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-SUMMARY-

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STRATEGIC APPROACHES WITH EFFECTS ON COMPETITIVENESS AND PROFITABILITY OF TEXTILE MARKET IN IRAQ

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- Strategic Management
- Strategic Thinking
- Competitive Market Strategy
- Offensive Strategy
- Defensive Strategy
- Rational Strategy
- Strategic Choices
- Product Life Cycle
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- T-Test
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INTRODUCTION

Textiles are one of the longest serving active industries in Iraqi society, having the potential to be turned around through private sector investment and leasing strategies. A country keeping its traditional costumes, a reflection of Iraqi technical skills, aesthetic and political ideals, moral standards, and religious values, Iraq fights to revigorate its textile industry, not only for the sake of the members of Iraqi society, deeply immersed in Islamic fundamentalism, not for the traditional outfits reflecting their ideals and values, but for the country's circumstantial prosperity.

Based on these considerations, in this doctoral thesis I explored the theoretical foundations of the strategic management process, the market strategies, the market segmentation, the concepts of competitiveness and profitability, their methods of measurement, their determinants and the impact that competitive market strategies have on the competitiveness and profitability of companies, the research focusing towards the end on the implementation of the offensive, defensive and rational strategies by the textile companies in Iraq, interference and constraints in their implementations, their impact on the real economy and particularly the challenges that company managers will have to face in the future in terms of adopting market strategies adapted to their company profile, to encourage growth and increase profitability.

The problem that this research faces is that textile industry in Iraq lacks availability of a clear vision about the suitable market strategies that are necessary for organizations to achieve their aims; among these aims is the increase of profitability and to determine how a lack of capital impedes on the market strategies of the textile companies in Iraq.

The importance of this research resides in understanding the effects of the market strategies the textile organizations follow to increase profitability, considering that this sector is a pillar of the national economy. This research is an attempt to know how to face competition in this industry.

This paperwork is **structured in five chapters.**

Chapter 1
STRATEGIC MANAGEMENT – ADVANCED STAGE IN THE EVOLUTION OF MANAGEMENT

1.1. Developments in Management Science

The first chapter is dedicated to the strategic management, the latest stage in the evolution of management. The analysis begins with an introduction to the science of management, drawing out the theories that carried to what management represents today, supported by the ideologies that changed the established order in those times. In this subchapter, we examine how management theory concerning appropriate management practices has evolved in modern times, and look at the central concerns that have guided its development. First, there are examined the so-called classical management theories that emerged around the turn of the twentieth century. These include scientific management, which focuses on matching people and tasks to maximize efficiency; and administrative management, which focuses on identifying the principles that will lead to the creation of the most efficient system of organization and management. Next, we consider behavioural management theories, developed both before and after the Second World War, which focus on how managers should lead and control their workforces to increase performance. The management science theory, which was developed during the Second World War, has become increasingly important as researchers have developed rigorous analytical and quantitative techniques to help managers measure and control organizational performance. Finally, there are discussed the business in the 1960s and 1970s and the theories that were developed to help explain how the external environment affects the way organizations and managers operate.

Managerial theory has become crucial in the way managers manage complex organizations. Although some managers in different parts of the world could have achieved managerial success without having basic theoretical knowledge in management, it has to be unequivocally emphasized that those managers who have mixed management theory in their day-to-day practice, have had better chances of managing their organizations more efficiently and effectively to achieve both individual and organizational objectives. Therefore, managers of contemporary organizations ought to appreciate the important role they play in their respective organizations if they are to achieve set goals. Secondly, there is need to promote excellence among all persons in organizations, especially among managers themselves.

First and foremost, management is about solving problems that keep emerging all the time in the course of an organization struggling to achieve its goals and objectives. Problem solving should be accompanied by problem identification, analysis and the implementation of remedies to managerial problems. Second, administration involves following laid down procedures (although procedures or rules should not be seen as ends in themselves) for the execution, control, communication, delegation and crisis management. Third, human resource management should be based on strategic integration of human resource, assessment of workers, and exchange of ideas between shareholders and workers. Finally, organizational leadership should be developed along lines of interpersonal relationship, teamwork, self-motivation to perform, emotional strength and maturity to handle situations, personal integrity, and general management skills.

The variety of approaches to management analysis, the welter of research, and the number of differing views have resulted in much confusion as to what management is, what management theory and science is, and how managerial events should be analyzed. This is why some scholars have called this situation ″the management theory jungle″. Since that time, the vegetation in this jungle has changed somewhat, new approaches have been developed, and older approaches have taken some new meanings with some new words attached to them, but the developments of management science and theory still have the characteristics of a jungle.

Managers who apply theory to managing must usually blend principles with realities. Once managers know about theory, they will have the capacity to forestall future problems that may occur in the enterprise. In sum, there are basically three main reasons why we have to study management theory. First, theories provide a stable focus for understanding what we experience. A theory provides criteria for what is relevant. Second, theories enable us to communicate efficiently and thus move into more and more complex relationships with other people. Third, theories make it possible – indeed, challenge us – to keep learning about our world. By definition, theories have boundaries. Each approach or theory has its own characteristics and advantages as well as limitations. The operational approach, or management process approach, draws on each "school" and systematically integrates them.

More recent developments in management theory, like open-system approach, contingency theory, chaos theory, team building theory, quality and quantitative approach, take into account the complexity of each situation, implying workable solution to the problem in the light of the realities managers face, but all management theories that have been discussed, important as they are, have to be translated in practice by managers.

