

# INNOVATION MANAGEMENT IN BUSINESS AND A CROSS-SECTORAL EMPIRICAL STUDY

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Received 2014-03-09; Revised 2014-03-16; Accepted 2014-04-01

## ABSTRACT

In rapidly changing and developing world, the importance given for the concept of innovation appeared as an inevitable factor for the firms to obtain sustainable competitive advantage started to increase and has become an issue of a particular concern in agenda of company executives. The concept of innovation appears as a factor that should be discussed as a whole and on which many ideas have been put forward and interpretations have been made. The basic purpose of this study was to discuss the innovation as management emphasizing the importance of innovation in term of businesses. In the study, it is tried to specify whether the companies analyzed in the sample scale determined in İstanbul province had interests related to actualizing innovation and management applications or not. By the help of the hypothesis established in accordance with the purpose of the research, reliability and validity were tested using correlation and regression analysis with SPSS 17 software. Consequently, it was revealed that it is compulsory for entities to adapt and practice innovative and management approaches in order for them to achieve successful results at this process when innovation has become such necessary and important. In particular, innovation directly affects the firm's financial and growth performance in various ways.

**Keywords:** Innovation, Innovation Management, Organizational Culture, Blue Ocean Strategy, Empirical Study

## 1. INTRODUCTION

In permanently changing and developing world, the society and the consumers representing the big part of the society have no doubt been in a development and change every passing day. Accordingly, the entities meeting the needs of customers have been noticed to have efforts at increase during the innovation process. Consumer demands increasing through globalization caused a growth at market share and increase at the quality of innovative product and services. The first step importance for starting the process of innovation is the emergence of new and creative events. As will be seen in the progressive stages of this thesis, innovation is the process of transforming new ideas (such as product, service) into value-creating outputs and commercialization of these. The innovation culture provides entities to be more advantageous than their

competitors. In order for the entities to achieve success in their trade life, the concept of innovation is an important key factor and can be discussed in all fields where commercial activities are actualized. The entities have earned profits under fierce competitive conditions transforming innovative and creative ideas into product or services and have had the chance of survival. In this sense, innovation has become the most important competition instrument in today's economy. Namely, the investment of entities towards innovation becomes an insurance assured against the fierce competitive environment emerged through globalization.

### 1.1. Innovation

Various definitions have been made related to the concept of innovation that is the most important competition instrument in today's constantly changing and developing economy. The innovation includes all

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activities in creating a new product or production process from scientific research to invention, development and commercialization. We are in period when dreams and ideas are intermingled and conventional clichés have been broken (Yılmaz, 2003). The widely accepted definition of innovation is: Innovation is the process of transforming an idea into a marketable product or service, or a new or developed production or distribution method or a new social service (Çetindamar and Bakır, 2009). Innovation literally means to reveal or present a new thing—a new idea, method, or device—, innovation is a relative concept. A new thing for me can be known by you for a long time. However, innovation has more important stages as a broader concept. It especially connects two important overlapping processes: Acquiring new knowledge and practicing those (Adair, 2008). To compete in changing markets and environments while contributing to sustainable development, the best way for firms to do so are their sustainability-driven innovation implications (Klewitz and Hansen, 2014). As Agbor (2008) points, Technology, right culture and strategy are necessary and contribute to the success of the firms. Innovation and new product development are the core activities of the technology notion. Liu *et al.* (2013) supports new product development is associated with innovation performance. Santos *et al.* (2014) discuss the relationship between technological change and firm performance; also emphasize the benefits of innovation (patents and models to protect innovation, secrecy in innovative activities, innovation in the efficiency of lead times between products and processes).

