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A STUDY TO DETERMINE THE INFLUENCE OF INNOVATION AND MARKET ORIENTATION ON BUSINESS PERFORMANCE

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Abstract

In today's increasing and heating competitive environment, companies should carry on their activities which will meet customers' demands and expectations. To achieve this, companies should have an innovative structure and embark on an enterprise which will increase their market share. Following the changes in the market gives competitive advantage to the companies as well as it provides competitive supremacy through analyzing the market appropriately. In this respect, the effect of market and innovation orientation on business performance in the tourism organizations operating in Western Antalya coastal region has been examined in this study. Survey method is used for the research and findings have been analyzed by SPSS 22.0. As a result of the analysis, it is revealed that innovation orientation has a direct effect on business performance although market orientation has a slight influence on the performance.

Keywords: Innovation Orientation, Market Orientation, Business Performance

1. INTRODUCTION

In this globalizing and developing world, competition and competitive advantage have been gaining significance. Companies improve themselves continously and competition becomes a key factor in free market economy (Bono, 2008). Companies should operate in a customer oriented way and have innovative business models in order to be successful and to maintain their competitive advantage in this competitive environment. Moreover, the fact that companies should adapt to the changes in time and their relationships with the external environment have a significance. Thus, this adaptation can be facilitated as a factor to gain competitive advantage. In the process mentioned, companies attempts to keep their competitive advantage day by day increase the significance of service industry having a growing structure in today's customer-dominant global competition environment.

In this respect, the effect of market and innovation orientation on business performance in the tourism organizations operating in Western Antalya coastal region has been examined in the present study. There have been some studies related to the subject in the literature, but studies that conduct a research in the tourism business about the variables examined within the scope of this study are limited, which makes the present study more significant. It has also been considered that the present study will make a contribution to the literature as it reveals the interact between the variables mentioned.

2. LITERATURE SUMMARY

2.1. INNOVATION ORIENTATION AND BUSINESS PERFORMANCE

With the spread of globalization to all business sectors, changes and technological developments which are faster than human life force companies to make innovation. Companies make innovations to survive in the global competition, create a difference, increase customer satisfaction and maintain their continuity (Aksoy ve Demirel, 2008).

Innovation coming from the Latin word 'innovatus' means starting to use new methods in social, cultural and official circumtances. Webster dictionary defines innovation as 'a new and different outcome'. As it is emphasized in its dictionary meaning, Innovation, a new and up-to-date notion, states the result more than the innovation itself and a social process based on differentiation and change (Elçi et al., 2008). In this frame, innovation can be described as new ideas, new practices, new solutions and new technologies for a company (Jenssen and Jorgensen, 2004). According to Schumpeter, innovation is to work for the studies bringing improvements which lead to new inventions for commercial products. According to Drucker, trade consists of two basis and these are marketing and innovation. With regard to these definitions, innovation is manufacturing new products through new information and ensuring customer satisfacttion. Besides, according to some scientists, innovation is the first step of invention (Akgemci and Güleş, 2009). Innovation involves all the activities ranging from scientific research to invention, improvement and commercialisation for creating a new product or production process (Kamien and Schwartz 1982). Companies gain competitive advantage by means of innovation activities. Companies approach to innovations in the broadest way as both technologies and new business methods (Porter, 1990).

Benefits which will probably be gained as a result of the strategic effects of innovation can be listed as major topics as follows (Güleş and Bülbül, 2004):

- Increase in productivity,
- Gaining international competitive advantage,
- Enhancing employment,
- Adjustment in balance of the payments disequilibrum,
- Increasing the national and industrial security,
- Improving sectors like communication and service,
- Achieving social and human development,
- Ensuring the effective use of resources,
- Protecting environment,
- Speeding up economical growth and development.

Business performance has also been considered as a significant factor in today's world to maintain the continuity of campanies against the increasing competition. In this respect companies operates by giving attention to innovative practices and the positive effects of these practices (Küçük and Kocaman, 2014). In literature there have been many studies on innovation and business performance. Some positive relations betwen innovation orientation and business performance have been found in the studies conducted (Johnson et al., 2009; Erdem, 2013; Küçük and Kocaman, 2014).

2.2. MARKET ORIENTATION AND BUSINESS PERFORMANCE

Marketing perception means that a company should be customer oriented as a whole to achieve a long term success. According to this view, the success in the market begins with the customer. However, the competition in the business world today focuses on the customer satifaction (Boone and Kurtz, 2011). In today's fluctuant environment conditions full of hypercompetition, the success of companies is based mostly on gaining sustainable competitive advantage and keeping this advantage. The way to gain competitive advantage and keep it is creating high values for the customer by a market oriented business culture. Therefore, regarding market orientation as a savor becomes a necessity fort he companies which have to operate in an environment becoming more complicated in the third milennium (Naktiyok, 2003).