Managing, like all other practices – whether medicine, music composition, engineering, accountancy, or even baseball – is an art; it is know-how. It is doing things in the light of the realities of a situation. Yet managers can work better by using the organized knowledge about management. It is this knowledge that constitutes science. Managers who attempt to manage without management science must put their trust to luck, intuition, or what they did in the past.

No doubt, a manager who makes serious attempts to translate theory into reality is bound to increase productivity more than a manager who chooses to use the ″fire brigade″ or trial and error approach.

1.2. The Emergence of Strategic Management

In this subchapter we tackled aspects referring to the definition and evolution of the concept of strategy, the necessity to develop the strategic management and the identification of relevant strategic challenges.

Highlightening that the phrase "strategic management" was officially used in 1973 on the *"First International Conference on Strategic Management",* we started the analysis by revealing the origins of the concept of strategy, as military legacy, and continued with the stages of the scientific approach in economics. We presented the essence of the concept according to Peter Drucker, Alfred Chandler, Igor Ansoff, Brian Quinn, R.A. Thiétart, and their limitations. For example, A. Chandler's definition presents as deficiency the absence of a clear differentiation between the strategy development process and the strategy itself. Kennteh Andrews and Igor Ansoff have specified this distinction. Later on, other scholars have addressed strategy in a different manner, delimiting the following components: objectives, policies (rules), programs, and strategic decisions. To mention the complex analysis of Henry Mintzberg, in 1990, who defines strategy through five essential characteristics: perception, project, pattern, positioning and perspective. Also, Michael Porter stresses the role of strategy in providing a competitive advantage.

The development of strategic management imposed at the same time with the large-scale planning of spheres of activity or business areas that affect the entire corporation. Later on, the concept of unit strategic planning was introduced, better adapted to an environment characterized by uncertainty, complexity and dynamics, dominant after the 1970s. Ansoff is the one who urged the transition towards the strategic management, by stating the disadvantages produced by the strategic planning limitations. Strategic management also includes the phases of implementation, leading and control of processes for solving pure planning issues. The necessity derives from observing psychological, social, political and cultural variables, in addition to the economic and technical factors.

Developments referring to the identification of the relevant strategic challenges start from the finding that the turbulence in the political, legal, economic and technological environments acquires a strategic significance. Strategic challenge resides in facing permanent change in the corporate environment and confronting corporate management demands with individual fields, required by the speed of the process of change. The increasing dynamics and complexity of the environment require a continuous shift in strategic and operational management under the simultaneous contraction of the available reaction time. Trends with a special meaning for the corporation need to be reorganized as soon as possible so they can adapt in due time.

1.3. Schools and Currents of Strategic Thinking

The subchapter named ″Schools and Currents of Strategic Thinking″ describes the ten major schools of strategic thinking, together with their promoters and the conceptions that typically dominate each current of thinking on strategy. These range from the early Design and Planning schools to the more recent Learning, Cultural and Environmental Schools.

These ten very different streams of understanding strategy systems, once again underline that strategy is indeed a complex and multi-dimensional function within the enterprise, which is certainly the case for enterprises in knowledge-based ecosystems. On the other hand, it also points to a lack of a coherent body of knowledge in the field of strategy theory. Such fragmentation of solutions implies a huge difficulty in trying to solve concrete strategic problems in current day enterprises.

Chapter 2
MARKET STRATEGIC APPROACH

2.1. The Market – The Stage where Strategic Approaches Come to the Fore

This subchapter describes the modalities to assess the market, from the point of view of some experts, referring to a collection of people that, in some way or another, interact to influence the selling and the acquisition of goods and products. Marketers see the sellers as constituting an industry and the buyers as constituting a market. The relationship between the *industry* and the *market* is ensured by four flows: the sellers send products, services and communications to the market; in return, they receive money and information. It was considered necessary to explain the role of each participant in the market and the principles under which they act.

It has been shown that the identification of specific market characteristics contributes to the proper orientation for selecting the most appropriate strategy for market and targeting segmentation. Using the term market to cover various groupings of customers, we considered important and relevant to enumerate and characterize the existing types of markets: need markets, product markets, geographic markets, labour market, money market, donor market.

Dealing with the multiple aspects of the market, presented as the place where strategic approaches take place, permitted drawing the conclusion that each national economy and the entire world economy consists of a complex group of interacting markets, connected through exchange processes.

2.2. Market Segmentation

Market segmentation is the process of dividing a market into groups of similar consumers and selecting the most appropriate group(s) for the organization to serve. Markets are selected on the basis of their size, their profit potential, and how well they can be defined and served by the organization. There are also treated, whereas we considered them significant for the issue we cover, four criteria for market segmentation: *geographic, demographic, psychographic* and *behavioural*.

Market segmentation enables the firm to evaluate the various segments and decide how many and which ones to target and which market strategy to adopt.

When applied properly, segmentation represents a win-win scenario. Sales teams benefit from an improvement in their contact and interaction with customers. Marketers can deploy relevant strategies to complement the field force's efforts. The impact of this alignment on performance should not be underestimated. Given ongoing issues with access, time with customers and slowdown in product introduction, the case for adopting segmentation is compelling for both sales and marketing teams. Segmentation will ensure that the needs of customers, workforce and organisations are met.

At the end of this chapter it is developed the issue of choosing the most effective market-coverage strategy. We've come to the conclusion that several factors must be considered. Thus, factors such as company resources, the variability of products, the stage in the product life cycle, the degree of product variability, competitors' marketing strategies determine the use of undifferentiated marketing, differentiated marketing or concentrated marketing.

