because strategies do not add value unless they are properly implemented (Heide, Gronhaug, and Johannessen, 2002; Noble, 1999). A recent study by Hanh and Power (2010) also identified the importance of strategic planning and implementation in determining differences of performance of generic strategies in banking industry.

5.3.3 Competitive tactics and performance

The study shows that most of competitive tactics were not associated with performance, except extremely strict product and service quality control procedure, which were associated with performance. Nevertheless, although the study showed that the performance differences between each strategic group were not statistically significant, commercial banks employing a combination of cost leadership and focus on specific market and commercial banks employing differentiation strategy focus on specific geographic market had high performance. Therefore, management should also look at competitive tactics that support the two strategic groups whether or not they can use those competitive tactics. For example,

commercial banks should emphasize cost cutting and internal efficient program such operating costs including number of customers per staff. One staff normally can service a number of customers, and the banks can increase the efficiency of the services by training staff or recruiting highly trained or experienced personnel so that they can provide better services to more customers. Another competitive tactic supporting this strategy can be seen as putting major effort to maintain lending capacity and flexibility, as well as major effort to insure adequate deposit availability. In an addition to competitive tactics for cost leadership, at the same time commercial banks should also focus competitive tactics for differentiation strategy such as extensive customer service capability, building bank's reputation within industry, extremely strict products and services quality control procedure. Additionally, the two strategy groups that associated with high performance were associated with focus strategy specifically specific target markets. Therefore, managers should focus on specific markets rather than on diluting the impact by attempting to capture the whole market. Lastly, the study show that most competitive tactics were not associated with performance, and also, the performance differences of commercial banks employing different strategy were not statistically significant. Therefore, management should consider other factors that significantly affect performance. Managers cannot depend solely on competitive tactics or generic strategy alone. Other factors should be taken into consideration including the implementation of the chosen strategy, and resources for implementing the chosen strategies. Indeed, according to Bowman and Helfat (2001), strategic planning was also one factor that determines an organization's performance. Strategy implementation is also necessary for value creation according to El-Ansary (2006).

5.4 Implications of the findings for theory

As mentioned earlier, the study found that commercial banks in Cambodia employed Porter's (1985) generic strategies.

5.4.1 Strategies used by commercial banks in Cambodia

The result of the study provided findings consistent with prior research such as the studies conducted by Chan and Wong (1999) and Power and Hanh (2004). Nevertheless, this study found most commercial banks did not pursue a single strategy. Therefore, the study supports the theory that it is possible to pursue more than one generic strategy at the same time. For instance, cost leadership strategy can be used simultaneously with differentiation strategy.

5.4. 2 Performance differences between each strategy group

The study identified different strategies used by commercial banks in Cambodia and their associated performance. Nevertheless, this study found that the performance differences between each strategic group were not statistically significant. This result was in contradiction to Porter's (1985) argument that firm should pursue one of the generic strategies, namely, cost leadership, differentiation or focus in order to perform above industry average. Firms failing to pursue any of the three generic strategies will be stuck-in-in-the-middle and will experience inferior performance. Another implication for theory is the combination of Porter's (1985) generic strategies. This study found that most commercial banks in Cambodia employed more than one strategy at a time which means that it was in contradiction to Porter's (1985) argument that firm should pursue only one strategy at a time as each strategy consumes the same resources, and that is impossible to pursue cost leadership and differentiation simultaneously; nevertheless, as mentioned earlier, the results supports the arguments by a number of scholars who argue that it is possible to pursue cost leadership strategy and differentiation strategy simultaneously. Therefore, Porter's (1985) generic strategy may not be valid for all industries, specifically banking industry in Cambodia.

5.4. 3 Competitive tactics and Performance

The study shows that most of competitive tactics were not associated with performance. This also supports the result that the performance differences between banks employing different strategy were not statistically significant. Therefore, other

factors should be taken into consideration in order to enhance organization performance. Competitive tactics that Power and Hanh (2004) found support their relationship with performance may not contribute to performance in other countries or other industries.

5.5 Limitations and Future Research

While this research significantly contributes to academic and practitioners knowledge of the Cambodian banking strategies, it also contains some limitations and delimitations. The limitation of this research is the research methodology, specifically the method for collecting data. This study uses self-administered questionnaires which have a number of disadvantages. The main disadvantage self-administered is that respondents are unable to clarify questions. For instance, if respondents are not clear about some questions they are not able to ask for clarification; they may provide the answers that may not fully reflect their actual activities. Secondly, in the self-administered questionnaires, the researcher does not know who is actually answering the questions, although the questionnaires are sent to the top management who are responsible for formulating the bank strategies. The questionnaire may be forwarded to other people who do not have responsibility for strategic decisions. Therefore, answers may not reflect the banks' actual strategies. Another weakness of self-administered questionnaires may be the low response rate of such kind of collecting data.