Innovation is a process covering the use of knowledge related to a new and beneficial product's creation and being put on the market. According to another definition, innovation is the process of carrying in idea from invention to practice. It generally covers the Research, Development (R and D) and production stages. Toffler used this process expressing that innovation completed each other in three stages (Budak, 1998):

- Primarily, there is a creative and applicable thought
- This thought is practiced
- The practiced thought is popularized among the society

The studies carried out on Research and Development (R and D) represented the innovation and development of business life. The key factors of R and D included the studies determined in each stage and results of these carried out within the frame of scientific facts conducted to produce a new product through the common knowledge of human, culture and

society, to increase product quality and standards, to practice different techniques in a cost-reducing and standard-increasing quality, to develop and practice new production technologies, to adapt a new technology into the conditions of the country, to enhance the current technologies and to adapt the new ones into those (Ayhan, 2002).

Creativity has an important role upon acquiring new functions to the current product, overcoming the problems and discussing the old ideas to develop a product or service that cannot completely be changed at one night. In general, it is the best for the people to see creativity inside you before changing the location of the company, changing something at a big rate, or changing the clothing style. Nevertheless, when small changes are made within a company, you start to be seen as a vision holder (Hogan, 2012). There are significant differences between creativity and innovation. Creativity is related to producing ideas. Creativity, in general, is producing some new ideas benefiting from the ideas available before. Innovation means benefiting from a created idea for overcoming a problem. However, each idea obtained as result of the creativity process has no ability to overcome a problem. But innovation expresses the economic creative thoughts (Budak, 1998).

Invention is defined as the final product of a research, in general. Innovation follows invention and is the final point of a successful development effort. Invention reveals a new idea and information. The process during the occurrence of an invention is called the "Creative Process." In this sense, the product of creativity before innovation is invention. And innovation means making a new knowledge as usable as mentioned by Buffo. Invention starts through researcher's feeling a warning or a stimulus and it includes the stages of forming concepts and developing suggestions. At the end of these stages, the idea becomes concrete and the model is created. In general, the ideas on this stage can have patent. And innovation is a process starting at this stage and including the adaptation, production and purchase of the invention (Budak, 1998). Whereas invention is the revealing of a new thing for the first time, innovation is making something create an economic value for the first time. This economic value is transforming a new thing for the individual into something that will increase the benefit of individual; and innovation, in terms of firm, means transforming the invention into a product that will provide more commercial success/profitability rather than their competitors; and the innovation, in terms of country-society, means using the innovations in a way that will provide the social welfare/benefit to increase;

and means transforming the innovations in a way that will increase the welfare/benefit of the global society in terms of the world (Turanlı and Saridoğan, 2010). The technology is defined as the knowledge of a society related to industrial abilities (Budak, 1998).

In today's world, there is a confusion related to the definition of entrepreneurship concept. Some observers use this term for expressing any kinds of small-sized companies while the others use to express any kinds of new companies. However, in practice, most of the companies present highly successful entrepreneurship examples. In that case, this term is not related to the age or size of the entity, but expresses the type of a specific activity. Innovation is on the basis of this activity and this is the effort for the entity to create a focused change targeting economic and social potentials of the entity. The entrepreneur can have business idea, but if does not have a strategy, he will encounter an unknown road about actualizing this business idea. For that reason, strategy is important in terms of entrepreneurship. In fact, strategy is a road map for the entrepreneur. The first experience of an entrepreneur results only in acquiring experience. This resembles to the primary teeth. It takes time to have stronger and more durable instead of these (Çakırer, 2009; March, 1991). It designs an enterprising market opportunity and idea to exploit for their self-interest and turns them into entity facts (Adair, 2010).

Patent is expressed as the invention certificate as the simplest. Patent is a document taking the rights upon the invention that exceeded the known status of a technique applicable into industry under protection (Baştürk, 2010).