2.3. Competitive Market Strategies

This chapter presents the typology of competitive market strategies, which might be called as theories of different strategy types, emerged as an important research area in strategic management. Miles and Snow have studied the strategies that organizations use to solve entrepreneurial, technical and administrative problems, and proposed their famous strategic typology, meaning four strategic types of organizations: defender, analyzer, prospector and reactor. Maybe the most popular strategy classification in the literature is known as ″Porter's model″. Of particular interest are also the typology and strategies proposed by Robinson, McDougall and Herron who claimed that venture strategies can be divided along two basic strategic dimensions: growth orientation (aggressive and gradual) and product/market focus (narrow and broad) - the new venture generic strategy framework -, as well as the strategy vector model.

This thesis approaches a set of strategies, among which: the offensive strategies, the defensive strategies, the rational strategies, the strategies based on product life cycle, and the strategies in different industry growth environments.

Offensive strategies present the following significant versions: frontal attack, flanking attack, encirclement (envelopment) attack, bypass attack, guerrilla attack. The stake with offensive strategies is that challenging strong competitors will only be successful in the long-run if the company can truly outcompete a rival at what they do best. When launching simultaneous offensives on many fronts, a challenger with superior resources can overpower weaker rivals by out-competing them across-the-board long enough to become a market leader!

Defensive strategies are based on a few main types, such as: position defence, mobile defense, flank position, counter offensive, preemptive defence and strategic withdrawal (contracting defence). It is often said that the best defense is a good offense. Never underestimate the importance of the defensive marketing strategy. All too often companies take customers for granted and overspend going after new ones. Without competition, that's OK. But the day a competitor goes after your customers, that's the day everyone gets serious about a defensive marketing strategy. By this time, the damage is done and the real struggle is to minimize losses. Better idea: reserve a good portion of your war chest for defense.

Rational strategies are due to the increase intensity of competition in the markets and the appearance of many challenges the organizations must face. Rational strategies imply leaving unprofitable businesses to more profitable ones. However, even if profit maximization and rationality from the basis of the dominant management value set today, we consider that socially complex resources and relationships are the company’s driving mechanisms, those that lead to performance and success. Being a manager implies more than making decisions, it involves inspiring confidence among staff, getting the most out of employees and getting people to go the extra mile for the company. Hence, ″holistic″ decision making may create better long-term results for a company than the more traditional ″rational″ approach. More than quantification and rational decision making, the role of the executive requires holistic consideration of resources and relationships. So while improving performance may still be the goal, the implication for executive decision making is to more generally focus on building core processes that could potentially add value to the organization in the long run.

The Product Life Cycle (PLC) is based on how products and markets work in during the different stages of their life cycle. But using the PLC concept for forecasting product performance or for developing marketing strategies presents some practical problems. For example, managers may have trouble identifying in which stage of the PLC is the product, pinpointing when the product moves into the next stage and determining the factors that affect the product’s movement from one stage to another. In practice, it is difficult to forecast the sales level at each PLC stage, the length of each stage and the shape of the PLC curve. Another interesting, yet negative aspect related to PLC strategies is that using the PLC concept to develop marketing strategy can be difficult because strategy is both a cause and a result of the product’s life cycle. The product’s current PLC position suggests the best marketing strategies, and the resulting marketing strategies affect product performance in later life-cycle stages.

Strategies in Different Industry Growth Environments refers to the stages of introduction, growth, maturity, and decline that occur over the life of an industry. The notion that the growth stage of an industry may affect the competitive strategies of firms has received much attention in the literature. But until recently, prescriptions for success have been developed primarily for growth environments, the implication being that firms should avoid non-growth industries. Researchers have now begun to explore viable strategies for the maturity and decline phases as well. A general conclusion is that while high volume and high market share are desirable components of effective strategies in a growth environment, in the maturity and decline phases, firms should attempt to pursue high-profit strategies, even if that means lower volume. Thus, different strategies are recommended for firms in different growth environments, and the prescriptions differ depending on market share. However, empirical studies done using the Profit Impact of Marketing Strategy (PIMS) data base show that under all growth stages, profitable large firms emphasize resource efficiencies, productivity, and product quality. They tend to avoid investments in plant, product, or process research, and sales force build-up. The same types of strategies produced profit in each growth environment; only the strength of the relationship between strategies and profit performance varied, indicating that some strategies may be more crucial under certain conditions.

Chapter 3
COMPETITIVENESS AND PROFITABILITY IN THE APPLICATION OF MARKET STRATEGIES

3.1. Competitiveness – Driver of Customers' Satisfaction and Nations' Prosperity

Competitiveness may be considered as the power of an individual product or a group of products offered by a certain company to satisfy existing customers, and also to attract potential customers to purchasing.

To plan competitive strategies, the company needs to know everything about its competitors. It is constantly required that the company compares its products, prices, distribution channels and promotion methods to those of their closest competitors. Thus, the company can find areas of potential competitive advantage and disadvantage. It can also launch more effective campaigns against its competitors and prepare better defensive strategies against competitors' actions.

Resource heterogeneity, leading to efficiency differences and, therefore, rents, is a necessary condition for a resource bundle to constitute the basis for competitive advantage. In such a framework, a special importance is granted to the basic criteria unique resources should meet to yield a sustainable stream of above normal returns, such as imperfectly competitive factor markets, imperfect mobility, nonimitability, barriers to imitation, economies of resource accumulation, nonsubstitutability, existing empirical evidence or strategic commitments made by the company.

3.2. Profitability - Company's Major Goal

Profitability delimitates the efficiency of a company or industry at generating earnings. Profitability is expressed in terms of several popular numbers that measure one of two generic types of performance: ″how much they make with what they've got″ and ″how much they make from what they take in″.