This study tests the applicability of Porter's (1985) generic strategies in the Cambodian banking industry and identifies the key competitive tactics within each generic strategy that has some influence on performance. As this study was conducted in the banking industry in Cambodia, which is quite isolated from the international banking industry, the results of this research cannot be generalized; in other words, this study is single country reliance (Cambodia) and industry specific

(banking industry) may be difficult to generalize across other industries and in other countries.

The results of the study suggest more future research related to Porter's (1985) generic strategy and performance. Firstly, strategies employed by commercial banks, indeed, although the study identified Porter's (1985) generic strategy employed by commercial banks in Cambodia; the results show that commercial banks in Cambodia employed more than one generic strategy at the same time. For instance, cost leadership strategy and differentiation strategy were used simultaneously. However, Power and Hanh (2004) found that banks in the USA employ a single strategy. Therefore, future research related to Porter's (1985) generic strategies are suggested. Secondly, the relationship between generic strategies and performance is also an area for future research. This study found that the performance differences of commercial banks employing different strategies were not statistically significant. As mentioned earlier, the result was inconsistent with a number of research studies that found specific strategies are associated with performance. For instance, in *e*business, differentiation strategy is the best route to achieve higher performance (Koo, Song, Kim and Nam; 2007 and Koo, Koh and Nam, 2004). Baack and Boggs (2007) also argue that implementation of a cost-leadership strategy by developed-country multinational companies, is rarely effective in emerging markets. Finally, the relationship between competitive tactics and organization performance is also another aspect for future research. There were very few studies on this aspect and there was no research on performance differences of different competitive tactics. Although the study found that most competitive tactics were not associated with performance, the result cannot be generalized and further research in this area is needed to generalize the relationship between competitive tactics and performance.

5.6 Summary and Concluding Remarks

The study identified the strategies used by commercial banks in Cambodia. Porter's (1985) generic strategies were employed by all commercial banks in Cambodia; nevertheless, most of them used combination of Porter's (1985) generic strategies

rather than pure strategy. This was consistent with the results found in other studies which also indicated that Porter's (1985) generic strategies were widely used in banking industry.

Nevertheless, the study found that the performance differences between each strategic group were not statistically significant. As already identified in the earlier chapter, this result is also consistent with the result found in prior research such as Chan and Wong (2004) but inconsistent with Power and Hanh (2004). Nevertheless, it was found that some strategy groups had higher performance than others. Therefore, managers can consider employing any strategy associated with high performance. Regarding competitive tactics which support each generic strategy, the study found that most competitive tactics were not associated with performance. The study also found that none of the combination of competitive tactics within and between each generic strategy contributes to performance. Therefore, managers should take other factors such as strategic planning and implementation into consideration. Nevertheless, the result of the study cannot be generalized due to a number of limitations. Further researches are suggested in related to generic strategies, competitive tactics and firm performance and other factor affecting performance such as strategic planning or implementation.

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Appendix A: QUESTIONNAIRE

These questions are related to competitive tactics employed by most banks. They are adapted from Pecotich, Purdie, and Hattie (2003), Power and Hahn (2004), Allen and Helms (2006), Allen, Helms, Takeda, White, and White (2006), and Pertusa-Ortega, Molina-Arozin and Claver-Cortes (2008). Please kindly answer the below questions that describe competitive methods employed by your bank in the last four years (2006-2009) by circle any number from 1(never) to 7 (always).

28. Vigorously pursued cost reductions

Never (0%)	Almost never (1-20 %)	Some times (21-40%)	About half (41-60 %)	Most time (61-80%)	Almost always (81-99 %)	Always (100%)
1	2	3	4	5	6	7

29. Pricing below competitors

Never						Always
1	2	3	4	5	6	7

30. Emphasis on cost cutting and internal efficiency program

Never						Always
1	2	3	4	5	6	7

31. Adoption of procedures to encourage high utilization of assets

Never						Always
1	2	3	4	5	6	7

32. Developing and refining existing service/products offering

Never						Always
1	2	3	4	5	6	7

33. Major expenditure on technology-based delivery system to lower costs.

Never						Always
1	2	3	4	5	6	7

34. Outsourcing function or entering into a joint venture to control cost

Never						Always
1	2	3	4	5	6	7

35. Specific effort to insure a pool of highly trained/experienced personnel

Never						Always
1	2	3	4	5	6	7

36. Major effort to maintain lending capacity and flexibility

Never (0%)	Almost never (1-20 %)	Sometimes (21-40%)	About half (41-60 %)	Most time (61-80%)	Almost always (81-99 %)	Always (100%)
1	2	3	4	5	6	7