Market orientation is evaluated as creating a market information to meet present and future demands, spreading the information to the organization and forming effective norms to be sensitive to this information (Kohli and Jaworski, 1990), as a decision making process including to gain information, process and share it (Shapiro, 1988). In other words, market orientation has a place as a practice of marketing approach in the literature (Kohli and Jaworski, 1990).

Market orientation has three main dimensions which are customer orientedness, rival orientedness and coordination amons functions. Every diention should focus on creating customer value. Customer orientedness, the basis of market orientation, should focus on understanding the open and hidden demans of customer to create value. Rival orientedness is to reveal rival companies' weaknesses, strenghts, organizational processes and strategies which determines the activites of rivals for the inputs and outputs with the purpose of creating more values for customers than the rivals create. Coordination among functions includes using business sources in coordination to create high values for customers (Slater and Narver, 1994; Naktiyok, 2003). Customer orientation is a concept related to understanding customers, responding their demands in a proper way and creating a high values for them constantly. Rival orientation is realted to following rivals constantly to protech themselves from rivals and to create higher values than the rivals do. Coordination among functions means working of all the employees and other sources in a harmony to create customer value (Usta, 2011; Aydeniz and Yüksel, 2007).

For business companies, necessary stages to adopt and apply a market oriented understanding are as follows (Payne et al., 1988):

- Describing the mission of being market leader,
- Determining the abilities which the managemend requires for market oriented activities,
- Creating magenement development programmes,
- Determinig some other supportive activities (like forming a market oriented organization, knowledge sharing with other organizations, establishing a market information system).

As market orientation has an increasing effect on business performance, it make a significant contribution (Kohli and Jaworski, 1990). Customer orientedness is significant for companies and customers, the determination of companies about being customer oriented and their accurate and in time practices will bring great achievements for companies. Market orientation doesn't have a direct effect on business performance but it has an indirect effect through customer relations and custumor information management. Customer information management helps the management focus on customer data and find new products. Thus, it enables business performance to increase (Liyun et al., 2008; Erdem et al., 2013).

3. RESEARCH METHODOLOGY

In this part of the study, the aim, hypothesis and findings will be revealed.

3.1. Research Method and Sampling

Data set is composed by using survey method and the research is carried out at 250 hotels registered to Republic of Turkey Ministry of Culture and Tourism in Western Antalya region (especially Kemer, Göynük, Tekirova and Beldibi). In the study, a lagre scope research has been made and and it is expected to contrbute to the literature. The population of the study consist of Wester Antalya region. Response scales related to innovation and market orientation are listed as "1"= Strongly Disagree and "5"=Strongly Agree and items related to performance are listed as '1' = highly negative and '5' =highly positive and questions are asked in the form of 5 point Likert scale.

The population of the research is limited to 250 hotels registered and 102 of these hotels has responded to the survey. Feedback ratio of the surveys is %40.8. In the samples chosen from the universe, feedback ratio is between %20 and %40 (Güleş and Çağlıyan,2003; Tekin et al,2005; Gürbüz and Demirer, 2006), when this is taken into consideration the ratio in the present study can be regarded as an acceptable ratio. SPSS 20.0 for Windows is used for assessment of questionnairres. Reliability of the scales related to innovation and market orientation and business performance are tested before data analysis is measured by Cronbach' Alpha. Alpha values of scales for innovation orientation is $\alpha= 0.822$, for market orientation is $\alpha= 0.876$, for business performance $\alpha= 0.891$. Alpha values range from 0 to 1 and an acceptable value should be at least 0,70 (Altunışık et al., 2010). When reliability coefficient is examined, it is observed that the reliability of the scales belong to every dimension are over 0.70. Thus, it is concluded that scales were highly ($\alpha >0,70$) reliable. In the first part of he survey to measure the innovation orientation, scale developed by Calantone et al. (2002) and applied by Erdem et al (2013) was used in the questionairre. The second part includes the questions related to market orientation. To measure the market orientation of companies, the study developed by Narver and Slater (1990) and used by Erdem et al. (2013) was referred. The last part of the survey consists of business performance. To measure business performance, business performance scale used by the researchers (Özilhan, 2004; Özilhan 2009; Demirel, 2008) compiled in a way that it will enable performance measurement in service industry.

3.2. Research Hypotheses

The main purpose of the study is to determine the effect of innovation and market orientation on business performance. The hypotheses developed in accordance with this purpose are listed below:

Hypothesis 1: Innovation orientation directly affects business performance.