Trying to define a company good performance, there were depicted the financial ratio analysis, meant to measure the financial health, the operating performance and the amount of cash flows and liquidity. We looked at the different ratio categories: Profitability Ratios; Liquidity Ratios; Debt Ratios; Performance Ratios; Investment Evaluation Ratios.

We also reviewed performance areas that a business should examine, such as market standing, product/service value and performance, relative cost, new product activity, productivity, manager performance and development, and employee performance and attitude.

3.3. Impact of Market Strategies on Competitiveness and Profitability of Firms

The chapter is culminating with the impact that market strategies have on the competitiveness and profitability of firms. This impact is approached from two perspectives: on the one hand, we treated the impact of competitive market strategies that go for wining and retaining customers, in the context of companies fighting for survival, and companies targeting market leadership; on the other hand, we covered the impact of competitive market strategies that hunt building competitive advantage, again in the context of companies fighting for survival, and companies targeting market leadership.

In case of targeting winning and retaining customers, a company fighting to stay alive may adopt either low cost/benefit strategies, or hold to its mass marketing, meaning mass producing, mass distributing and mass promoting, or to be a ″go-giver″ in customer service, or work on its products by adding new attributes or line extensions. For a company targeting market leadership, we recommended either to choose to create higher value for its customers, or to go for a positioning strategy, having three alternatives at its disposal: current position, unoccupied position or deposition; or chasing success from being different in a way that customers want. Companies may choose to specialize in satisfying unique customer needs through a close relationship with and intimate knowledge of the customer or seeking to make their competitors irrelevant through a strategic logic called value innovation. Leadership position implies having the guts to launch new product categories and new brands, putting its ideas in practice with speed.

As for the strategies meant to build competitive advantage, companies wanting to survive may try to synergistically use a combination and integration of sets of resources to push the company forward. Innovation in products, technology, process and business is also recommended. For the corporations in seek of leadership, we went even more far in suggesting building distinctive capabilities, hard to imitate by the competitors, but also being promoter innovators, proposing radical innovations, interacting with their business environment, searching new growth opportunities like joint ventures, coordinating cross-departmental or cross-company business processes, adapting rapidly to changing business environment and creating new business models to cope with fierce competitors.

Firm profitability is greatly impacted by firm level variables, such as lagged profit, productivity level and size, have a positive and large impact on firm profitability, but also the past and current strategy, that sometimes has evolved into something very different that is assumed, or a strategic problem emerging at given moment in time, needing immediate solving in order not to affect company's image or sales volume. Profitability might as well depend on the internal organization involving its structure, systems, people, and culture that can be an important source of both strengths and weaknesses, or similarly, its financial resources. A realistic appraisal of the firm's resources can make strategy development more realistic and effective. One way to manage overall firm risk is to introduce flexibility objectives. Aaker and Mascarenhas have suggested that flexibility can be achieved in three ways: by diversification, investment in underused resources, and by reducing commitment of resources to a specialized use. Customer satisfaction and company profitability are closely linked to product and service quality. Higher levels of quality result in greater customer satisfaction, while at the same time supporting higher prices and often lower costs. Therefore, quality improvement programmes normally increase profitability.

Ultimately, marketing is the art of attracting and keeping profitable customers. Few companies actively measure individual customer value and profitability.

The concept of competitiveness reminds of that of competitive advantage. According to the largely consolidated view of competitive process, a firm's performance is affected by its competitive advantages. In its turn, the nature of such advantage results in one or more specific sources of competitive advantage which a firm controls. The concept of competitive advantage recalls that of comparison and rivalry. It can be interpreted as "the asymmetry or difference among firms along any comparable dimension that allows one firm to compete better than its rivals". A competitive advantage refers to the position of superiority within an industry that a firm has developed in comparison to its competitors. Firm level competitiveness indicated a firm's ability to design, produce and market products superior to those offered by competitors, where superiority can be evaluated from several factors, like price, quality, technological advancement, etc. At the firm level, profitability, costs, productivity and market share are all indicators of competitiveness. Generally, competitiveness is considered synonymous with success. In very simple terms, success can be intended as achievement of company objectives. Hence, performance should be measured in terms of how an organization manages its critical success factors. This paper raises the need to rethink the traditional theoretical models and measures of competitiveness or at least to check their actual validity more deeply, observing that today, beyond financial or market-based indicators, the measures of competitiveness increasingly include other variables such as innovativeness, quality, and social ones like ethical standing, social responsibility, working conditions of employees, etc.

Chapter 4:
REFERENCE STUDIES, RESEARCH METHODS AND MODELS IN THE STRATEGIC APPROACH OF IRAQ'S TEXTILE MARKET

4.1. Previous Reference Studies

The fourth chapter begins with a review of previous reference studies which tried to assess whether market strategies have an effect on firm profitability, dealing with the relation between market share and a group of factors and objectives like the average investment returns, performance and company orientation towards the market place. Due to the lack of an available model on how market strategies affect the profitability of companies, a comprehensive literature search proved to be necessary. Initially, it was underlined that an important factor in determining the profit position of any company is its ability to increase market share. Gaining significant share requires careful planning, thoughtful, well-executed market strategies, and specific account-by-account tactical plans. Therefore, there is a direct relationship between strategic planning and profit. Later researches showed the positive correlation between market share and return on investment (the relationship between profit and investment), showing why a high market share is profitable, listing as possible explanations: the economies of scale, the market power and the quality of management. Recent studies show the relationship between market orientation and performance and the important role of implementation on strategic performance, respectively the influence of medium level managers, heavily involved in implementing strategies.

