

Organizational Network Effect On Diversification Strategies

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Abstract

The purpose of this paper is to explain the relationship of the Turkish Business Groups' diversification strategies and their social network qualities. The aim of this article is to reveal whether business groups that are different in using network qualities have also differentiated in their diversification strategies. Theoretical framework of the study intends to determine the position of purposive network members with respect to central and periphery, their role in spanning structural holes and their diversification strategies. To this end, business groups are compared with respect to their entrance to different sectors and their centrality position and their brokerage roles. While explaining the relationship between organizations location with respect to the center and their diversification strategies, TUSIAD (Turkish Industry and Business Association) is selected for assembling social network for Turkish business groups-holdings. In this study, CHAD Model; Decision tree analysis is selected for explaining the model. As a result, it has been found that business groups which are located at central and also have higher brokerage rates are differentiated in the extent of diversification strategies.

Keywords: Social networks, diversification strategies, business groups

1. Introduction

It is known that inter-organizational economic relations are embedded within social relations. The literature emphasizes the importance of understanding the social effects in organizations' structure, process and applications. In regardless with, most of the organizational studies are based on the relationship between and interaction of nodes, organizations or groups. The aim of this paper is to explore the impact of network characteristics on diversification strategies within business groups.

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A social network is a social structure made up of individuals (or organizations) called "nodes", which are tied (connected) by one or more specific types of interdependency, such as friendship, kinship, common interest, financial exchange, dislike, sexual relationships, or relationships of beliefs, knowledge or prestige. Social network analysis explains social relationships in terms of network theory consisting of *nodes* and *ties* (also called *edges*, *links*, or *connections*). Nodes are the individual actors within the networks, and ties are the relationships between the actors. There can be many kinds of ties between the nodes. Most of the organizational studies are based on the relationship between and interaction of nodes, organizations or groups. A social network is a map of specified ties, such as friendship, between the nodes being studied. The nodes to which an individual is thus connected are the social contacts of that individual.

TUSIAD (Turkish Industry and Business Association) is a kind of purpose network, founded in 1971 in Turkey. The Turkish Industry and Business Association (TUSIAD) is an independent, non-governmental organization dedicated to promoting public welfare through private enterprise. TUSIAD supports independent research and policy discussions on important social and economic issues in Turkey and abroad. Much like the US Business Roundtable, TUSIAD is comprised of the CEOs and Executives of the major industrial and service companies (which are called as holdings) in Turkey, including those that are among global Fortune 500 companies.

Holding which is an interdependent community of firms (Granovetter 1995:454) by formal or informal ways is a type specific to a few countries in the same way in Middle East, Gulf and Africa. Also Holding Companies are used as investment and risk management tools in developed world. Family ownership of holdings in Turkey, expressed as business groups, are observed according to their similarities and differences in their senior management professionalism, strategy, organizational structure (Gökşen and Üsdiken, 2001).

Diversification strategies (Karaevli, 2008) are explained as; organizations entering ability to the different activity areas such as buying new products and services by developing their own organization or buying other organizations.

In other words, diversification is defined as the degree of producing goods and services or increase in the number of businesses in different industries in their respective industry classification (Özkara, Kurt and Karayörmük, 2008).

If organizations activities in new sectors are already showing a direct relationship with past sectors that the organization in, in terms of basic skills, it is called as related diversification, if it does not show a direct relationship it is called unrelated diversification (Karaevli, 2008). Related studies explains business groups (holdings) with respect to their early and late period of diversification strategies (Çolpan and Hikino, 2008), differences in the paths of business groups, business groups' diversification (Özkara et al, 2008) and changes in strategies (Karaevli, 2008). This study takes network structure characteristics into consideration as well, in analyzing the relation between the businesses groups' related or unrelated diversification strategies and their network qualities.

This study has researched the effect of the network structure among a group of organization, which are the member of the same non-governmental association though they are different in terms of the size and the sector. This research aims to analyze the effects of networks on strategic management processes and applications so the effect of social factors on the organizational field is expressed. The relation among the strategic diversification strategies is selected because these strategies are most important strategies in growth and developing strategies. Moreover these are also valuable in taking competition advantage. The relations between network qualities in the field expressed with spanning structural gaps (social capital usage), their central or periphery positions.