Hypothesis 2: Market orientation directly affects business performance.

4. FINDINGS

4.1. Sampling Features

When the number of employees is examined, it is seen that 5.9% of the companies participating in the research have 1-50 workers; 52.9% have 51-500 workers and 41.2% have more than 500 workers. Most of these companies (64.7%) have been operating for 5 to 10 years.

From the point of competition level, it is seen that most of the companies (64.7%) highly compete with others.

4.2. Findings Related to Innovation and Market Orientation and Business Performance

Innovation orientation evaluation of participant companies is like as seen in Table 1.

Table 1. Findings about Innovation Orientation of Participant Companies

	Mean	S.D.
Our campany give high significance to develop new product/service	4.38	0.65
Our company often test new ideas and tries to apply them	4.31	0.69
Our company is highly creative in terms of finding new methods	4.22	0.73
In our company, expenses to develop new product/service are covered sufficiently	4.35	0.64
In our company new ways are searched constantly to work better	4.45	0.57
In our company innovation isn't regarded as highly risky and innovation isn't opposed	4.21	0.89
Total	**25.92**	**3.06**

Notes: (i) n=102; (ii) 5 means Strongly Agree, 1 means Strongly Disagree in the scale; (iii) According to Friedman two-way Anova Test ($\chi2=37.754$ and $p<.001$, results are statistically meaningful.

When examined it is seen that the innovation orientation of the companies is above the average. It is pointed that in the companies new ways are searched all the time to operate beter (4.45), that companies give importance to develop new product/service (4.38) and that they spend enough to develop new product/service (4.35). Hence based on the results it can be stated that companies adopt innovative business models.

Questions related to the sub-dimentions of market orientation such as customer orientation, rival orientation and coordination among functions are asked in Table 2.

Table 2. Finding about Market Orientation of Companies

	Mean	S.D.
Our company tries to give best service after sale	3.74	0.90
Our company gathers information to meet customers' demand all the time	3.78	0.74
Our company assesses customer satisfaction all the time	3.75	0.82
Our company works to create customer value all the time	3.84	0.67
Our company makes an effort for the customer commitment	4.07	0.86
Our company makes an effort to accomplish customer satisfaction	4.46	0.66
Customer Orientation	**23.63**	**3.42**
In our company rivals actions are responded immediately	4.14	0.87
Our salespeople share information about our rivals	3.06	1.25
In our company executive managers discuss the strategies of rivals	4.05	0.98
Rival Orientation	**11.25**	**2.01**
Our company provides integration in its strategies.	4.24	0.69
In our company, sources are shared among departments.	4.42	0.70
All departments in our company contribute to the effort of creating customer value.	4.29	0.73
Coordination among Functions	**12.95**	**1.84**
Total	**47.82**	**5.52**

Notes: (i) n=102; (ii) 5 means Strongly Agree, 1 means Strongly Disagree in the scale; (iii) According to Friedman two-way Anova Test ($\chi2=243.891$ and $p<.001$, results are statistically meaningful.

When we examine Table 2, it has been seen that finding about market orientation consists of three dimentions which are customer orientedness, rival orientedness and coordination among functions. Companies make great efforts to achieve customer satisfaction (4.46), customer commitment (4.07). In addition to this, it is concluded that companies work constantly to create customer value (3.84). When the Table 2 is examinedin detail, it is seen that the customer orientedness of the companies is above the average. Thus these concequences derives from the fact that business companis in tourism industry should operate in a customer centric way to gain competitive advantage and to differ from their rivals as it is in other industries.

When the data collected is examined rival orientedness of the companies is above the average. In Table 2 it can be seen that executive managers in the companies discuss the strategies of their rivals (4.05), and respond immediately to their rivals actions (4.14). these concequences can be derived from the fact that companies are aware of that they should follow strategies of their rivals and adopt themselves to the new business models and changes in the market.

Table 2 above indicates that the communion of companies for any item in terms of coordination among functions are above average.

Evaluation for business performance of participant companies is demonstrated in Table 3.

Table 3. Findings about Business Performance of Companies

	Mean	S.D.
New and improved service	4.16	0.66
Efficiency	4.32	0.71
Customer satisfaction	4.11	0.60
Annual profit	4.03	0.76
Market share	4.38	0.73
Service quality	4.25	0.72
The level of achieving aims	4.44	0.57
Contribution to gaining new customers	4.42	0.62
İncreasing the level of customer retention	4.23	0.78
Customer retention	4.59	0.51
Regaining the customers lost	4.70	0.50
Total	**47.62**	**5.01**

Notes: (i) n=102; (ii) 5 means highly positive, 1 means Highly negative in the scale; (iii) According to Friedman two-way Anova Test ($\chi2=140.458$ and $p<.001$) results are statistically meaningful.