A general aspect of innovation is its being required to be actualized. A new or innovated product becomes actualized when introduced to the market. New processes, marketing methods and organizational methods become actualized when they put into actual use in activities of the firm. The innovation activities changes greatly from firm to firm in terms of structure. Whereas some firms undertake well-defined innovation projects such as product development and marketing, the others basically actualize permanent improvement in products, processes and activities. Both types of firms can be innovative; an innovation can include practicing a series of small stepwise changes that create a significant change or one innovation creating a unique and significant change (Ertürk, 2011). Innovation has many sub-titles. One of them is the 'social innovation'. Social innovation is a complex process of introducing new products, processes or programs that profoundly change the basic routines, resource and authority flows, or beliefs of the social system (Westley and Antadze,

2010). Innovation studies have some features. The leading of those are (Dinçer and Fidan, 2012):

- Innovation is a group activity and a process actualized within an organization. Innovation studies can be achieved through the efforts and eagerness of all employees in the organization
- Innovation is a changing process; however, it is more comprehensive than the concept of change. For that reason, each change does not mean an innovation. The innovation is an original and special change actualizing the targets of the firm efficiently and productively
- The innovation has also the risk of technological failure
- The innovation is not only related to product, product management and some innovations and improvements related to the use of the product. Because innovation includes the new developments such as management, data processing, organization, marketing, it is also related to practicing the behavioral sciences into industry
- The innovation causes a qualitative and quantitative effect in a specific production function

Innovation is a design that fosters competition between different teams all attempting to develop the best idea, model; or process called 'exploration phase' (Murphy, 1996). The entities can be mentioned to follow main six stages at innovation. Those stages are (Dinçer and Fidan, 2012):

- Creating new ideas and selecting the logical and reasonable ideas through a pre-elimination
- Searching for the entity analysis and the appropriateness of selected ideas with entity targets and opportunities
- Improving the ideas found as positive in entity analyses and turning into goods/services
- Trying to understand whether results of new goods/services will be positive or not in the market by the help of the market tests
- Producing the new goods/services found as positive in market tests and introducing to the market.

## 1.2. Blue Ocean Strategy

At this point, a modern management theory called 'Blue Ocean Strategy' encourages the companies for creating marketing areas where there are no game rules and competitors carrying companies into areas where there are no competitive red (bloody) seas. Kim and Mauborgne (2005) developed 'Blue Ocean Strategy' in 2005. It's established upon creating new markets by

considering differentiation and low cost all together. Through this strategy, the entities concern about getting rid of the competitive environment and improving their customer demands rather than sharing the gradually decreasing market demand and comparing themselves with their competitors in red seas, the borders of sectors are defined and adapted. The game has competitive rules. In red seas, the companies attempt to competition with their rivals to get a big share from the current demand. As the market area gets crowded, the profitability, chance of taking the opportunities and development expectations of the companies decrease. The products become meta and the competitors ensanguine the Red Seas once more trying to win each other. On the other hand, Blue Oceans are expressed through ungratified market areas, created new demands and high profitable growth opportunities. Although some Blue Oceans are created out of the current sector fields, many of them are created through extending the borders of the current sectors. In Blue Oceans, the rules of the game have not been determined yet and there have been no rivals to compete and no competitive area can be mentioned as in the Red Seas (Barutçuoğlu, 2013). The organization may create a new market having no competitors inside by breaking the shell of current sector (Kalkan and Alparslan, 2009).

The most important factor that consistently distinguishes the winners from the losers in terms of creating the blue ocean includes the strategies related to strategy. The one following the traditional approach is in the red ocean; the companies competing among each other compete to win in the competitive environment establishing a defense location within the current industry system. On the other hand, the companies adapting the blue ocean strategy adapt a different strategic logic we define as a value innovation instead of unbelievably adapting the competition in the red ocean as a criterion. So, value innovation becomes the cornerstone of blue ocean strategy. Because it focuses on rendering the competition meaningless through the value development applications for the buyers and the company instead of competing for superiority in competitive environment; and as result of this progress is provided establishing a non-contentious and clear Market area where there is no competition. Value innovation has been the new method of creating a blue ocean and putting the resulted strategy into practice getting away from the competitive environment. The point that should be emphasized as the most significantly is value innovation's challenging against the value-cost exchange which is one of the well-accepted dogmas of the strategy based upon competition. There is a conventional belief

related to entities' creating either an appropriate-grade value with low cost or big value with high cost to the customers. Accordingly, it is accepted as a selection between the differentiations and low cost through this strategy. On the other hand, the ones seeking for creating a blue ocean try to practice differentiation and low cost together. This new theory came into prominence in many scientific disciplines as business management, economics and culture. The significance of cultural influence on business has been widely recognized in both academic and business circles (Murphy, 1996; Lillis and Tian, 2010; Kim and Mauborgne, 2012).