2. Business Groups in Turkey

The studies related to the Business groups in the field of international business and management has emerged from the mid-1990s (Üsdiken, 2008). In 1980's differences in large enterprises of Far East Countries and North America /Western Europe countries have been noticed. Various forms of organization of large enterprises in the field of business and management area articles have been appeared. (Üsdiken, 2008). In this period some studies mention the business groups without the phrase of "holding" in the name of any company is seen in Turkey and the current Commercial Code.

Ete (1946: 37) quoted holding company as his job, and it is to manage the shares held by essentially taking on a team performing financial functions of a company.

Holding company operates as a central financing unit, referral and management of companies and do not interfere its owned firms management strategies.

The emergence of business groups in Turkey is expressed as a universal type of an existing company type in our country to begin to show itself in the form of holdings (Üsdiken: 2008). In Foreign researches and law texts, holding definition is defined as the firms hold shares in companies with separate legal entities, thus they get the opportunity to audit on the management and the company has made (for example, Tenker, 1979: 12). As a result of this definition any type of business firms was seen and explained as holding (Üsdiken: 2008). As the "holding" companies named in the phrase of holding has increased between the beginning of 1960 and 1980, many of these are accepted as trivial because of limited number of sizes and their activity size (Arıman, 1982: 34; Akgüç, 2001: 66). Granoveter's (1995:454) definition of holding as an interdependent community of firms by formal or informal ways is related to type specific to Turkey (Özen and Yeloğlu, 2006). The first common feature of these large and strong holdings is family business ownership (Tekeli, 1985: 2391; Tekeli and Menteş, 1977: 24). The second feature is their intention to spread unrelated areas and their entering strategies to new sectors constantly (Kazgan, 1985: 2004; Tekeli, 1985: 2391; Tekeli and Menteş, 1977: 25). Their strategy depends on setting up new companies when they enter different areas – sectors. (Arıman, 1982:69; Tekeli, 1985: 2395). Structures of today's holdings in Turkey are different, as they have high intentions for making trade-offs and focusing on their "competent" areas. On the other hand, holdings served as "capital providers" for new business areas some decades ago, when there was not any venture capital available. So entering new businesses was a natural result of this capital flow, rather than a unique strategic positioning.

According to Tekeli and Menteş (1977: 27-28) and Tekeli (1985: 2393) two different features in business groups' strategic management are recognized. First of it, in Turkey business groups cannot developed any technology. They organize their business with respect to technologic information they import from foreign countries. Second, these business groups' outer activities and foreign organization structure are weak. Actually, the latter feature appears to be the result of the first one.

In addition to these, business groups in Turkey have applied competitive strategies when they intend to enter new sectors or when they have got involved in same sectors (Arıman, 1982: 28; Kazgan, 1985: 2405 and 2408; Tekeli, 1985: 2394).

Arıman (1982:56) reports that business groups 'relations in Turkey does not depends on cooperation and they operates independently. In addition, holding or business group is located at center that it is not only a strongly centered controlling mechanism but also is a centered decision making processor. Every strategic planning and politics is decided in here (Tekeli and Menteş, 1977: 23).

Arıman (1982) firstly mentioned that "holding" phrase is used differently in Turkey regardless with usage in USA. He added these kinds of organizations are recognized with respect to their different structures, processes, activities and strategies from both USA and West European Countries' organizations. Many Turkish economists related to this to banking sector in Turkey (Buğra, 1994, Arıman, 1982). Different from USA and West European Countries banking sector does not dominate the industrial capital in Turkey. Instead of this, many holdings have brought banks in their structure/patronage.

3. Network Qualities

Network theories which are also defined as relations constructed by independent nodes system (Wellman, 1988) analyzes inter-personal relations, even the characteristics of these relations. Network theories work using organizational relations in all organizational fields. Organizational network theories are comprised of studies on the characteristics of relational edges of organizations (Granovetter, 1973; Freeman, 1977; Burt, 1980), social sedentariness, (Granovetter, 1985; Coleman, 1988), social capital (Coleman, 1988; Fukuyama, 1995, Bourdieu and Wacquant, 1992; Burt, 1997a; 1997b; 2000, Adler and Kwon, 2002). In addition to these, some basic perspectives have been obtained, analyzing the relations of nodes in organizational networks using some organizational theories and behavioral concepts such as power (Brass, 1984), leadership (Brass and Krackhardt, 1999), work performance (Mehra, Kilduff and Brass, 2001), acquisition of knowledge (Tsai, 2001), maximization of profit (Burt, 1992).