37. Major effort to insure adequate deposit availability

Never						Always
1	2	3	4	5	6	7

38. Emphasis on training, education and institutional learning

Never						Always
1	2	3	4	5	6	7

39. Promotion/advertising expenditure above industry average

Never						Always
1	2	3	4	5	6	7

40. Extensive training of marketing personnel

Never						Always
1	2	3	4	5	6	7

41. Extensive customer service capabilities

Never						Always
1	2	3	4	5	6	7

42. Extremely strict service/product quality control procedures

Never						Always
1	2	3	4	5	6	7

43. Building bank's reputation within the industry

Never						Always
1	2	3	4	5	6	7

44. Innovation in marketing techniques and methods

Never						Always
1	2	3	4	5	6	7

45. Complementary services

Never (0%)	Almost never (1-20 %)	Sometimes (21-40%)	About half (41-60 %)	Most time (61-80%)	Almost always (81-99 %)	Always (100%)
1	2	3	4	5	6	7

46. Developing a broad range of services/products

Never						Always
1	2	3	4	5	6	7

47. Major expenditure on technology to differentiate services/products

Never						Always
1	2	3	4	5	6	7

48. New product service development

Never						Always
1	2	3	4	5	6	7

49. Strong branch network

Never						Always
1	2	3	4	5	6	7

50. Narrow, limited range of services/products

Never						Always
1	2	3	4	5	6	7

51. Emphasis on marketing specialty services/products

Never						Always
1	2	3	4	5	6	7

52. Services/products offered in lower prices market segments

Never						Always
1	2	3	4	5	6	7

53. Services/products offered in higher priced market segments

Never						Always
1	2	3	4	5	6	7

54. Only serve specific geographic markets (associated, but not significantly so)

Never (0%)	Almost never (1-20 %)	Sometimes (21-40%)	About half (41-60 %)	Most time (61-80%)	Almost always (81-99 %)	Always (100%)
1	2	3	4	5	6	7

55. Following actions of competitors

Never						Always
1	2	3	4	5	6	7

29. In this last question please provide the name of your bank. The purpose of this question is to match this survey with the performance of your bank which is your publicly available financial information. Your bank name is

Appendix B: Letter to Chief Executive Officer

To: Chief Executive Officer
.....Banks
Date: 07 August 2010
Subject: Request for Participation in Research Study

Dear Sir/Madame

My name is Veasna KRU. I am a doctoral candidate in the Newcastle Graduate School of Business at the University of Newcastle, Australia. I am conducting a research study as part of the requirements of my Doctor of Business Administration Degree, and I would like to invite you to participate in this research study. I am studying the competitive strategies employed by commercial banks in Cambodia and their relationship with performance. I include information statement explaining the details of my research study including, the purpose of the research, risks and benefits in participating in the study and privacy.

I am happy to answer any questions you have about the study. If you have any question regarding this research study please contact me at 855-15-51-8888. vkru@bigpond.com or my supervisor, Associate Professor Dianne Wingham, email winghamau@bigpond.com or Tel. +61 8 9319 1746.

I would like to thank you very much for your consideration. If you would like to participate, please complete the questionnaire and inform consent and return to National Bank of Cambodia before 04 September 2010.

With kind regards,

Veasna KRU
National Bank of Cambodia
22-24 Norodom Blvd. Phnom Penh
Tel. 85515518888
Email. vkru@bigpond.com, vkru@nbc.org.kh

Appendix C: Participation Information Statement

Associate Professor Dianne Wingham
Newcastle Business School, University of Newcastle
University Drive
CALLAGHAN NSW 2308
AUSTRALIA
Tel. +61 8 9319 1746
Fax. + 61 2 4921 8636
Email: Dianne.wingham@newcastle.edu.au



Information Statement for the Research Project:

Competitive Tactics, Generic Strategies and Firm Performance in Banking Industry In Cambodia

Document Version V05; dated 23/07/2010

You are invited to participate in the research project identified above which is being conducted by Veasna KRU, student from the School of Business and Law at the University of Newcastle.

The research is part of Veasna KRU's studies at the University of Newcastle, supervised by Associate Professor Dianne Wingham from the University of Newcastle.

Why is the research being done?

The purpose of the research is to explore competitive tactics and generic strategies employed by commercial banks in Cambodia and their associated with firm performance. Previous researches on the linkage between competitive strategies and firm performance had been conducted by a number of scholars in different countries such as Hong Kong and the United State. Nevertheless, the results of the researches still cannot be generalized. The Cambodian banking industry is very young and isolated. Therefore, this study is not only beneficial to academics to test, the literature in the Cambodian banking industry, but also practitioners, especially bankers, to determine the appropriate strategies and competitive tactics to obtain higher performance.

