Assessing the Effect of Innovative Performance on Firm Performance: The Case of Footwear Industry

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Abstract
Innovation is becoming fastly an important factor in firm performance and sustainable competitive advantage as a result of the evolution of the changing environment. In that vein, firms innovate to create value and maintain or enhance their competitive position in the market. Innovative performance in the narrow sense refers to results for companies in terms of the degree to which they actually introduce inventions into the market. The main purpose of this study is to examine the relationships between innovative performance and firm performance. The survey of this study is conducted on 80 firms operating in the footwear industry in Konya, Turkey. The data utilized in the study was obtained via questionnaire method. The obtained data from the questionnaires are analyzed through the SPSS statistical package program. Analysis results revealed that, there is a statistically significant and positive relationship between innovative performance and firm performance.
Keywords: Innovative Performance, Firm Performance, Footwear Industry.

1. INTRODUCTION

Change in markets that become intense and dynamic with global competition has become an important feature of organizational life. In this change, new products, services, processes and organizational structures are at the forefront of the tools that businesses use to satisfy the customers and compete with each other. Particularly with rising competition, countries and businesses seem to attach increasing importance to innovation (Gules and Bulbul, 2004: 124). For this reason, as a consequence of the increasing and intense competition, the companies

must be open to the change in the external environment and development. One of the means of adapting to change and adapting to changes in the outside environment is the implementation of innovation activities by enterprises. It is believed that businesses implementing innovation activities and improving their innovation performance can have a positive impact on business performance. In this context, the relationship between innovation performance and business performance is examined in this study.

2. LITERATUR REVIEW

In recent years, companies have undergone certain changes that stem from globalization and they are obliged to keep up with these changes in order to stay in the sector. Therefore globalization is restructuring the business world and forcing companies to compete. Innovation is a strong competition tool in organizations' having competition superiority, increasing of profits and cash flow and being one step forward from others in the sector. Innovation can be described as a newly accepted idea, application or object by an individual or another apply unit (Tekin et al., 2003: 139). Innovation is described also as both a process and a result. As a process, innovation refers to a special situation of an organizational change and activities done in order to produce a new product. It refers to new or improved products and services gained as a result of innovation activities (Naktiyok, 2007: 213; Schermerhon, 2007: 333; Narayanan, 2001: 68). Also, innovation is a special tool of entrepreneurship and is an action that offers to create welfare and resources which constituent new capacity (İraz and Eryeşil, 2012: 54).

Benefits appearing as a result of the strategic effects of innovation can be listed as major topics as follows (Gules and Bulbul, 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.

One of the most important problems faced in organizations today is to determine to what extent missions given to workers are fulfilled or what their service capacity capabilities are. This problem has especially caused the term firm performance become rapidly important in organizations (Bayram, 2006: 47). There are many definitions in the literature related to performance term. It can be described as evaluating of all efforts for realizing organization aims. Performance, in other words, is quantitative and qualitative expression of what an individual, group or organization that works can provide related to aims of that work (Çalık, 2003: 9). Performance term shows where a working individual, group, unit or organization has reached via that work according to the aim (Argon and Eren, 2004: 224). Organizational performance can be expressed as the determination of all efforts shown for realizing the aims

of business. In other words, firm performance can be expressed as the definition of the degree to perform the aim or duty of business according to the input or result, obtained at the end of certain period (Eryeşil et al., 2015: 588).

Firm performance can be expressed as evaluation of all efforts for realizing organization aims. In other words, it can be described as expression of the realization level of the organizations' aim or mission by looking at outcomes or results of a given term. Evaluation of firm performance is a requirement because of both controlling the organization of its own efforts and creating customer satisfaction in the target market. Besides, performance evaluation creates decision inputs that direct organization managers' decisions (Turunç, 2006: 131; Yıldız, 2010: 180). Performance evaluation prevents the organization standing by against changes in or out of the organization; it provides to take an active role in being able to react those changes, looking for their reasons etc. There are some benefits of measuring firm performance: it enables to see how the organization operates, provides valuable information to organizations in determining the sources of their problems and main reasons that lie behind their success and/or failure, enables to determine prospective performance deficits, shows to what extent the predetermined use of resources have been realized and it is also effective in determining the performance to be awarded (Erdem et al., 2011: 84-85).

Firm 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). Innovative performance defines as the achievements of companies in terms of ideas, models of new devices, products, processes and systems (Ernst, 2001: 149). The innovative performance of firms depends on the economic, social and policy context in which these companies operate. The innovative performance of the key organizations mirrors the preconditions for innovative output provided by the institutional and socio-economic structures (Lundvall, 2009). Innovation enhances firm performance because the product of innovation increases firm competitiveness and the process of innovation transforms a firm's internal capabilities making it more adaptive to change (Laursen and Salter, 2006: 131).

3. RESEARCH METHODOLOGY

In forming the dataset of this study, survey method is conducted on firms operating in the footwear industry in Konya/Turkey. The data of the study was collected via face–to-face interviews with the respondents by means of a standard questionnaire, prepared considering Likert scale. The item in the scales were scored as 1="I definitely agree with" and 5 = "I definitely disagree with". In the study, in the determination of firms who will be included in the convenience sampling method, used in the similar studies (Cui et al., 2003; Zhou, 2004) was preferred. Since convenience sampling enable to quickly access to large amount of data, it is a favorable method. In the study, in order to identify the level of innovative performance of the firms of footwear industry developed by Calantone et al. (2002) and applied by Avcı (2009) was used in the questionairre and to determine the level of firm performance developed by Calantone et al. (2002) in their study.