It is known that inter-organizational economic relations are embedded within social relations in the network (Granovetter, 1985; Uzzi, 1997).

The model of this study is based on the questions of how strong and weak edges resulting from inter-organizational relations affect the field; what is the importance of structural gaps and what is the contribution of those organizations which are relatively more centrally located within the field to these strategic decision changes. This model also analyzes which network characteristics are more influential in this change.

In this study, similar to the perspectives of Kraatz and Zajac (1996) and Westphal et al. (1997) relationship between network qualities and strategic decisions are analyzed using more external causes, within the framework of the basic characteristics of organizational network structure. Network relations are assessed either as a whole or using some of the basic characteristics of the network in most of the studies examining the impact of social network relations on the organizational structure, process or applications. As an example, Rulke and Galaskiewicz (2000) analyze the centrality situation of organizations, while examining the impact of the structural characteristics of the network on the group performance, with respect to knowledge type. This study takes various network structure characteristics into consideration to analyze the impact of the network structure characteristics on competition strategies. In another words, this research aims to determine which of the network quality or qualities: centrality situation of organizations, their social capital (ability to span structural holes) effects on growth and developing strategies.

Theoretical bases of this study are network theory approaches. The purpose of this paper is to explain the relationship of the organizations' abilities to span structural holes, to be situated at central or periphery effects on their strategies. As different from other networks and organizational change studies (Westphal et al., 1997; Rulke and Galaskiewicz, 2000; Lounsbury, 2001), this study has been executed on the companies which are active in different sectors. Lounsbury (2001) argues that social activities have an impact on the diversity within the institutional field but these activities don't manage the diversity function in the field. While this study is trying to determine the network qualities effect on organizational change in accordance with strategic management decisions, it has also responded to which organizations perform the diversity function.

Giving prominence to the concept of legitimacy rather than economic efficiency, this study tries to explain the node edges are taken as the primary factors in the relationship between social factors and organizational change. It is argued that the character of these ties effect strategic management behaviors.

4. Relationship between Network Qualities and Strategic Management Decisions: a New Model

While nodes are settled in the network structure, relations of the network sometimes limit the node; while at other times provide some possibilities. If the nodes are not limited by the network, this shows that that particular node is in a position which is relatively advantageous. This position provides this node some advantages like a power of bargaining, a possibility of having more effect on other actors, and a situation of attracting the attention of other nodes. The model of this study is based on the questions of what is the importance of structural gaps in the changes in the field; what is the impact of a strong political and organizational appearance of organizations on this change and similarity; and what is the contribution of those organizations which are relatively more centrally located within the field to these changes. This model also analyzes which network characteristics are more influential in this strategic change.

4.1 Mediating Connections of the Organizations within the Society

The weak connections of the organization groups in the network are called as gap (Burt, 2002). The structural gap covers the relationships (edges), and the possible edges in the network. So, they are mentioned as the position providing the actors to competitive advantage (Burt, 2000). In the social networks, the node takes part among the other nodes, and provides their relationship, or conciliates, and provides structural advantage within this concept. The actors in the network gain much information about the organizational field while spanning the structural gaps. As a result they hold the control of the network communication in hand. The benefit that this conciliation role provides in the organizational network constitutes is the social capital. Granovetter (1973) states the strength of the weak edges, Freeman (1977) explains the brokerage role and Burt (1980) determines the structural gaps in the network. All they feature this advantage caused by the established relationships of the organizational network. In the social network, the legitimacy of the organization focused in the social capital that they gained by their brokerage positions is featured (Burt, 1998). The organizations which are seen as legitimate organization with respect to their brokerage roles in the network can create diversity on the field. It has been seen that if the social capital acquisitions are related with the network, many number of sanctions cause less number of structural gap within the network (Burt, 1997b).

Within this context, adaptation to the organizational field is more often seen in the networks where the structural gaps are less. Arguing that the value of the social capital which is acquitted from the structural gaps in the social network is in relation with the similarity of the field, Burt (1997a) states that this value increases in the high organizational degrees where there are a few similar (variety) workers. It is good to separate the edges as the inner- and outer-edges, when the network actors are spanning the structural gaps. The gaps between the communications which provide the nodes in the social network with mutual benefit are called as the in-structural gaps. When the acquisitions of the nodes coming from the structural gaps are in subject, the edges position is out of the organization network (Westphal and Gulati, 1999; Podolny, Stuart and Hannan, 1996). Taking place between the network they are connected and the other organizational networks, and mediating within these edges, the organizations are seen to be able to make the information transfer easily. It has been stated that the actors who can create link between the network and the other groups in regardless with spanning structural gaps, have priority in reaching the information, and in transferring information (Burt, 2004).