## 2. MATERIALS AND METHODS

In this section, firstly the purpose, importance, content and the sample structure of the research was explained and then the validity and reliability analysis of the obtained data was carried out including them into the analysis process through SPSS 17.0 program. After the performing the other analysis processes, conclusion and evaluation were carried out and some suggestions were offered under the light of the obtained findings. Red and blue ocean scale data used for data collection were obtained from the book of "Blue Ocean Strategy" published by the book's authors Kim and Mauborgne (2005a) and innovation and financial monetary performance scales were obtained from the doctoral thesis titled as "Determination of Strategic Tendency Levels in Family Corporations and Its Effect upon the Firm Performance" written by Erkut Altındağ in 2011. The organization culture scale was obtained from the questionnaire of Rukiye Tekcangil's postgraduate thesis titled as "A Research in Carbonated Beverage Sector Related to Measuring the Effects of Organization Culture upon Organizational Innovation and Marketing Innovation." The innovation performance was obtained from the questionnaire of Tuğba Kurt's postgraduate thesis titled as "The effects of organization culture upon the innovation performance: A practice in Kayseri manufacturing sector" and the questionnaire was performed to entities. In answering of the questionnaires, the measurement was carried out using 7-point Likert scale after the section including the demographical information of the employees. The ones conducting the questionnaires mentioned to what extent they agreed or disagreed to various items. In questionnaire research, the private companies distributed at a wide sectoral range (textile, food, health, automotive) carrying on their duties especially in Istanbul area were included; the questionnaires were also collected from the companies in different regions through mail or e-mail for obtaining more reliable and valid results. The

collected questionnaires were generally directed to textile firms (79%). In this experimental study, 24.0% of the employees participated into the research were Entity Owner/Partner, 16.1% were Senior Executives, 33.8% were Mid-Level Managers and 26.2% were employed at other title/statuses.

The study was provided to be clear from the random errors through the reliability analysis which is one of the first conditions of a scientific study. The reliability of the scale does not prove its validity, either. For obtaining this, validity tests were provided for the accuracy level and the measured features to reflect their true differences. Primarily, Cronbach alpha ( $\alpha$ ) value, dependent variables, the independent variables depending on those were controlled in values obtained as a result of the reliability analysis and it was tested whether the corrected correlation coefficients between the variables were below the value of 0,500 or not. In the research, internal reliability of the innovation, organization culture, blue ocean strategy and innovation performance scales were tested with Cronbach Alpha and found on acceptable level.

Kaiser-Meyer-Olkin (KMO) value was obtained as 0,778 in variables related to innovation scale, as 0,907 in variables related to organization culture, as 0,711 in variables related to blue ocean strategy, as 0,876 in variables related to innovation performance, as 0,948 in variables related to financial and growth performance scale. The reliability analyses ( $\alpha$ ) of the factors included into the scale were between 0,704 and 0,950. All these analysis results revealed that the questionnaire and the variables included into the questionnaire had a reliability rate over the average. All these statistical analyses proved that the subsequent stage of the experimental study can be studied without any question marks. In our experimental study, before the regression analysis that provided finding a cause-result relationship between the variables, the correlation analysis related to all variables was created through the SPSS program. **Table 2**, the correlation coefficients were presented; it was clearly understood in analysis results that innovation had a high relationship with growth and financial performance. In other words, it was understood that the importance given for innovation by the executives and the board of management directly and positively affected the financial and growth performance of the firm. More detailed analysis results and the relationship rate will be presented within the scope of regression analysis in following pages.

