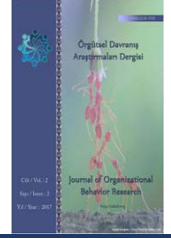




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THE EFFECT OF INNOVATION CULTURE, MARKETING INNOVATION AND PRODUCT INNOVATION ON SMEs MARKET PERFORMANCE

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ABSTRACT

This research is applied in terms of objective and descriptive-correlational in terms of method. The research population included Newsad Enterprise employees in industrial city of Rasht. The sample size was determined to be 102 employees. A standard questionnaire and library and field methods were used to collect data. Structural equation modeling and Smart PLS software were used to analyze the data. The research results suggest that innovation culture has a significant effect on marketing innovation, innovation culture has a significant effect on product innovation, and marketing innovation and product innovation have a significant effect on market performance, while marketing innovation has no significant effect on product innovation.

Keywords: Innovation Culture, Marketing Innovation, Product Innovation, Market Performance

INTRODUCTION

Over the last few decades, small and medium-sized enterprises (SMEs) have played a major role in the industry and have has an effect on the general performance of the economy (Ebrahimi et al., 2018a). Market performance relates to purchasing behavior responses and customer perspective in the target market for realized situational advantage of an enterprise. By creating a situational advantage, the value provided by enterprise would be perceived positively by its customers, and this improved perception would change the behavior of customer's purchasing behavior in the direction desired by enterprise and this increase in market performance might lead to an increase in indicators such as larger sales volume, increased customer satisfaction and loyalty, lower price sensitivity and growth in market share. Thus, some researchers argue that the market performance dimensions include growth, market share, market development, product development, and competitive position (Morgan and Berthon, 2008).

Innovation has a significant effect on performance of enterprises. Most studies on the relationship between innovation efficiency and enterprise size only seek to find results on the improvement of market performance and exploiting the new market opportunities. Due to high number of them and significant share of workforce, small and medium-sized enterprises play major role in the economy. Thus, strengthening the innovative aspects and knowledge of small and medium-sized enterprises brings major opportunities, since innovation is the key to long-term competition (Gupta, 2014; Ebrahimi et al., 2018b).

Innovation has been defined as one of the compulsory components of competition and includes various dimensions (Ebrahimi and Mirbargkar, 2017), in which the product is improved with

the new process and innovation defines the new marketing approach and the new organizational behavior in business practices. It is assumed that this type of innovation to improves the enterprise by creating the capability and adopting technological changes. Innovative capability refers to the capability accumulated to improve the existing technology and create new technology derived from various internal and external sources (Kumar, 2011).

Small and medium-sized enterprises can apply marketing innovations more effectively when trying to sell innovative products at local and international markets. Enterprise innovates to gain a competitive edge leading to superior performance. However, marketing innovation plays major role in restoring innovative products and improving market performance. Thus, the objective of this research is to evaluate the relationship between market innovation and product innovation in terms of market superior performance. This research reveals that there is a significant relationship between culture and innovation. Innovation is an important predictor of competition and wealth production in the business environment. However, the use of innovation, without considering the culture encouraging the organization to innovate is not easy.

Innovation occurs when enterprises enhance the motivation of their employees to share their skills with other organizations. Accordingly, values, beliefs and behaviors are organized by organizational members in such a way that create an innovation culture. This leads to development of enterprises and gaining new knowledge and improving the innovation (Sattayaraksa, 2016). Innovative culture in small and medium-sized enterprises is determined by low resistance to change and high entrepreneurial activities (Ebrahimi et al., 2018a; Ebrahimi et al., 2018b). An innovation culture allows small and medium-sized enterprises to identify new strategies for creating new channels, while identifying new ways to sell a product, which is valuable for customers (Hogan and Coote, 2014). Given the importance of the issue discussed above, the research seeks to answer the question of whether the innovation culture, marketing innovation and product innovation affect the market performance of small and medium-zed enterprises.

RESEARCH MODEL AND HYPOTHESES

The model of this research is proposed based on Aksoy model (2017) and is shown in Figure 1.