The idea gains extra value by the information transfer, and it provides benefits to the organization. Burt (2004) states that the ideas and the behaviors are more homogeneous when being with the groups than being between the groups, and says that the organizations which can create edges with the other groups are more inclined to think and behave alternatively. Baker (1984) points out the relation between the trade volume of the two organizations and their type of the edge between the nodes. If the trading network is busy, the relationships are strong, the structural gaps are rare. As a consequence edge between these trading organizations is thought to be taken place through direct relationships. Moreover, strongly developed relationships decrease the variability of the prices in the trade. The organizations which are informed about the organizational activities of each of them but without any need of brokerage roles can vary their prices in trade. Burt (2000) argues that in organization networks with much structural hole, the actors promote very much, and they can change the working types. Conveying these studies from the micro size to the meso size, and getting similar results, Gargiulo and Benassi (2000), defend that the organizations which can relatively span the structural gaps less have difficulty in adapting the innovations. The organizations which keep up with the current order make the field isomorphic by applying the practices of the similar organizations.

When the actors in the organizational network are examined, it is found that actors where state on different side of the structural gaps are aware from each other, but they don't or could not pay attention to organizational activities of the others. The actors which are a kind of bumper, and span the gaps, enable the spread of the information and the organization's practices by taking place between the organizations having two different information and activities, and at this point they make benefit. (Burt, 2000). The individuals who can span the structural gaps lead to the change with respect to their advantageous positions in finding and developing the good ideas (Burt, 2004). These actors, at the same time, hold the control of the project by gathering the organizations at the both side of the hole. Granovetter (1973; 1983) points out the effects of these actors in emerging and spreading of the information where the edges between the nodes are not strong but structural holes are occurred (if there are emerge gaps). Because the structural gaps, that's, the loose edges or the ones not repeating each other, create the inter-group relationship opportunities, and this results should be the development of the outer social capital (Adler and Kwon, 2002). The more structural gaps there are in a society, the more chances to create social capital occur (Burt, 1997a). The inner and outer structural gaps in a network are closely related to the strength of that social network edges. Brass (1984), in his study in which he researched the seniors and the ones working under them, has studied the relationship type in two different networks.

This study argues that there is a positive relationship among the centrality position of the nodes and strength of the connections. How strong edges an organizational network in a society has and how network closure it is, then it is suggested that the possibility of "brokerage and reaching the common aims" will increase at that much. Thus the internal social capital will also increase (Adler and Kwon, 2000: 6–8). Although the inward networks affect the inner social capital as basing the brokerage, weak information are not given chance in creating idea, because in such network closures, the weak ideas are seen to be invaluable, and the value composing the idea cannot be transferred from a group to another group through the social structure. In the more explicit networks spanning the structural gaps and the information transfer can easily be done. So the new ideas get extra value between the groups. There are relatively occurring more brokerage positions in the network has weak edges. And this serves in reaching easily to the organizational information and sources, and in gaining controlling advantage in the projects which are carried out together.

In fact, the strength of the edges in the networks, or their being strong or weak, stands out in realizing the advantage which is gained by the inner and outer structural gaps of that network (Burt, 2000). While the effect of the actors which span the structural gaps in the network structure and their ability to make differences in the organizational field is being examined, actors other network qualities should be taken into consideration. It will lead more effective results in terms of isomorphism in the field and its change when these edges will be evaluated together with the other edge characteristics.

4.2 The Edges Emerging from the Central and Periphery Positions of the Organizations

The central position of the actor in the organizational network has been evaluated together with his close relationships. If the node has more connections in the social network compared to the others, this shows that this node is in an advantageous position. The node that has many edges has alternatives in meeting the needs, and in this sense, his dependence onto the other organizations. Brass (1984) mentions that being in the central position in the network organizations is important in terms of reaching and getting the critical sources. The nodes that are in a more central position compared to the other organizations do the information exchange relatively more easily (Hanneman, 2001). The nodes who are at the central position, and who have less dependency in the social network, can create awareness in the field when compared to the others (the periphery ones). Granovetter (1973) says that the individuals consider the others' preferences, and they get offers from them while applying the innovations. He states that some of these preferences are called as center, and some, as periphery. Rulke and Galaskiewicz (2000) are explaining the effect of the centrality degree on the isomorphism in the organizational field with respect to type of the spreading information whether it is general information, or be the information which requires expertise. Rulke and Galaskiewicz (2000) argue that there are relatively more dense edges in the groups where this degree is low. The business relations in this group enable the information flow together with the other organizations in the network to become easy. The regular spread of this particular information in these social networks also affects the group performance. It makes problems in the spread of the information which requires especially the expertise that the edges in the central network be concentrated around a few people.