Models and the obtained results in the regression analysis providing to find a cause-result relationship between the variables were interpreted in the following

**Table 1-6.**  $R^2$  value of the table (certainty coefficient) expressed to what extent the dependent variable could be defined by the independent variables as a value; and F value expressed whether the established model was statistically significant or not ( $p < .001$ ,  $p < .01$  or  $p < .05$ ).

In the model where the innovation was the independent variable which is presented in **Table 3**, it was determined that the importance given for the innovation at high level of significance had 27.6% positive and direct effect upon the firm performance as the dependent variables. This could be observed more clearly when beta level (0,219) was analyzed.

$R^2$  value for the effect of the organization culture model tendency upon the financial and growth performance as the dependent variable was found as 0,276 (**Table 4**). According to this, organization culture tendency as the independent variable in the model explained the 27.6% of the financial and growth performance. According to the performed regression analysis results, ( $\beta = 0,078$ ) and ( $\beta = 0,061$ ) values were found analyzing the effects of organizational culture tendency upon the financial and growth performance; and there was no organizational culture effect upon the financial and growth performance due to the low beta values it had. Organization culture and its sub-factors had no effect upon the financial and growth performance of the entity.

$R^2$  value for the effect of blue ocean model tendency upon the financial and growth performance as the dependent variable was found as 0,276. According to this, blue ocean strategy tendency as the independent variable explained 27.6% of the financial and growth performance (**Table 5**). According to the performed regression analysis results, ( $\beta = -0,019$ ) and ( $\beta = 0,122$ ) values were found analyzing the effects of blue ocean strategy tendency upon the financial and growth performance; and blue ocean strategy model was qualified as insignificant due to low beta values found in terms of the model upon the financial and growth performance. This innovative approach that also means carrying on activity through a special product/service in a sector where there is no go-to-market and competitors has not affected the financial and growth performance of the entities yet. It was clearly determined that innovation performance had a strong and positive relationship upon the financial and growth performance of the company in a way supporting the hypothesis developed as starting to the research. According to the performed regression analysis results, ( $\beta = 0,279$ ) value was found analyzing the innovation performance tendency upon the financial and growth performance; and  $R^2$  value for the effect of innovation performance model tendency upon the dependent variable performance was found as 0,276.

**Table 1.** Comparison between red ocean and blue ocean strategies

Red Ocean Strategy	Blue Ocean Strategy
Competition in Current Market area	Creating Market area without competition
Winning in competition	Render competition meaningless
Using current demand for own purposes	Creating and obtaining new demand
Making value-cost exchange	Eliminating value-cost exchange
Differentiate or make all system composed by firm activities comply with strategic choice with low cost	While trying to make differentiation and low cost, making all system composed by firm activities in compliance

Kim and Mauborgne (2005). Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant. Harvard Business Press

**Table 2.** Correlation analysis of the research scale

	Innovation	Organization culture model 1	Organization culture model 2	Blue ocean strategy model 1	Blue ocean strategy model 2	Innovation performance	Financial and growth performance
1	0,525**	0,185**	0,416**	0,049	0,495**	0,407**	
Innovation	317	0,000	0,001	0,000	0,384	0,000	0,000
Organization Culture model 1	0,525**	1	0,229**	0,659**	0,029	0,699**	0,393**
Organization Culture model 2	0,185**	0,229**	1	0,203**	0,109	0,207**	0,186**
Blue Ocean Strategy model	0,416**	0,659**	0,203**	1	0,195**	0,635**	0,337**
Blue Ocean Strategy model 2	0,049	0,029	0,109	0,195**	1	0,166**	0,184**
Innovation Performance	0,495**	0,699**	0,207**	0,635**	0,166**	1	0,463**
Financial and Growth Performance	0,407**	0,393**	0,186**	0,337**	0,184**	0,463**	1