The most influential development in strategic management was considering the market share as key factor of profitability. Two causal explanations are usually offered for the observed link between market share and profitability. First are the related effects of the experience curve and economies of scale. Through cumulative experience, tasks can be accomplished more efficiently by improving methods and procedures or by simple repetition. The desire to achieve cumulative experience effects can foster capital investment in operations and product redesign efforts to reduce costs. Scale economies can be achieved by larger share businesses, as plant and equipment investment and expenses such as marketing and R&D can be spread over more units.

4.2. The Research Motivation

The subchapter referring to the research motivation tackles aspects such as the importance of the study, its main objectives, to drafting a conceptual model to follow, and finishing with the statement of the hypotheses we proposed to demonstrate.

The problems that this research raise can be stated as follows: insufficient attention is paid to offensive, defensive and rational strategies, and their role in achieving the textile manufacturing companies' aims; firms operating in the textile industry do not give priority to increasing profitability as a strategic objective, by supporting the company on he market; neither in Iraq nor in the Arab world in general, there haven't been conducted any studies trying to demonstrate the role of market strategies and their direct influence on the objectives of textile industry firms or to determine the relationship between market strategies and profitability on the textile market in Iraq.

The study aims to investigate the influence of general market strategies to assess the profitability of companies operating in this sector. Hence, the importance of the research is attached to: the issue of general market strategies influence in specifying the profitability is one of the most important subjects in textile industries sector; the study is the first one in the research field in Iraq; the study included all the factors related to general market strategies that affect the achievement of the company objectives.

Starting from the problem stated, the research objectives are as follows: the recognition of the extent in which general market strategies influence the profitability size of businesses, which has a big role in achieving the company objectives; to ascertain whether managers of textile businesses in Iraq adopt market strategies that maximize their profitability and hence owners wealth; to contribute to a more comprehensive understanding of variables that impinges on the market strategy and performance of textile companies; to determine how a lack of capital impedes on the market strategies of the textile companies in Iraq.

Problem analysis and research objectives led us to a hypothetical model consisting of three market strategies (offensive, defensive and rational strategies), which act as influence factors on companies' profitability.

Based on the hypothetical model, the main hypotheses that arise from the problem already stated, and which simultaneously helps to achieve the objective of the study, are formulated like this:

H_1: *There is a relationship between the offensive strategy followed by the company and profitability*

H_2: *There is a relationship between the defensive strategy followed by the company and profitability*

H_3: *There is a relationship between the rational strategy followed by the company and profitability*

H_4: *There are differences among the textile sector companies with respect to the effect of the research variables*

H_5: *Offensive strategies have a limiting effect on the profitability of textile industry companies, which is determined by the market share*

H_6: *Defensive strategies have a limiting effect on the profitability of textile industry companies, which is determined by the market share*

H_7: *Rational strategies have a limiting effect on the profitability of textile industry companies, which is determined by the market share*

4.3. Research Methodology

In this subchapter we developed the following issues: the analysis of Iraq industrial textile sector in the context of the national business environment, the data collection instruments, the population delimitation process and establishment of the sample, the validity and reliability of the scale, measurable indicators used in the study, assumptions and limitations regarding the research.

We considered it absolutely necessary to begin the research with a complete profile of the textile industry in Iraq, integrated in the national business context. Textile sector is an established sector in Iraq producing apparel, medical cotton, handmade rugs, machine-made rugs, leather works, and fabrics. Although it comprises 31 production facilities, this sector beneficiated from a bad management and outdated equipment, up to now, but has a real potential for recovery in case of identification of adequate sources of funding. Because of frequent interruptions in supply of electricity, the production capacities are not reached. Leather workers employed in three factories conducted last year one of the longest strike in the history of the Iraqi workers' movement. The workers made many demands over the course of their strike: the repeal of ″self-funding″, seeing it as a danger to the workers and the companies, the freedom to organize unions in the public sector, the release of back wages for workers in the industrial sector since 1/1/08. Iraq has made important progress towards political and economic stabilization and macroeconomic performance has also improved. However, the situation remains fragile.

Beyond firm-specific and industry-specific factors, in recent years globalization has emphasized the importance of country-related effects as determinants of performance. Resource endowments, cost of labour and production inputs, financial and technological infrastructure, access to markets, institutional and regulatory frameworks are examples of country-specific factors that affect firm performance. Our study ascertains that the minuses that Iraq has in these areas affect considerably the performance of textile companies, irrespective of the market strategies implemented.

The study contains two types of information: primary data and secondary data. Secondary data were collected from textbooks, official and non-official publications, Internet sites, working papers by professional entities. Primary data have been collected through conducting a series of personal interviews, the target being 30 top and middle managers activating in 5 state textile companies in Iraq. The period of collecting these data was about one month. Validity and reliability of the scale was assessed by arbitration experts in the field.

The questionnaire form included three pivots: the first included general information on companies' managers and the second pivot included the measuring of the influence of the study variables in limiting the profitability, while the third pivot included the market share indicators as a target for companies in the textile sector. The opinions of the sample were measured using the Likert quintuple scale and the final response was counted for each particular factor, based on the overall sample responses and on each particular response.

The validity and reliability of the scale was evaluated by experts in arbitration in the field. On the experts' suggestions, we applied a few amendments to certain items of the questionnaire.

The study sample included 5 main companies out of 6 main companies that represent the textile sector in Iraq. 35 questionnaire forms were distributed to the textile sector companies, 30 forms had been delivered completely, i.e. an 86 % ratio. Within the paper, the 30 surveyed are analyzed in terms of their age, the service period in administrative and marketing positions in the textile industry field, the level of education, the level of training in the marketing area.