In the social networks where the centrality degree is high, the actors cannot get the ground to acquire the particular information in the mechanisms of completing the lacking information or to make decision and in this sense differences between the actors that are central and periphery emerge. Krackhardt and Hansen (1993) state that the central actors have difficulty in spreading their ideas to the periphery ones, and argues that the periphery nodes cannot establish sufficient ground, and not get close relationships with the center. If the central nodes in the social networks get in contact with the nodes with whom the periphery nodes get in touch much, this shows that they are also at the center (Burt, 2004). In this sense, as the communication of the other actor increases, the centrality degree of the focused actor will also become strong. When the relationships of the central and the periphery organizations are considered the weak relationships and the structural gaps gain importance, too. The periphery nodes span the gaps by their structural advantages, and thus, they have more tendencies to express their ideas, and to share them with their colleagues when compared to the central ones. Because the periphery actors have ideas to get in contact with the central and they show continuity in producing these (Burt, 2004). These differences in the information and the organizational practice ideas gain importance in the variation of the field.

If the organizations have many relationships in a society, and they could establish many edges, they can create direct relationships with the other organizations. And the other organizations wish to get in contact with them, and in this sense, the organization becomes an esteemed and respected organization. Freeman (1979) points out the importance of the distance and the degree of the organizations' positions in the society in terms of the homogeneity and the heterogeneity of the group. In the networks where the uncertainty is low, and the dangerous situations are subject, the groups are known to be more central. In such social networks, the periphery organizations get the ideas of the central ones, and are affected by them. Because the rules that the successful (advantageous) actors apply have been imitated by the others. The bandwagon effect (Abrahamson and Rosenkopf, 1993), which assumes that the ones who decide to adopt the innovation, does this selection by not basing the technical factors, but that they do this as it is selected by everybody, explains the imitative movements of the viewers. The viewers who want to get competition advantage prefer the way to imitate the organizations which are successful in this matter, in regardless with adopting the generally accepted behaviors.

The organizations with high centrality degree have been seen as the organizations, which have voice, which affect, and are imitated.

While determining the position of organization with respect to central or periphery, we should take inter-organizations edges in the social network whether they are direct or indirect, and whether they are embedded or not. As a consequence these factors caused not only the organization position; central/periphery but also they are strong or weak and their brokerage roles. For example, the organizations with relatively high centrality degree can reach many organizations since they have relatively more edges, and at the same time, they can take brokerage roles between the other nodes that don't have edges with each other (Brass, 2002). Such esteemed organizations who are among the actors that don't have edges with each other, who are seen as reliable and confided, also does the control of the source flow. In this context, such mediation in the centralization gives them chance to span the structural gaps (Burt, 1992: 121-125). And this increases the possibility of setting off the change by being reached of the new information by the central organizations.

Hypothesis 1: The business groups that are spanning structural holes (having brokerage roles) adopt diversification strategies more.

Hypothesis 2: The more periphery organizations in the organizational field adapt diversification strategies.

Hypothesis 3: There is a positive relationship among the centrality position of the organizations, their brokerage relationships and their strategic decisions.

5. Research Method

5.1 Analysis Level of the Study

The aim of this paper is to explore the impact of network characteristics on diversification strategies within business groups. Our analysis level in this study is inter-organizational relations in which structure, process and applications of the organizations which take place in the same community but different sectors. This study has also been executed in order to understand assimilation in organizational structures, processes and applications based on the inter-organizational primary and the secondary relations within the organizational network.

In this context, whether the question of Astley and Van de Ven (1983) that is external environment should be considered as the simple total of the organizations which are directed by economic factors or is it should be considered as integrated organizational communities that are directed by political dynamics between each other corresponds to the problematique of the study.