**Table 3.** Innovation regression analysis

Innovation	$\beta$	t	p
	0,219	3,759	0,000
Dependent variable: Financial and growth performance			
$R^2 = 0,276$		$F = 19,721$	$P: 0,000$

$p^* < 0,05$ ;  $p^{**} < 0,01$ ;  $p^{***} < 0,001$

**Table 4.** Organization culture regression analysis

Organization culture	Model 1			Model 2		
	$\beta$	t	p	$\beta$	t	p
	0,078	1,009	0,314	0,061	1,212	0,226
Dependent variable: Financial and growth performance						
$R^2 = 0,276$ $F = 19,721$ $P: 0,314$			$R^2 = 0,276$ $F = 19,721$ $P: 0,226$			

$p^* < 0,05$ ;  $p^{**} < 0,01$ ;  $p^{***} < 0,001$

**Table 5.** Blue ocean strategy regression analysis

Blue ocean strategy	Model 1			Model 2		
	$\beta$	t	p	$\beta$	t	p
	-0,019	-0,270	0,788	0,122	2,413	0,016
	R <sup>2</sup> = 0,276 F = 19,721 P: 0,788			R <sup>2</sup> = 0,276 F = 19,721 P: 0,016		
	p* < 0,05; p** < 0,01; p*** < 0,001			Dependent variable: Financial and growth performance		

**Table 6.** Innovation performance regression analysis

Innovation performance	$\beta$	t	p
		0,279	3,799
	R <sup>2</sup> = 0,276		F = 19,721
	P: 0,000		
	p* < 0,05; p** < 0,01; p*** < 0,001		

This finding supported that the investment for innovation explained the change in financial and growth performance at totally 27.6% rate in dynamic sectors (**Table 6**) where intensive technology has been especially benefited. The executives of organizations using the innovative processes in their firms and giving importance for the innovation have noticed that these practices directly affected the performance of entities and have made their decisions depending upon this.

### 2.1. The Effect of Innovation Tendency upon the Financial and Growth Performance

The innovation performance has direct and positive effect upon the financial and growth performance of entities. In this research model, the effect of answers given by the employees working in entities upon the financial and growth performance as the dependent variable was determined using the factor analysis, correlation analysis and regression analysis. According to these analyses, the independent variables were determined to have positive and direct effects upon the dependent variable when evaluated altogether. H1 hypothesis was supported as  $\beta = 0,219^{***}$  and the factor was determined to have a direct effect as 27.6% upon the financial and growth performance. In other words, tendency of company management towards the innovation affected both financial and growth performance directly and positively (**Fig. 1 and 2**).

Considering that the main purpose of entities is to make profit, the main purpose for them to make innovation is their survival and maintaining their success in advanced markets becoming a successful organization and increasing the financial performance. As supported in H1 hypothesis, the companies will be

able to maintain their success adapting the innovation which affects their financial and growth performance positively and directly.

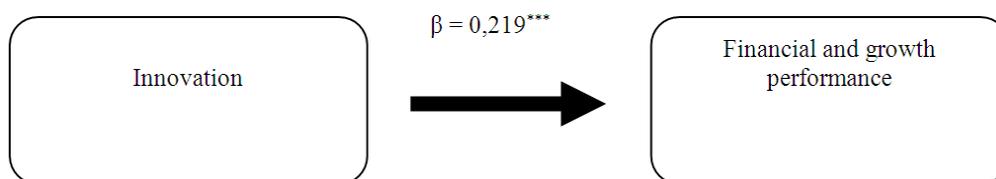
### 2.2. The Effect of Organization Culture Tendency upon the Financial and Growth Performance

The organization culture tendency had direct and positive effect upon the financial and growth performance of entities.