To test the margin of correctness of former hypotheses and to analyze the results of the practical study, we used the following indicators: Frequency and Ratios, Arithmetic Mean, Standard Deviation, Coefficient of Variation, Correlation Coefficient, T-Test (Student's test), F-Test (Fisher-Snedecor). The T-test is used to test the significant variances among the arithmetic means for the study variables and to test the significance of the correlation coefficient. The F-test is used to test the coherence the variances of the study variables and to test the significance of the regression models (to estimate the relation between the independent variable and the dependent variable).

We confronted ourselves with a series of limitations and difficulties during my research, the most important of all being perhaps that most of foreign studies are not suitable with Iraqi reality because of the difference between the general environments (social, political, economical and cultural, etc.); obstacles in the collection of data and information from certain companies; moreover, the big gap between the current situation of Iraqi textile sector companies as compared with the same sector in Arabic world and other foreign countries also represents a constraint.

Chapter 5
ANALYZING THE RESULTS AND TESTING THE HYPOTHESIS OF THE RESEARCH REGARDING THE STRATEGIC APPROACHES AFFECTING THE PROFITABILITY OF THE TEXTILE MARKET IN IRAQ

This chapter includes displaying and analyzing responses of the research sample obtained through the questionnaire form applied to achieve the purpose of this research.

To better intercept the results obtained from testing the seven hypotheses stated, we first presented the factors related to each type of strategy (offensive defensive, rational) that impact on the companies' profitability, followed by the part where we get the confirmation of our hypotheses from the results arising from analyzing the answers to the questionnaire.

As a result, the chapter deals with the following issues: measuring the effect of study variables to specify the profitability of textile sector companies, company profitability indicators, testing the hypotheses.

5.1. Measuring the Effect of Study Variables to Specify the Profitability of Textile Sector Companies

Judging by the ranking of the items concerning the offensive strategy factors, according to their effect strength from the most effective to the less effective in specifying the profitability of textile sector companies, the item *"The company attempts to present new services that the competitors never present to achieve a competitive advantage"* is the most effective in specifying the profitability, while the item *"The company works frequently to develop its products and to produce new products"* is the less effective, from where we can deduce the importance that must be paid to services that accompany the sale of textile products. For a company already on the market, providing 3 different services to consumers (three objectives for which already has gained experience) to bring customer satisfaction and value, and which already has a faithful target audience, it will be very easy to introduce on the market a fourth service, that a new business offers from the moment of its opening.

Regarding the ranking of the items concerning the defensive strategy factors, according to their effect strength from the most effective to the less effective in specifying the profitability of textile sector companies, the item *"The company works to keep its current market share by bringing production up to quality standards"* is the most effective in specifying the profitability, while the item *"The company tries to keep the prices of its products as low as possible to gain a price advantage"* is the less effective, confirming the fact that manufacturing high quality products adds more value and profits on long term that the price advantage obtained by being the low price competitor on the market. This approach is a win-win strategy both for the company and its customers, who in the long run always choose quality over lowest price.

As per the ranking of the items concerning the rational strategy factors, according to their effect strength from the most effective to the less effective in specifying the profitability of textile sector companies, the item *"The company works to avoid manufacturing less profitable products by means of available market information"* is the most effective in specifying the profitability, while the item *"The company avoids entering wars and competitions with the strongest competitors on the market"* is the less effective, revealing the importance of company's internal and external communication for manufacturing products according to customers' needs and desires, profit bringer, against the adoption of a position of conformity and alignment to the prices imposed by the market leader, which does not allow the company to develop in the chosen direction.

5.2. Company Profitability Indicators

The profitability indicators used to assess the importance of the factors are: the size of available opportunities for the company in the entire industry, the profits achieved by the company, the annual operating ratio, the number of competitive companies, the size of threats that the company faces in the entire industry, the share of company in the market in which it operates.

The ranking of the items concerning the profitability indicator factors, according to its effect strength from the most effective to the less effective in specifying the profitability of textile sector companies reveals that the item *"The number of competitive companies..."* is the most effective in specifying the profitability, while the item *"The size of available opportunities for the company in the entire industry"* is the less effective.

The number of competitors is relevant for the marketing professionals for adopting the best strategy. Competitor analysis will help in: identifying the target ignored by competitors, positioning of the business in the market "space", developing a strategy to become competitive in that market, and last, but not least, it will be a source of information for potential investors. Most often, competitors differ among themselves by: the role they play in relation to customers, the attitude toward innovations, the forms of communication with consumers, and the market intervention style. By the way of using the means at its disposal, the company must create a strategic advantage in the competitive combat, positioning its offers so as to distinguish clearly in the minds of the consumers concerned by the competitors' offer.

The inconvenience with the existing opportunities for the company is that company is taking its chance when turning to profit a market opportunity, no matter the size of it, since the results of its evaluation stand in the short and medium-range forecast, and possibly not all company's "arms" (the results of a new product's pre-test may not be positive or concrete, the target audience is unreachable, the labour force is not skilled and motivated according to the business requirements, protection against imitation is not possible through exclusivity contracts, licenses or patents, cost are too high, on short and medium term, it is very possible that the business will be replaced with a superior technology, or will be constrained by legal measure) fit the scenario.

5.3. Testing the Hypotheses

This topic is devoted to testing the research hypotheses and to showing the influence of the independent variables on dependent variables. ″Profitability″ represents the dependent variable, while ″competitive market strategies″ represents the independent variables.