5.2 Design, Field, Sampling Method of Study

While explaining the relationship between organizations location with respect to the center and their diversification strategies, TUSIAD (Turkish Industry and Business Association) is selected for assembling social network for Turkish business groups-holdings. The sampling frame consists of 654 firms of TUSIAD of 147 holdings which are members in 2010. Information about the companies has been obtained from, Istanbul Chamber of Commerce and Industry, ISE web site and their own web pages. Our analysis level in this study in which structure, process and applications of the organizations which take place in the same community but of different sectors will be researched within the inter-organizational field is organizations that are deemed as social-cultural systems.

Variables which are determined for business groups' diversification strategies were obtained in accordance with Özkara, Kurt and Karayörmük's (2008) article. In this study business group's diversification strategy as dependent variable, organizations' position whether central or periphery as independent variable have been selected. Quantitative methods have been selected as analysis method. In this study, CHAD Model; Decision tree analysis is selected for explaining the model. So for determining the network quality variables a computer software program called as UCINET has been used and for modeling the computer software program SPSS is used during the analyses of the social network. The purpose of the utilization of this program is to determine basic and sub features of the organizational network based on the relations among the nodes. Burckhardt and Brass (1993), in their studies in which they researched the relationship between the central position and the power in the social network, they used internal-degree in order to measure the centrality. In also this research, the same criteria has been used for the centrality degree in the network.

5.3 Data Analysis of the Study

In this study the effect of the business groups' diversification strategy and organizations' position whether central or periphery and their brokerage role is discussed. While the organization is expressed as community of nodes within the network, the relations amongst these nodes are explained with edges. The size of a network is explained with the number of the nodes of this network. In this study, since there are totally 147 companies within the network, the size is described as 147. If a weighted rate is used in describing the relations of the nodes with each other (edges) within a network with a numerical value, it means that a weighted/valuable network is being mentioned. If the edges indicate only whether the relation exists or not (if there is a relation it takes 1; if not it takes 0 value), network is expressed as binary. In this study, studies have been tried to be examined by building binary network matrix. In social network analyses, the most important terms are socio-matrix. While developing a binary network matrix entrance year of business groups is determined. A binary socio-matrix has been acquired by giving 1 if the business groups enter TUSIAD with the other business groups at the same year and following years and by giving 0 otherwise.

The qualities of the edge that we determined as the independent variable through the data got from the UCINET software. With this program ties spanning the internal structural holes; central-periphery relationship edges have been acquired. Burckhardt and Brass (1993), used internal- degree in order to measure the centrality in their study in which they researched the relationship between the central position and the power in the social network. In this research, the same criteria have been used for the centrality degree in the network. While calculating the internal- centrality degree, the weighted rates of the edges have been considered, and node's edges have been calculated based on all the other possible edge number. In measurement of the internal-structural holes, *betweenness* index suggested by Burt (1997b) and Freeman (1977) has been accepted. In determination of the strength of the relation of the organizations with each other within the organizational network, *closeness degree* suggested by Freeman (1977) and Coleman (1990) has been determined as criteria.