In the Table 3, the most highest value is regaining the customers item (4.70). Customer retention (4.59), the level of achieving the aims of companies (4.44), contribution to new customer gaining (4.42), market share (4.38), efficiency (4.32) and service quality (4.25) regaining the clost follows each other. When Table 3 examined generally, it is seen that companies have an above-avarage performance level. Regaining customers lost (4.70), customer retention (4.59) and gainig new customers (4.42) values demonstrate that companies give a significance to the customer and it shows that companies put the customers in the center of their business model.

In the Table 4 below the relationship between each variable is tested by using correlation coefficient.

Table 4. Correlation Matrix

	Innovation Orientation	Market Orientation	Business Performance
Innovation Orientation	1		
Market Orientation	.569**	1	
Business Performance	.776**	.506**	1

*Note: ** p<.001*

As it is seen in the correlation matrix in table 4, each variable has a statistically meaningful (p<.001) relationship with others. As a result, there is a positive relationship between business performance and innovation or market orientation. These results demonstrate us that there is a paralel between this study and others in literature (Sin et al, 2004; Hamşıoğlu, 2011; Erdem et al., 2013; Johnson et al., 2009; Küçük and Kocaman, 2014).

When correlation coefficient is examined, it is detected that there is a positive relationship between variables and a simple linear regression anlaysis has been made to determine the effect of innovation orientation on business performance in Table 5.

Table 5. Simple Linear Regression Analysis of Innovation Orientation And Business Performance

Dependant Variable	R^2	Independand Variable	B	Std. Error	t	p	F
Business Performance	0.603	Constant term		2.688	5.479	0.00	151.707**
		Innovation Orientation	.776	.103	12.317	0.00	

*Note: **p<.001*

When Table 5 is examined, it is seen that the claimed model is statistically significant (p<.001). R^2 (the percentage of explained variance) and F (the significance level of regression model) values demonstrate that business performance can be explained by innovation orientation. In this respect, if we take table 5 into consideration Hypotheis 1 claiming that 'Innovation performance affects business performance directly' is accepted.

A simple linear regression analysis has been made to determine the effect of market innovation on business performance in Table 6.

Table 6. Simple Linear Regression Analysis of Market Orientation And Business Performance

Dependant Variable	R^2	Independand Variable	B	Std. Error	t	p	F
Business Performance	0.206	Constant term		4.554	4.674	.000	34.336*
		Market Orientation	.506	.095	5.860	.000	

*Note: **p<.001*

When Table 6 is examined, it is seen that the claimed model is statistically significant (p<.001). R^2 (the percentage of explained variance) and F (the significance level of regression model) values demonstrate that business performance can be explained by market orientation. However, the explanation level of R^2 value for the relationship between the variables is low (0.206). In this respect, if we take table 5 into consideration Hypotheis 2 claiming that 'Market performance affects business performance directly' is denied.

5. CONCLUSION AND EVALUATION

In this study, survey method is used and the research conducted on the companies registered to Republic of Turkey Ministry of Culture and Tourism in West Anatolia coastal region.

Main aim of the study is examining the relationship between innovation and market orientation and business performance. As a consequence of the analysis, a statistically positive and significant relationship betweenevery parameter is detected. In this respect the accuracy of hypotheses are tested. In the light of data collected Hypotheis 1 claiming that 'Innovation performance directly effects business performance' is accepted. However, Hypotheis 2 claiming that 'Market performance directly affects business performance' is denied. Therefore it is seen that innovation performance has a direct effect on business performance and market performance doesn't have a direct effect on business performance.

In tourism industry it is seen that business companies operates in a customer centris way. Likewise, it is found that customer orientedness assessments of the companies have above-average values. Besides, it is seen that companies give significance to the strategies of the rivals in general and coordination among functions has an above-average importance. İt is alsa observed that participant companies have also an above-average innovation orientation. When we evaluate in terms of tourism industry the fact that companies employ innovative strategies and increase their performance in order to adopt themselves to the innovations in the market, analyze the market and gain competitive advantage by differing from their rivals.

To ensure the reliability and accuracy of the results, we avoid applications causing measurement errors and we also pay great attention to prevent meausurement error problems in the study conducted. In the scope of the study, both the relationship between each parameters and the causative relation between dimentions are examined. Researchers interested in the topic can make continuing studies by using a more widescale sampling in different regions and they can contribute to the literature by performing comperative analysis in various sectors.

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