



# How do innovation culture, marketing innovation and product innovation affect the market performance of small and medium-sized enterprises (SMEs)?



Hasan Aksoy <sup>1</sup>

Dept. of International Trade and Logistics, Faculty of Business, University of Gaziantep, Gaziantep, Turkey

## ARTICLE INFO

### Article history:

Received 7 April 2017

Received in revised form

20 July 2017

Accepted 16 August 2017

Available online 24 August 2017

## 1. Introduction

It is known that innovation has a significant impact on the performance of firms [1]. Most studies that focus on the relationship between innovation efficiency and firm size only sought to understand the findings in terms of the improvement of market performance and the exploitation of new market opportunities [2–7]. This specific relationship was further established for small and medium-sized enterprises (SMEs), as well as large companies [8,9]. Because of their number and the significant share of the workforce involved, SMEs play a crucial role in the economies [10]. Thus, strengthening the innovative aspects and knowledge of SMEs brings major opportunities, as innovation is a key to long-term competitiveness and promises further gains regarding private sector performance and economic development [11].

In this light, this paper aims to contribute to the literature by providing a better understanding of the links between the layers of innovation and market performance. Equally, the study empirically tests the resource-based view (RBV) and is extended from Terziovski's work [12]. In contrast to numerous previous studies that indicate market performance as a dimension of the firm's performance, this study provides a clearer view upon the relationship between the constructs of innovation that drive market performance.

The first objective implies highlighting the importance of market innovation and innovation culture on product innovation in

SMEs. Thus, it should be mentioned that innovation is significant at all stages of competition and creates wealth in the business environment for companies [13–15]. Some researchers argue that small firms invest more in product innovation than they do in process innovation [16–18]. Therefore, this study approaches only the effect of product innovation on market performance. Companies need to apply innovation culture in their practices, such as to allow them to succeed in terms of innovative products and services. It is creativity, empowerment, and change of organizational culture that drives innovation [19,20]. Empirical evidence suggests that it is important to build, maintain, and promote a culture of innovation, if companies want to remain successful and create new products [21,22]. However, despite the attention towards the topic of marketing innovation and innovation culture in the literature, previous research did not sufficiently analyze the contribution of innovation culture and the impact of marketing innovation on product innovation.

The second objective of the study is to address the importance of marketing innovation strategies and product innovation when considering superior market performance. The primary idea behind this research is that marketing innovation is a prerequisite when trying to improve market performance. Marketing and product innovation strategies are the key contributors to market performance. Competitiveness has become an indispensable element of survival in the marketplace [23], while innovation activities create superior value and benefits, such as allowing a company to differentiate itself from its' competitors [24]. SMEs can effectively use market innovation to sell differentiated products and services in complex environments [9,25]. The innovation literature suggests that product innovation affects performance [26–29]. In the research, the focus was on the influence innovative activities have on market performance. This study contributes to the present literature by revealing the manner in which the development of a unique innovation culture and marketing innovation provides SMEs with product innovation success. It also sustains that the creation of innovative marketing strategies and product innovation capabilities maintain superior market performance on the part of SMEs.

The researcher theoretically approaches the fact that an RBV

<sup>1</sup> E-mail address: [hasanaks@gmail.com](mailto:hasanaks@gmail.com).

<sup>1</sup> Tel.: +90 5069733741.

plays a major role in explaining and answering the following questions in the model. Firstly, to what degree do marketing innovation and product innovation efforts influence the market performance of SMEs? Secondly, how does innovation culture impact on both marketing and product innovation in SMEs? Thirdly, to what degree do marketing and product innovation interact with each other to affect the market performance of SMEs? In this light, the SPSS Amos from listed Turkish SMEs was used to test the hypothesis.

The study begins by discussing the literature and theoretical background of the model, followed by the description of the methodology and the examined samples and measures. The final sections present the results, while highlighting a critical review and possible avenues for future research.

## 2. Theoretical background and research hypotheses

Innovation is defined as a compulsory component of competitiveness that compasses the new or improved product or process, a new marketing approach, and new organizational behavior in business practices [30–32]. It is assumed that these innovation types improve companies by initiating capability and adopting technological changes. Innovation capability refers to the accumulated ability to improve existing technology and to create new technology, resulting from the various internal and external resources. Applied to products, processes, organizational and marketing innovations, separately or combined, it is considered to expand a firm's overall capability to initiate and keep up with technological change [33].