Who can participate in the research?

We are seeking people who are the senior management of the banks, and who are responsible for strategic management of the banks. If you are not currently in a management position responsible for strategic directions of the banks then unfortunately you are not able to participate.

What choice do you have?

Participation in this research is entirely your Bank's choice. Only those Banks who give their informed consent will be included in the project. Whether or not you decide to participate, your decision will not disadvantage you. You may change your mind at any time before submitting the completed survey. As the surveys are anonymous, it will not be possible to retrieve following submission.

What would you be asked to do?

If you agree to participate, you will be asked to complete the attached questionnaire which describe competitive tactics that employed by your bank in the last three years.

How much time will it take?

The questionnaires should take about 30 minutes to complete

What are the risks and benefits of participating?

The objective of the research is to explore the relationship between competitive strategies and firm performance in the banking industry in Cambodia. Therefore, the result not only contributes to the literature but also practitioners, specifically bankers in Cambodia, to employ the appropriate strategy in order to improve performance. The identity of the person completing the questionnaire will be anonymous, although they will be asked to identify the name of their bank within the questionnaire. Your privacy will be further protected, as the results will be reported in the collective manner.

How will your privacy be protected?

Any information collected by researchers in this study will be stored securely and only accessed by the researchers unless you consent otherwise, except as required by law. There are limits on assurances of confidentiality as research data/records may be subpoenaed by law.

Data will be retained for at least 5 years at and at least a copy of the data used for analysis is to be held securely as required by the University of Newcastle. Nevertheless, name of your bank will be deleted after the performance is matched for analysis. Reporting of the generic strategies and performance will be in aggregate form. Research data will be stored and accessed in accordance with the University of Newcastle's research data and materials management policy and procedure.

If you agree to participate your name will not be connected with your completed survey. The name of your bank will be recorded only to confirm and compare data

with publicly available information. Your name will be kept only to provide you with a summary of the results of the research.

How will the information collected be used?

The information will be used in a thesis to be submitted for Doctor of Business Administration degree at the University of Newcastle, Australia. Individual participants and individual banks will not be identified in any report arising from the project. The results will be reported in a collective manner. A summary of the results will be distributed to participants.

What do you need to do to participate?

Please read this Information Statement and be sure you understand its contents before you consent to participate. If there is anything you do not understand, or you have questions, contact the local researcher on vkru@nbc.org.kh or +855 15 518888. The principal researcher may be contacted on winghamau@optusnet.com.au or +61 8 9319 1746 if required after initial contact.

If you would like to participate, please complete the attached Questionnaire and Consent Form and contact me for collection of your completed questionnaire.

Further information

If you would like further information please contact Veasna KRU vkru@nbc.org.kh or telephone 855 15 51 8888 or my Chief Investigator and Project Supervisor Associate Professor Dianne Wingham PhD winghamau@bigpond.com.au or +61 8 9319 1746

Thank you for considering this invitation.

2010 July 23

Associate Professor Dianne Wingham
Project Supervisor
Researcher

Veasna Kru
Student

Appendix D: Consent Form

Associate Professor Dianne Wingham
Newcastle Business School, University of Newcastle
University Drive
CALLAGHAN NSW 2308
AUSTRALIA
Tel. +61 2 4921 8656
Fax. + 61 2 4921 8636
Email: gs@newcastle.edu.au



**Consent Form for the Research Project:
Competitive Tactics, Generic Strategies and Firm Performance in Banking
Industry in Cambodia**

Document Version V02; dated 26/02/10

I agree to participate in the above research project and give my consent freely.

I understand that the project will be conducted as described in the Information Statement, a copy of which I have retained.

I understand I can withdraw from the project at any time and do not have to give any reason for withdrawing.

I consent to complete a questionnaire

I have had the opportunity to have questions answered to my satisfaction.

Print Name: _____

Signature: _____ **Date:** _____

Complaints about this research

This project has been approved by the University's Human Research Ethics Committee, Approval No.

H-2010-1099

Should you have concerns about your rights as a participant in this research, or you have a complaint about the manner in which the research is conducted, it may be given to the researcher, or, if an independent person is preferred, to the Human Research Ethics Officer, Research Office, The Chancellery, The University of Newcastle, University Drive, Callaghan NSW 2308, Australia, telephone (02) 49216333, email Human-Ethics@newcastle.edu.au.

In Cambodia, please contact,

Secretary General
National Bank of Cambodia
22-24 Norodom Blvd. Phnom Penh
Tel/Fax. 855-23-722 563