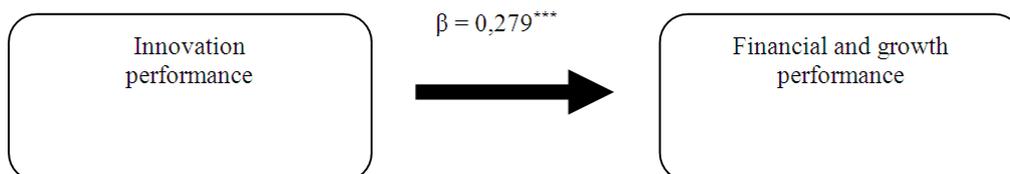
According to the research results, when the effect of answers given by the employees working in entities for the organization culture factor upon the variable of financial and growth performance as the dependent variable was analyzed according to the factor analysis, correlation analysis and regression analysis, it was concluded that it had no significant effect upon the upon the dependent variable. For that reason, H2 hypothesis was disapproved. What expected from the research results was an efficient organization culture's increasing the financial and growth performance success providing the advantage of competition for the entities and mentioning about high rate of returns and profit providing conformity between the financial success and purposes of the organization. However, the hypothesis and the result revealed as result of the analysis were inconsistent.

### 2.3. The Effect of Blue Ocean Tendency upon the Financial and Growth Performance

Blue ocean strategy tendency had direct and positive effect upon the financial and growth performance of entities.



**Fig. 1.** The effect of innovation factor upon financial and growth performance



**Fig. 2.** The effect of innovation performance factor upon financial and growth performance

According to the research results, when the effect of answers given by the employees working in entities for the blue ocean factor upon the variable of financial and growth performance as the dependent variable was analyzed according to the factor analysis, correlation analysis and regression analysis, it was concluded that it had no significant effect upon the upon the dependent variable. For that reason, H3 hypothesis was disapproved. Another point obtained from the research results was that the companies adapting the blue ocean strategy created an uncompetitive market area through the strategies they practice and gained a noticeable speed at their financial and growth performance changing the market in the way they require through their financial power. However, the hypothesis and the result were inconsistent. The leading reason of this was observed not using and knowing the blue and red ocean approaches commonly in Turkey. In further studies, the executives with higher educational status are expected to give more conscious answers to this question. But, the developed hypothesis and the result revealed at the end of the analysis were inconsistent.

#### **2.4. The Effect of Innovation Performance Tendency upon the Financial and Growth Performance**

Innovation performance tendency had direct and positive effect upon the financial and growth performance of entities. In this research model, when the effect of answers given by the employees working in entities for the innovation performance factor upon the variable of financial and growth performance as the dependent variable was analyzed according to the factor analysis, correlation analysis and regression analysis, it

was determined that it had significant effect upon the upon the dependent variable. H4 hypothesis was supported as  $\beta = 0,279^{***}$  and the factor was determined to have 27.6% direct effect upon the financial and growth performance of the factor.

Innovation performance starts from R and D stage till to patenting and presenting to customers through new products and services. From this viewpoint, entities maintain growth achieving the financial success as result of the innovation performance. Another point was that the importance given for the innovation, the actions they took, R and D investments and process development/improvement processes directly affected the innovation performance. Innovation performance's direct and positive effect upon the financial and growth performance of the entity has been suggested as hypothesis before and also supported through this hypothesis in the research.

### **3. DISCUSSION**

Under the light of analysis results and information obtained as result of the four main titles created for a cross-sectoral study and innovation management in entities; viewpoints of entities related to innovation and management concepts and how the relationship between the informational sources for innovation could be provided and the advantages on development of innovation and the obstacles were discussed. In this constantly developing and changing world, it is no doubt impossible to maintain a life without being aware of the innovations and benefiting from the advantages of innovation. When innovating successful entities were analyzed, such entities have been noticed to have a strong information network. Producing something that