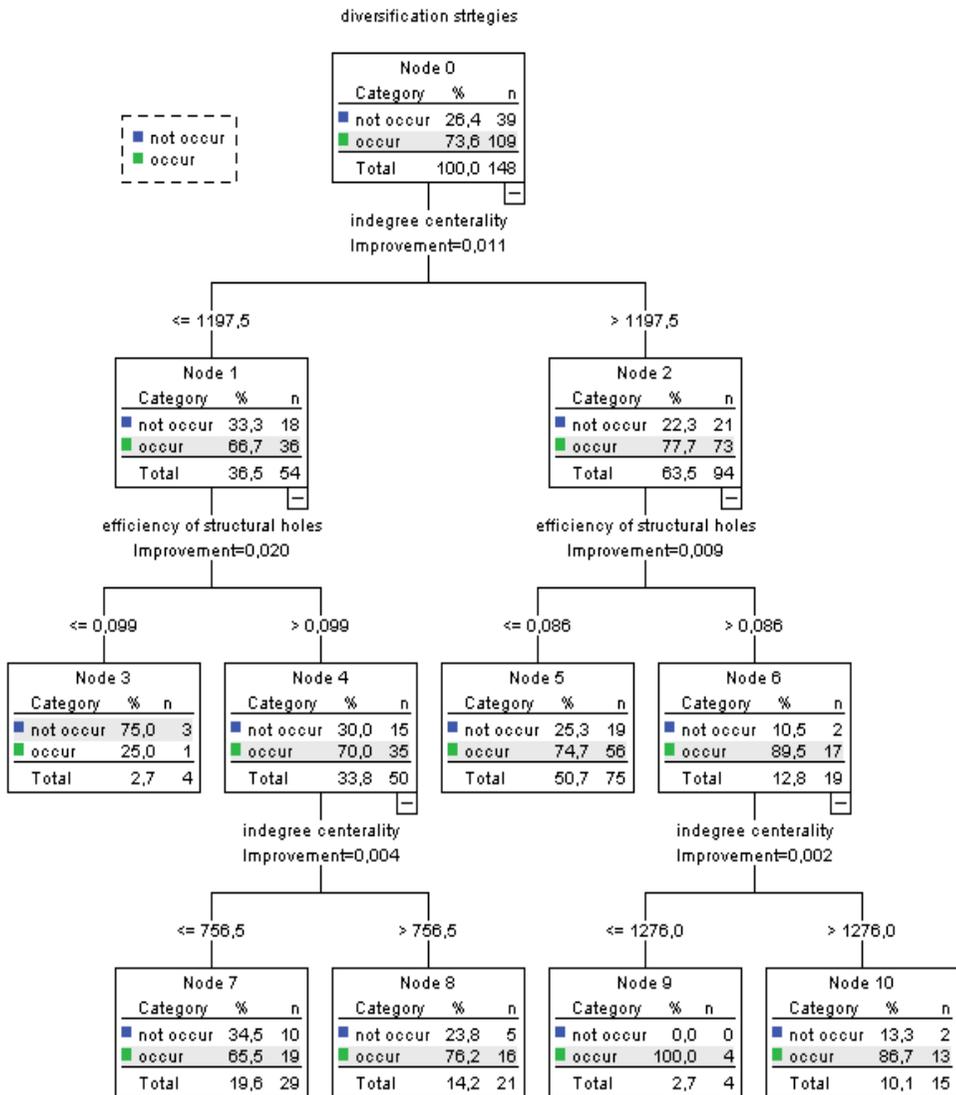
6. Results

This study argues that these advantageous positions generating from the settled inter-organizational relations at the level of social network have an impact on the organizational field in terms of strategic management.

The relation of network qualities with change in diversification strategies is expressed in the context of the effect of two different networks behaviors. Differences in the context of the change in strategic decision behaviors have been explained by structural hole and central position of business groups.

Figure 1 shows that organization which are located relatively at central part of the network and also high level of ability to span structural holes have more risk to use diversification strategies. The results show that if business groups centrality degree higher than 1196,5 and their brokerage degree (spanning structural holes) higher than 0,086, relatively %90 of them prefer diversification strategies. On the other side this analysis results determine that if these business groups centrality degree is equal or smaller than 1276 all of them choose diversification strategies. In another words if the business groups in network have centrality degree between 1197 and 1276 and has more than 0,086 degree of brokerage rate their risk to apply diversification strategies are larger. The importance of these results comes from the idea that being in most central position with high brokerage rate not increases the risk of preferring diversification strategies in strategic management. On the other hand rather than being in the most central position, to be located in central positions (near the most central position) with high rate of brokerage increase the risk of preferring differences in strategic decisions more.

Similar to H1 and H2 assumed in this study, it has been found that organizations which span structural gaps and are located at the center, apply diversification strategies more. In recent studies, it is remarked that more people are accessed by weak edges. Transfers of information and opinions accelerate by especially weak edges (Granovetter, 1973). Control power obtained by these edges increases expansion rate of the organizational knowledge in the field.



The nodes which meet with less sanction, by differing, either retire or get promotion. Burt (1992) arguing that the organizations which meet with more sanctions at the level of social network interferes diversification of the field with their edges spanning structural holes also puts an assumption forward supporting these results. While Burt (2002) suggests that valuable information and benefits acquired by brokerage roles in the network could be disseminated by other organizations by virtue of the closed (strong) edges, this study dissimilarly points out that these information and benefits are disseminated by the same edges – spanning structural gaps- .

However, organizations which have political power in networks and the organizations which more centralize attract our attention as nodes implementing the change in the field as first. Burckhardt and Brass (1990) in the study in which technological changes are studied with an evaluation parallel to these results suggested that the ones who adopt the innovation firstly are more centralized. Brass (2002) points out those organizations which take place in a central position and which are interdependent with their dominant coalition relations are seen as strong in the field in political sense. Assumptions of Brass (2002) who suggests that these organizations which successfully build rules, norms and cultural values in organizational field have advantage in acquiring political power are supported by this study.