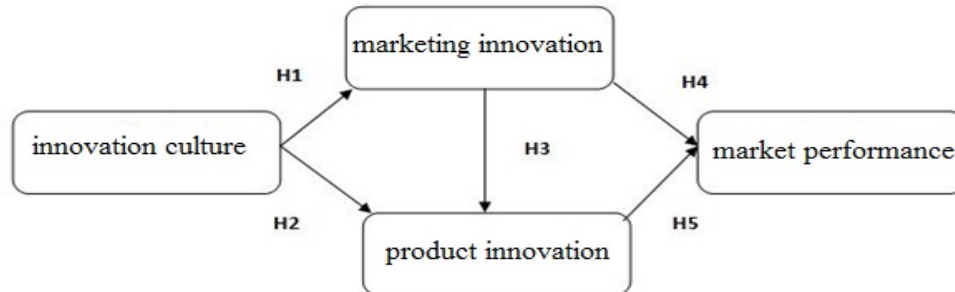


Figure 1: The theoretical model of study (Aksoy, 2017)

According to the proposed model, the following hypotheses are presented:

H1: Innovation culture has a significant effect on SMEs marketing innovation.

H2: Marketing culture has a significant effect on SMEs product innovation.

H3: marketing culture has a significant and positive effect on SMEs product innovation.

H4: Marketing innovation has a positive effect on the SMEs market performance.

H5: Product innovation has a positive effect on the SMEs performance.

METHODOLOGY

This research is applied in terms of objective and descriptive in terms of method. It uses questionnaire, library and field methods for collecting the data. Structural equations and Smart PLS and SPSS software are used to analyze the data. Given the variables studied in this study, the statistical population in this research included employees of Newsad Enterprise in industrial city of Rasht. In this study, the census method was used to determine the required samples. The questionnaires were distributed in person among the employees of Newsad Enterprise in industrial city of Rasht. Finally, 72 questionnaires were collected and analyzed. It should be noted that explained that given the subject of this study, the questionnaire was distributed among the employees of the enterprise.

In this research, a questionnaire was developed to collect data on the research literature and evaluate the variables of the theoretical model of research in Newsad Enterprise in industrial city of Rasht. This questionnaire includes 21 questions. Questions related to the innovation culture (5 questions), marketing innovation (7 questions), product innovation (4 questions), market performance (5 questions) (Santos-Vijande et al., 2013). In addition, these questionnaires are developed based on the 5-point Likert scale (1 = I strongly agree, 5 = I strongly disagree). In this research, Cronbach's alpha coefficient was used to examine the reliability of the questionnaire. Since the desirable value for this criterion is greater than and equal to 0.7 (Cronbach, 1951; Ebrahimi et al., 2016; Ebrahimi and Mirbargkar, 2017), reliability of the questionnaire is confirmed. To confirm the validity, Average Variance Extracted (AVE) and factor load were used. It should be more than 0.4 to be valid (Hulland, 1999; Ebrahimi et al., 2018a). Hence, based in the results obtained (Table 1), it can be stated that the measurement model has a convergent validity.



Table 1: The factor load of research measurement models

	Market performance	Product innovation	Marketing innovation	Innovation culture
a1				0.733
a2				0.846
a3				0.789
a4				0.759
a5				0.843
b6			0.785	
b7			0.954	
b8			0.848	
b9			0.913	
b10			0.903	
b11			0.905	
b12			0.844	
c13		0.880		
c14		0.824		
c15		0.829		
c16		0.893		

d17	0.912			
d18	0.904			
d19	0.912			
d20	0.732			
d21	0.782			

To examine the discriminant validity, the Fornell and Larcker (1981) table was used. Based on Table 2, the results suggest that the average value of the extracted variance for all variables is greater than its correlation coefficients with other variables, indicating the good discriminant validity of the variables.

Table 2: The discriminant validity of the research measurement model

	Innovation culture	Marketing innovation	Product innovation	Market performance
Innovation culture	0.792			
Marketing innovation	0.387	0.767		
Product innovation	0.468	0.124	0.846	
Market performance	0.619	0.291	0.581	0.859