The test of the first main hypothesis, *"There is a relationship between the offensive strategy followed by the company and profitability",* reveals the connection between the items referring to the offensive strategy factor and profitability, as follows: (1) *The company works frequently to develop its products and to produce new products:* correlation R = 0.89; (2) *The company uses promotion increasingly to show the features of its products:* correlation R = 0.95; (3) *The company attempts to present new services that the competitors never present to achieve a competitive advantage:* correlation R = 0.99; (4) *The company has a strong distribution network of agents throughout several geographical regions:* correlation R = 0.99; (5) *The company works to enter the markets that other competitors don't target or the markets that present a low interest for the competitors:* correlation R = 0.90; (6) *The company works to attract the attention of new customers in its current market by resting on modern communication systems:* correlation R = 0.97.

The test of the second main hypothesis, *"There is a relationship between the defensive strategy followed by the company and profitability",* reveals the connection between the items referring to the defensive strategy factor and profitability, as follows: (1) *The company works to keep its current market share by bringing production up to quality standards:* correlation R = 0.83; (2) *The company tries to cover some aspects of little substance in its* *production through giving extra features and services for customers, by entering in contact with them and knowing their needs and desires:* correlation R = 0.98; (3) *The company attempts to give up some of its weak products that don't meet the market needs:* correlation R = 0.83; (4) *The company tries to keep the prices of its products as low as possible to gain a price advantage:* correlation R = 0.92; (5) *The company does not attempt to enter work fields that require high research and development expenses:* correlation R = 0.94; (6) *The company attempts to purchase large quantities of main raw materials in order to keep the continuity in production and avoid losing sales that would deprive the company from its profitability opportunities:* correlation R = 0.96.

The test of the third main hypothesis, *"There is a relationship between the rational strategy followed by the company and profitability",* reveals the connection between the items referring to the rational strategy factor and profitability, as follows: (1) *The company works to avoid producing less profitability products by means of available market information:* correlation R = 0.83; (2) *Marketing management during product pricing takes into consideration the quick cost recovery:* correlation R = 0.90; (3) *The company avoids entering wars and competitions with the strongest competitors on the market:* correlation R = 0.89; (4) *The company attempts to use the best information technology to reduce the high cost:* correlation R = 0.92; (5) *The company works to increase the number of production units by knowing the needs and desires of customers and also knowing the product demand for its products:* correlation R = 0.96; (6) *The company attempts to produce what the market requires by means of available information, to avoid the product storage costs:* correlation R = 0.94.

The test of the fourth main hypothesis, *"There are differences among the textile sector companies with respect to the effect of the research variables",* according to the lowest variation coefficient value that indicates the most effective factor for the respective company, reveals that the offensive strategies have the greatest effect on the profitability of State Company for Cotton Industries (effective strategies: *strong distribution network of agents* *throughout several geographical regions, developing current products and manufacturing of new products*), State Company for Leather Industries (effective strategies: *presenting new services that the competitors never present to achieve a competitive advantage, attracting the attention of new customers in the current market by resting on modern communication systems*), State Company for Hand Made Carpets (effective strategies: *using promotion increasingly to show the product features, entering the markets that other competitors don't target or the markets that present a low interest for the competitors*). Defensive strategies have the greatest effect on the profitability of State Company for Textile Industries (effective strategies: *keeping current market share by bringing production up to quality standards*), State Company for Hand Made Carpets (effective strategies: *keeping the prices of products as low as possible to gain a price advantage, covering some aspects of little substance in production through giving extra features and services for customers, by entering in contact with them and knowing their needs and desires*), Company for Cotton Industries (effective strategies: *not attempting to enter work fields that require high research and development expenses, purchasing large quantities of main raw materials in order to keep the continuity in production and avoid losing sales that would deprive the company from its profitability opportunities, giving up some of the weak products that don't meet the market needs*). Rational strategies have the greatest effect on the profitability of State Company for Hand Made Carpets (effective strategies: *avoiding entering wars and competitions with the strongest competitors on the market, increasing the number of production units by knowing the needs and desires of customers and also knowing the demand for the company's products*), State Company for Woolen Industries (effective strategies: *Marketing management during product pricing takes into consideration the quick cost recovery*), State Companies for Cotton and Leather Industries (effective strategy: *attempting to use the best information technology to reduce the high cost*); the factor *"The company works to increase the number of production units…"* is effective in all companies except the State Companies for Cotton Industries and Hand Made Carpets.

As a result of the tests undertaken within the fifth main hypothesis concerning the offensive strategy factor, *"Offensive strategies have a limiting effect on the profitability of textile industry companies, which is determined by the market share",* it comes out that this factor has an effect on the ability to specify the profitability.

As a result of the tests undertaken within the sixth main hypothesis concerning the defensive strategy factor, *"Defensive strategies have a limiting effect on the profitability of textile industry companies, which is determined by the market share",* it comes out that this factor has an effect on the ability to specify the profitability, except for the item *"The company tries to cover some aspects of little substance...",* in which case the F-test has proved that there is no significant relationship or significant effect between this independent factor and profitability (the dependent factor). This conclusion is grounded by the values obtained for Calculated F = 1.66, which is lower than the value of Tabulated F = 5.34. This non-significant relation is argued by the very low value of the Calculated T in the test, 1.29, lower that Tabulated T = 1.638. This test proves that the independent factor has no effect in terms of specifying the profitability in textile industry companies.

As a result of the tests undertaken within the seventh main hypothesis concerning the rational strategy factor, *"Rational strategies have a limiting effect on the profitability of textile industry companies, which is determined by the market share",* it comes out that this factor has an effect on the ability to specify the profitability, except for the factor *"The company attempts to use the best information technology..."*.