In calculation of sample size, the method of Yazıcıoğlu and Erdoğan (2004: 50) was utilized. The authors calculated the number of survey that is necessary to be done as 217 for confidence value of $\alpha = 0.05$ and sample error of 0.05, in case that the rate of observing and non- observing is accepted as equal and there is a sample size of 500 people. In this context, the rate of questionnaire that is necessary to be returned is about 44%. In the footwear industry in which the study is carried out, 100 firms and as a result of application that is made, 80 questionnaires that are suitable for assessment were obtained. In this context, the return rate obtained is about 80% and it can be said that it has the power to represent the main mass. The hypotheses developed in the scope of study is put in order as follows. Data obtained from questionnaires was analyzed through the SPSS statistical packet software (v.20). The items reliabilities were tested through Cronbach's Alpha analysis and proposed relations and hypotheses were tested through correlation analyses. By this aim, developed hypothesis is as follows:

H_1: There is a positive and significant relationship between innovative performance and firm performance.

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 6 to 10 years. To measure the internal consistency of the scale used in this study, internal consistency of both scales have been calculated and shown in Table 1.

Table 1. Internal Consistency Analysis Results of The Scale Factors

Scale Factors	Number of Statements	Cronbach's Alpha (α)
Innovative Performance	7	0.847
Firm Performance	6	0.709

Reliability of the scales related to innovative performance and firm performance are tested before data analysis is measured by Cronbach's Alpha. Alpha values of scales for innovative performance is $\alpha= 0.847$, for firm performance is $\alpha= 0.709$. 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 communication are over 0.70. Thus, it is concluded that scales were highly ($\alpha >0.70$) reliable.

Table 2. Descriptive Statistics of the Sample

Scale Factors	Mean	Std. Dev.
Innovative Performance	3.39	0.84
Firm Performance	3.45	0.89

Notes: (i) n=80, (ii) In the scale 1=I definitely disagree with and 5=I definitely agree with mean. (iii) According to Friedman two ways ANOVA test ($\chi2= 96.331$; $p<0.001$) the results are statistically significant.

When table 2 is examined, it is seen that the levels of innovative performance (3.39) and firm performance (3.45) are a above-average.

Table 3. Descriptive Statistics of the Innovative Performance

Scale Items	Mean	Std. Dev.
Ability to introduce new products and services to the market before competitors.	3.44	1.24
Percentage of new products in the existing product portfolio.	3.41	1.23
Number of new product and service projects.	3.48	1.19
Innovations introduced for work processes and methods.	3.56	1.21
Quality of new products and services introduced.	3.40	1.22
Number of innovations under intellectual property protection.	3.44	1.09
Renewing the administrative system and the mind set in line with firm's environment.	3.51	1.23

Notes: (i) n=80, (ii) In the scale 1=I definitely disagree with and 5=I definitely agree with mean. (iii) According to Friedman two ways ANOVA test (χ^2= 79.028; p<0.001) the results are statistically significant.

When table 3 is examined, The highest values in the table (3.56) are for "Innovations introduced for work processes and methods" and "Number of new product and service projects" (3.48). In addition to these values it can also be seen that companies abilities to introduce new products and services to the market before competitors (3.44). Examining the table 3, we can state that companies generally have a above-average innovative performance.

Table 4. Descriptive Statistics of the Firm Performance

Relative to the highest performer in your industry, how has your business performed in the last three years compared to the previous years?	Mean	Std. Dev.
Sales growth	3.25	1.32
Gaining new technology/expert	3.39	1.17
Market share position	3.43	1.16
Profitability	3.57	1.29
Return on investment	3.46	1.05
Incremental turnover	3.21	1.08

Notes: (i) n=80, (ii) In the scale 1=very unsuccessful and 5= very successful with mean. (iii) According to Friedman two ways ANOVA test (χ^2= 52.437; p<0.001) the results are statistically significant.

When table 4 is examined, The highest values in the table (3.57) are "Profitability"and "Return on investment" (3.43). In addition to these values it can also be seen that companies market share position is high (3.43). Examining the table 4, we can state that companies generally have a above-average firm performance.

Table 5. Correlation Analysis

	IP	FP
Innovative Performance (IP)	1	
Firm Performance (FP)	.680**	1

Note: **p<.001, *p<.05.

According to the results of the correlation analysis, a positive and significant relationship has been determined between innovative performance and firm performance (r = 0.680, p <0.01). In this case it is observed that H_1 is provided. The results are paralel with the results of the other studies in literature (Avcı, 2009; Keskin, 2006; Therin, 2003).

4. CONCLUSION

In this study, survey method is used and the research conducted on the companies in the footwear industry in Konya/Turkey. Main aim of the study is examining the relationship between innovative performance and firm performance. In accordance with this main aim, the accuracy of hypotheses are tested. As a consequence of the analysis, a positive relationship between innovative performance and firm performance is detected.The study has several limitations that should be underlined. First of all, this study does not taken into consideration the sub-dimension of firm performance. Second limitation of this study is that it is conducted in a specific sector and the study used survey data at one given time point. Therefore, generalisability of the findings should be done with caution due to the fact that future research should investigate the issue in other countries, contexts or different behavior settings.

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