RESULTS

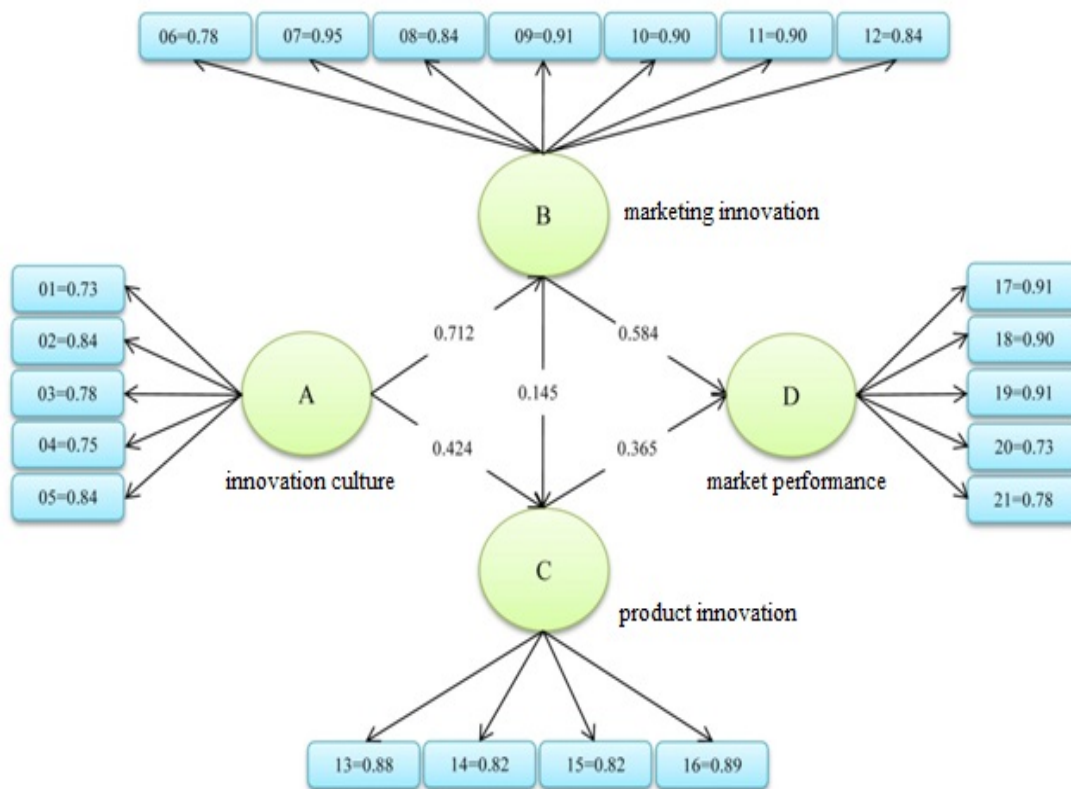


Figure 2: The research model testing (standard coefficient mode)