The results of the research confirm the hypotheses initially stated.

Given the aim of the undertaken study, the first question we should logically address is why and to which extent it makes sense to analyze competitiveness at the firm level. The importance of such analysis is indirectly proved by all research works about the importance of firm variables in explaining performance. From an empirical point of view, research about the influence of firm and industry effects on performance shows that a relevant percentage of the variance in profitability is attributed to firm-level variables. Theoretically, resource-based view scholars argue that the sources of a firm's competitive advantages rely on its set of unique and differentiated resources.

Fundamentally, in the strategic management theory and practice, there are at least two main views of the origin of a firm's competitive advantage. On one side, industrial organization scholars focus on the influence of industry-related determinants of firm performance and particularly emphasize the importance of factors like concentration, entry and exit barriers and economies of scale. Classical industrial organization scholars claim that a firm can neither influence industry conditions nor its performance. Therefore, the competitive advantage originates from external sources rather than internal (firm-specific) sources. However, we sustain the modified framework advanced by the new industrial organization scholars, which recognizes that firms have a certain influence on the relationship between industry structure and a firm's performance. Competition within an industry is characterized by five structural parameters: current competition within the industry, bargaining power of suppliers, bargaining power of buyers, threat of new entrants, and threat of substitute products or services. The paths of industry evolution depend on firms' strategic choices.

On the other hand, we can't overlook the importance of firm-specific resources in determining variance of performance among firms. Advocates of the resource-based, competence-based and knowledge-based views of firms, in this research work we shift the focus from the external to internal sources of competitive advantage, by pointing out that a firm creates a competitive advantage through the accumulation, development, and reconfiguration of its unique resources, capabilities and knowledge.

According to the resource-based perspective, a firm's competitive advantage derives from those resources that match specific conditions such as value, heterogeneity, rareness, durability, imperfect mobility, unsubstitutability, imperfect imitability, and ″ex ante″ limits to competition.

In a capability-based perspective a firm's competitive advantage derives from its capabilities/competencies. This perspective emphasizes a more dynamic view of competition, by focusing on firm's business processes rather than on assets or resources in a static view. Hence, managers should link firm strategy and resource management for firms to benefit financially from this practice. Strategy and resource management activities may not be the major factors in business performance. Other factors must also play a major role in determining firm financial performance.

CONCLUSIONS AND FURTHER DEVELOPMENTS

From the content of the thesis we developed, two categories of *conclusions* are drawn, both from the theoretical aspect treated in the first three chapters, in the context of the Iraqi textile sector presented in chapter four, and from our practical investigations presented in chapter five.

Several conclusions arise from the perspective of theoretical and methodological aspects addressed in the paper: after a relatively long period since the birth and implementation of strategic management by organizations and consulting centers, it is presently still in the period of ripening and continuous development; the market strategy, as the general strategy of the organizations, enjoys great attentions from theorists and practitioners, because through the strategic approach of the market firms can gain extra abilities to adapt to the external environment in order to satisfy customers' needs and desires; satisfying customers' needs represents a challenge and a complex process that any market strategy must embosom, all company departments participating in its adoption, planning and execution; a company may sense that it is better to improve its market share or its profits through non-pricing competition, such as promotion efforts or improving and developing the products; because of the intense competition conditions, the problems that the industrial companies face are no longer a technical or a production problem, but are to be considered as a marketing problem, aiming at the customers' needs satisfaction and reaching the leadership position in the market; cu the larger the number of competitors, the more limited and expensive the ability of getting a suitable share in the market will be, so it is better to change strategy in order not to reach the direct face to face confrontation in this market.

Practical investigations led to conclusions relative to: the relationships among the research variables; the differences that have arisen between the textile sector companies in Iraq that implement offensive, defensive and rational strategies; the influence of market strategy specific factors on the market share, which determines the level of profitability.

These conclusions arised after testing the following hypotheses: There is a relationship between the offensive strategy followed by the company and profitability; There is a relationship between the defensive strategy followed by the company and profitability; There is a relationship between the rational strategy followed by the company and profitability; There are differences among the textile sector companies with respect to the effect of the research variables; Offensive strategies have a limiting effect on the profitability of textile industry companies, which is determined by the market share; Defensive strategies have a limiting effect on the profitability of textile industry companies, which is determined by the market share; Rational strategies have a limiting effect on the profitability of textile industry companies, which is determined by the market share. All the hypotheses were confirmed.

Further Developments lay emphasis on increasing efficiency and competitiveness of these textile branches in Iraq, determining the main obstacles hindering their use, that should be eliminated, and indicating policy-type measures. The priority is conversion to products with a greater share of the value added, using the existing innovation potential with strengthening implementation of the results of research and development in the production and mutual cooperation in research focused on introduction of new technologies and products, particularly at: progressive textile technologies; technical textiles; fashionable and functional clothing; technical and industrial garments.

Referring to the implementation of higher rank innovations into production it will be necessary to change the employees' training system, to use the cross-border cooperation to network the research and cooperation assignments, to implement the best production practice etc.

From the study we have carried out within this doctoral thesis, some alternatives to the market strategies studied in the research have resulted, aiming at increasing firms' profitability, which executives in industry and government can implement in order to remedy the situation of the textile sector in Iraq.

Above all, the most important lesson to draw from our insight into the textile market in Iraq is that companies actors in the textile market in Iraq need to find that specific equilibrium between profitability and growth, focusing rather on reaching long-term high growth rates, than short-term profitability.

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