Based on the relevant literature (summarized in Table 1), the study analyzes the innovation constructs that the research proposes, with Table 2 showing the construct definitions. The empirical model shown in Fig. 1 outlines the hypotheses examined in this study. This study seeks to examine the relationships between marketing innovation, innovation culture, product innovation, and market performance, while focusing on SMEs. As such, the rationale for choosing these factors, in terms of analyzing the innovative activities of SMEs within Turkey, is sustained by the significant number of SMEs from emerging markets, such as, China, Brazil, India, and Russia, which proves that innovation and marketing performance is critically important in driving SME performance [8,34–38].

In order to determine suitable structures required in creating the basis for the improvement of a theoretical model, the study analyzes the literature on innovation in SMEs. It also applies a resource-based view (RBV) to explain how SMEs internal resources impact on performance and encourage competitiveness [39–41]. The RBV is a perspective that investigates the assignment of the qualities of those firms with superior performance. In addition, the RBV can be helpful in acquiring a deeper understanding of such companies' success compared with other businesses [42].

The study adopted the relationship between independent variables and dependent variable SME performances [12], identifying the independent constructs of the strategy as innovation strategy, innovation culture, supplier relationships, and technological relationships, and how these constructs affect SME performance. Following [12] and [42], the present researcher argues that the SMEs' market performance is based on the innovation-related frameworks. This view was further extended to associate the innovative nature of SMEs from an innovative perspective. In this regard, many innovation-related frameworks were used as potential variables for containment in the model by numerous researchers. These include the business model, competitiveness, culture, and technology [43–45]. Equally, marketing and innovation support the success of many firms and were highlighted in many marketing and management journals [46]. Thus, the present study utilizes criteria based on marketing innovation, product innovation, and innovation culture. The conceptual framework is provided by grouping innovation-related variables into three prominent components, while determining how these variables play a significant role in the success of SMEs in terms of market performance.

### 2.1. SME market performance

Considering their importance, in terms of economic growth, and the major role they play in many economies, the SMEs require more attention and analysis [62]. Nevertheless, it is necessary to mention that the importance of SMEs is also characterized by the fact that throughout the world more than 95% of enterprises are in the form of SMEs [63].

Numerous differences between large firms and SMEs were revealed in the literature, in terms of flexibility, ownership, resource limitations, and decision-making processes [64,65]. As a

**Table 1**  
Research and literature on constructs of innovation that support market performance.

| Focus                                       | Study   | Main Findings   |
|---|---------|---|
| Innovation culture and product innovation   | [47]    | Product innovation is stimulated by innovation culture.   |
|   | [48]    | The innovation culture is the prerequisite for reaching radical product innovation has been approved.   |
|   | [49]    | The innovation culture can influence product innovation performance and should be considered an essential part of the product innovation process. |
|   | [50]    | The findings support the crucial role of an innovation culture in the relationship between leadership and the product innovation process.         |
|   | [51]    | Innovation culture can improve the performance and enable the improvement of a new product.   |
| Innovation culture and marketing innovation | [52]    | Organizational Culture would be positively related to marketing effectiveness.  |
|   | [53]    | Organizational innovative culture struggles with market superiority and competitive advantage.  |
| Marketing innovation and product innovation | [54]    | Marketing innovation capabilities enable the company in a powerful position to satisfy the market and support introducing the new products.       |
|   | [55]    | Marketing skills have a positive relationship with new product development.   |
| Marketing innovation and market performance | [56]    | Marketing innovation has an important role in product related customer and competitor knowledge into market performance.                          |
|   | [57]    | Marketing innovation is one of the key contributors to the SME performance.   |
| Product innovation and market performance   | [58,59] | Product innovation and market performance relationship found significantly positive.  |
|   | [60]    | Product innovation offers superior values to customers, therefore, growth firms' market performance   |
|   | [61]    | Product innovation has a positive effect on the market performance.   |

Download English Version:

<https://daneshyari.com/en/article/4941760>

Download Persian Version:

<https://daneshyari.com/article/4941760>

[Daneshyari.com](https://daneshyari.com)