In this study, assumptions that the things organizations in organizational network gained with their connections may take place simultaneously in several of the advantageous positions (Kilduff and Tsai, 2003: 28- 32, Ozkan-Canbolat 2010) have been considered. During the impact of the social network structure on the organizational field is being searched, making analyses on only one of the qualities of the network may cause to reach different results in understanding differences/changes in the field. One of the main reasons of this is that organizations at organizational network can simultaneously take part in several advantageous positions (Kilduff, Tsai, 2003, 28 -32, Ozkan-Canbolat 2010). Another one is that edge particulars on organizational networks are related with each other (Brass, 1984, Ozkan-Canbolat 2010). At this point, it is useful to evaluate many advantageous positions within the social network of the organizations together in analysis of network. In this research, the joint-cross effects of the qualities of the network structure which have been explained in H3 is determined as significant by statistical methods. For instance, the organizations which span structural gap as relatively more play a role in diversification of their strategies in cases where their position are central.

Burt (1997a) suggests that organizational information and practices quickly expand in the networks where structural gaps are affluent; nodes can act more quickly by virtue of the bureaucracy rarity. These organizations which can be informed about solution alternatives of the problems within the social network earlier adopt innovations in the field as part of complying with especially professional pressures and the environment, and cause diversity in the organizational field. While Burckhardt and Brass (1990) point out that adoption of the changes earlier cause regeneration of the power by the organization, they associate this with central positions of the organizations. These organizations can reach to others easier by a large number of close connections, and can give a reference about other nodes and provide diversity in the field as the imitated organization. The remarkable point here is that these organizations couldn't be the organizations initiating the change though they are the nodes playing a role in the diversity of the field. The nodes which have strong relations with each other and connections in dominant coalitions increase their power (Brass, 2002) and create variety in the field. Uzzi (1997) points out the significance of the settled relations in the repeated changes among few members in cases where joint work and trust are required. The organizations which take place in the same institutions in social network orient themselves to the field by utilizing strong edges in the applications that are adopted by sectorial sanctions or professional anxieties and such pressures can just emerge by these edges.

7. Discussion and Conclusion

In this study, the effect of the network structure among a nongovernmental organization group which in terms of the adoption of strategic applications by organizations has been found. This study expresses the change in strategies in the organizational practice and applications by external reasons (Kraatz and Zajac, 1996; Westphal et al., 1997). Lounsbury (2001) argues that social activities have an impact on the diversity within the institutional field but these activities don't manage the diversity function in the field. This study not also determines the network quality effect on strategic decisions but it has also responded to which organizations perform the diversity function. It has been found which basic qualities of the social network in the maintenance of the diversity function are effective and also the effects of the multi-functions of the organizations within the network on this function have been found. Most networks and institutional change studies either generalized the effect of the qualities of the network structure (Westphal et al., 1997) or studied the effect of a network structure quality with the change in the field.

This study broadens the field of the studies executed before by finding the effect of the structure quality of the 2 individually different network qualities. This study researching the probability of the adopting applications and resemblance to other organizations of the organizations within the social network also generalized the assumption that social networks are effective in adoption of the information and organizational applications that requires only specialization (Rulke and Galaskiewicz, 2000). Granovetter (1995) argues that nodes and groups within the organizational network are settled among the social relations. In this context, it is inevitable that features of the edges which are shaped by the settled relations of the nodes within the social network have relations with each other. Organizations of which centrality degrees are relatively high can reach to more organizations; they can stand between other nodes which have not a relation with each other (Brass, 2002). This conciliation in centrality enables them to span these structural holes (Burt, 1992, 121–125).

While Gulati and Daldin (2002) suggest that some network ties provide advantage and benefits to the organizations, they suggest that some ties interferes utilization of the capacity by the organizations and also affects the performance. Westphal and Gulati (1999) point out the relation of the edges that are especially out of the network and the edges within the network. They mention that some network edges effect the organization in negative way. While searching differences within the organizational field, future studies may be executed in order to search whether these relations make difference within the field by evaluating the negative relations of the companies. This study has researched the relation of the features of the social network with the change in strategic management within the organizational field. The effect of the network structure among a group of organization which share the same geographical field in terms of adopting several structures, processes and applications may be transferred to the other countries. Comparison of the results of the studies at the level of countries and the results of the studies at the level of the local will illuminate the future studies.

8. References

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