has not existed before or adding new functions that will create difference in the current product or service will only be possible through the adaptation of innovation. Entities' seeking for solutions for maintaining their financial life success as their basic purpose and protecting their competitive capacity/superiority in the market have caused the analysis of innovation concepts and creation of a tendency towards these concepts. Meeting the changing needs and requests of consumers more efficiently and rapidly than their competitors is only possible through the firms' transferring innovation into their products and services. Therefore it is needed to increase R and D investments to develop the innovation skills of entities and providing the employees to acquire innovative skills. Moreover, the importance and effect of organization culture upon adapting and practicing the innovations is clear. Culture is the body of common values and beliefs transferred through organizational socialization to each new employee participated into the entity and created by an executives group making strategic decisions. Organization culture's having an action-specific characteristic upon entrepreneurship and innovation also provides a very strong competition advantage for the entities. Survival of entities in an increasing competitive environment is possible through their varying on innovation activities. Accordingly, management and innovation activities of the entities are started by one or a few firms. And then, when this process is evaluated as cost, majority of entities get away from taking this risk and they prefer imitating, instead. Those changes performed only through imitation have not been accepted as innovation. Accordingly, imitating firms' following the innovative firms sometimes comes behind. Not trying to overcome the competition is only possible through the blue ocean strategy. Blue Ocean defines all industries not existing currently. The analysis performed as result of the research and the hypotheses were inconsistent. Unfortunately, blue oceans have not been known substantially. An efficient organization culture's providing advantage in terms of financial and growth performance to entities will also cause profitability. When the strategic-quality projects determined as profitable for the entities require a great deal of capital and giant entities could not meet this, it is possible to meet through the joint venture. So, two or more institutions will bring their resources together and will obtain mutual share from the pastry developing out of different strategies. As result of the joint venture, investment costs are reduced through providing financial convenience. Some entities cannot practice this process rapidly due to the obstacles against innovation such as high costs, resource shortage and lack of qualified personnel. In rapidly changing dynamic environment,

innovation has become compulsory for entities to meet the needs of the customers during the idea/design process.

In different studies it is found positive effects of innovation on various measures of firm performance (Calantone *et al.*, 2002; Hult *et al.*, 2004; Olson *et al.*, 2005; Sharma and Lacey, 2004; Simpson *et al.*, 2006: 1140) The innovation has innovation types in itself and entities' considering the innovation types as different or as a whole provides benefits in terms of finance and growth of the business. According to the research results, the effect of answers given by the employees for the innovation factor upon the financial and growth performance as the dependent variable was determined as positive and direct and had positive effect upon the dependent variable. Accordingly, entities' considering innovation as a whole provides great advantage in terms of finance and growth. Not having adequate good ideas within a company or not actualizing the ideas rapidly constitute impediment for innovations. Moreover, the communication in entities has a great importance. If the employees understand the requests and demands of the customers clearly using a correct communication method through the support of the top management, innovation process will be the winner of the process.

#### 4. CONCLUSION

In this paper, it is conducted an empirical research on innovation and its impacts on firm's financial and growth performance. If an organization chooses the innovation instrument in road to success, the beginning point of the entity is its revealing the innovative techniques that will be used exactly. It is necessary for each employee to comprehend and practice the concept of innovation. Especially the relationship between innovation and innovation performance, how fast the innovation tendency is designed and actualized, how many surplus values are created and to what extent their results are measured and evaluated are all important. One of the most important factors of innovation is the qualification and the quantity of new and radical ideas. If the creative ideas are used efficiently through the resource management, the firm can maintain its life within the blue ocean it created. And resource management is created through work flow and alchemy of financial resources. Under the economic condition when the innovation concept has increased day by day, it is clear that the companies need studies emphasizing the importance of innovation concept's strategic importance. The information age causes the development of the gradually improving technology. So, through the awareness of customers, the companies learn to create new

strategies in products and services towards meeting the demands of the customers and to develop the current ones.

The findings in this research are subject to at least two limitations. First, these data apply only to small sampling size, in future works it may be extended including cross-national study. Second, current investigation was limited by innovation and blue ocean theory's theoretical background. Further research might explore the links between innovation and new management concepts including chaos theory, six sigma, new product development and business process reengineering. Overall, there is no doubt innovation implications shape the firm performance, but the correlation ratio always depends on managers' choices.

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