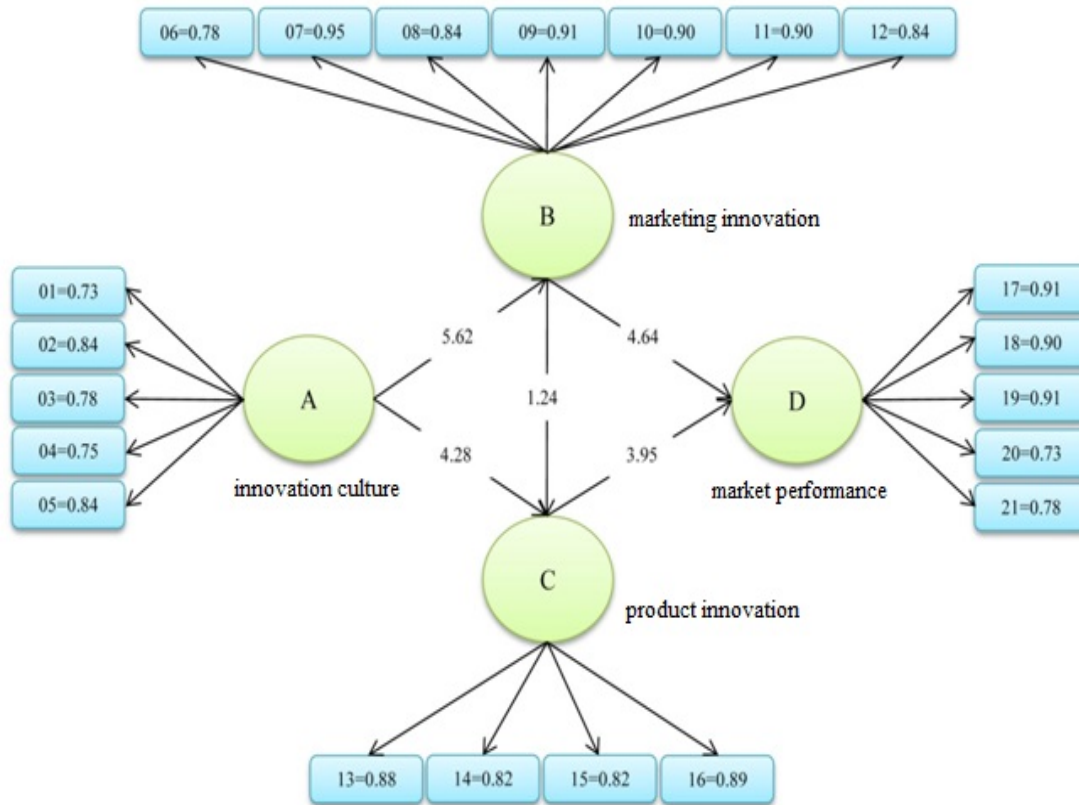


Figure 3: The research model testing (significant number mode)

Table 3 shows the results of the research hypotheses. Based on the results, all hypotheses, except for the third hypothesis, are confirmed.

Table 3: The results of research hypotheses

hypotheses	Statistic t	Path significance	Path coefficient
Innovation culture has significant effect on marketing innovation in small and medium-sized enterprises	5.62	significant	0.712
Innovation culture has significant effect on product innovation in small and medium-sized enterprises	4.28	significant	0.424
Marketing innovation has significant effect on product innovation in small and medium-sized enterprises	1.24	significant	0.145
Marketing innovation has significant effect on market performance in small and medium-sized enterprises	4.64	significant	0.584
product innovation has significant effect on market performance in small and medium-sized enterprises	3.95	significant	0.365

CONCLUSION

The survival of service and financial organizations in today's world depends on successful and appropriate performance in the marketing and financial areas. In this regard, those organizations will successful, which can establish relationship between themselves and their



customers in a way that way identifying and predicting the customer needs seem to an essential to increase profitability and enhance marketing performance. In fact, with intensified competition in markets and recognizing the importance of maintaining customers by organizations, they are gradually moving towards establishing and maintaining long-term relationships with customers.

The fundamental changes brought about by developments in marketing innovation and product innovation in recent decades in the markets have led enterprises and institutions to seek solutions to increase their ability to maintain their competitive power and is one of the vital elements of success in the competitive world and survival of enterprises is the successful marketing of the products and services. Marketing can be useful in guiding the enterprise's goals, strategies, and plans. It also provides the conditions to achieve superior performance and obtain more market share. To attract and retain their customers, businesses have no way just improving their marketing capabilities. In other words, it can be stated that the intensification of the competitive environment has caused that the innovation to be an essential for survival.

It has caused that market-orientation rather than product-orientation to be important in today's business world. New products are increasingly introduced every day to lives of human beings. It has caused that the key for success of organizations to be innovation and the ability to exploit new opportunities in the market in the today's world. Given the importance of innovation, market-orientation and performance and considering the crucial role of the customer in the success and improving the status of organizations, it is necessary to evaluate the effect of innovation and market orientation on performance. Hence, this study was conducted to evaluate the effect of innovation and marketing on market performance. Given the results of this research with regard to the effect of innovation culture, marketing innovation and product innovation on the performance of small and medium-sized enterprises (case study: Newsad Enterprise in industrial city of Rasht), the following recommendations are presented:

- It is recommended that managers develop the culture of creativity and innovation in the enterprise and give value for creative ideas, risk taking in new products, and develop the culture of employees' involvement in expanding their marketing innovation, which paying attention to this issue seems to be necessary in the Newsad Enterprise.
- It is recommended that Newsad Enterprise managers and planners to have product innovation and creativity in different dimensions of innovation culture (product manufacturing, service providing, design and product packaging, manufacturing processes, and management activities), compared to other competitors.
- it is recommended for enterprises to pay attention to the multiple skills of employees to design new products and to provide effective marketing training courses in order to promote the innovation of creative products and present new and innovative suggestions on various enterprise and manufacturing issues, which will affect the success of Newsad Enterprise.
- It is recommended that marketing initiative programs such as improving the marketing relationships and techniques to be prioritized by authorities and conditions to be provided for them for its implementation and realization in the enterprise. They are also recommended to eliminate the structural and cultural barriers preventing the



innovative and entrepreneurial measures in the enterprise, in order to achieve the maximum performance in the market.

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