

**ORGANIZATIONAL DETERMINANTS OF INNOVATION
FOR THE COMPETITIVE STRATEGIES OF TEXTILE BUSINESSES**

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PREFACE

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Organizational Determinants of Innovation for the Competitive Strategies of Textile Businesses

ABSTRACT

The importance of innovation in the competitive strategies of businesses has been increasing day by day. Companies allocate more resources to R & D and innovation, and in the end they try to be more competitive.

The increasing importance of innovation has raised the number of studies done in this field in the literature. When studies are examined, a concentration is seen on fields such as the impact of innovation on competition, the impact of communication on innovation, the impact of innovation on organizational performance.

With this study, it has been tried to provide the businesses; to develop the right decision-making mechanisms and appropriate organizational structures in their innovation policies; to increase the organizational awareness of companies and so to prevent the ineffectively using the resources (human resources, material resources, time etc.) that they separate into innovative activities.

Within the scope of the study, a survey conducted on 120 textile companies' structures operating in Istanbul region. Results show that a significant relationship between hierarchical levels, employee participation to decision making mechanism, R & D activities, strategic partnerships and innovation.

Key Words: *Competition, Innovation, Textile Business, Organizational Determinants, Competition Strategies*

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ABBREVIATIONS

etc. : Et cetera

DTI : Department of Trade and Industry

HRM : Human Resource Management

OECD : Organization for Economic Cooperation and Development

R & D : Research & Development

TSI : Turkish Statistical Institute



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INTRODUCTION

In today's competitive environment, the unstoppable development of communications and logistics services in the international arena, the advantages provided by globalization and the marketing strategies of firms operating in the same sectors are pushing enterprises to trade in a highly competitive environment. In order to survive in this challenging environment, businesses are competing with their rivals in many fields from production systems to marketing strategies.

At this point, innovation emerges as a savior. Although the transformation of a change or a novelty movement into a commercial benefit is not a new phenomenon; the popularity of this concept dates back nearly 50 years in Western countries. But the significance of innovation in Turkey has only recently been understood.

In this study, the importance of innovation in the competition strategies of the enterprises is mentioned. In more detail, the impact of the organizational determinants of innovation on the competitive strategies of enterprises is emphasized.

“More than ever companies are forced to renew their product portfolio. Only with new products can they sustain their competitive position by increasing revenues and profit, leading to an improved company value. But do firms have the right conditions and environment to enable them to maximize innovation success?” (Alwis and Hartmann, 2008: 133). So, what are the factors that push companies to different innovations types? Or is it possible to talk about the relationship between innovation policies and organizational structures? What is the role of organizational structure in the efficiency of a company's innovative activities? How much does the organization structure provide opportunity for innovation activities?

Within this scope, I carried out researches in textile companies operating in Istanbul region and try to find the answer to all these questions. By comparing the organizational structures of the firms surveyed, it will be tried to determine what types of structures support innovations and what types of structures inhibit them.

In addition, this study aims to increase the organizational awareness of companies and so to prevent the ineffectively using the resources (human resources, material resources, time etc.) that they separate into innovative activities.

The benefit expected from this work is to identify the organizational determinants of innovation and to help the businesses to create their competition policies with the least harm, the greatest benefit.

Another purpose of this study is to find the most appropriate organizational structures for innovative activities. Businesses have to be very careful when setting their innovation policies. Because a wrong decision and wrong policies can put businesses into extreme situations. Waste resources, time loss, the disadvantage of the company against its competitors, the threat of its existence by failing to meet the changes in the environments of the enterprises are some difficult situations that can be encountered in this context.

Also, in the transformation process of Research & Development (R & D) studies into innovations, the right decision mechanisms and appropriate organizational structure have a vital importance. Today, with the influence of government incentives, many enterprises have focused on R & D activities. However, it is also necessary to ensure that resources transferred to R & D and the importance given them should be returned as an output. Otherwise, businesses will again face the danger of waste resource.

In this context, in the first part of the study, the concept and importance of innovation examined. The types and advantages of innovation are explained. The innovation concept is referred within the Organization for Economic Cooperation and Development (OECD) criterias. So, in the study, the innovation concept is divided into four main titles as product, process, marketing and organizational innovation. Then the relationship between innovation and Research and Development (R & D) concepts, which are closely related to each other, is discussed. In the first part, the last issue that investigated about innovation is the general factors that influence the emergence of the concept of innovation.

In second part of the study, the relationship between innovation and organization is analyzed. The organizational determinants of the innovation are examined under six main headings as follows: Organization's Authorization Policy, Formalization Level, Hierarchical Structure of the Organization, Decision-Making Mechanism, R & D activities and Strategic Partnerships. Later, it is tried to demonstrate what organizations should do for a successful innovation process.

In the last part of the study, the organizational determinants of innovation, which are important influences on the competition strategies of the textile firms operating in the Istanbul region, have been examined. For this purpose, research results were presented. The study concludes with "Discussion" and "Conclusion and Suggestions" titles under which the research results are discussed.

1. CHAPTER

LITERATURE REVIEW

Innovation is an important phenomenon often pronounced in the national and international competitive environment. The nature of developed countries shows that innovation triggers growth, progress and economic development.

Innovation has recently begun to be pronounced in Turkey. However, the emergence of this concept throughout the world goes to much older times. Joseph Schumpeter is one of the most important pioneers who studies the concept of innovation and works on this field. “Contemporary entrepreneurship research originated in the work of economist Joseph Schumpeter (1883–1950)” (Barringer and Bluedorn, 1999: 422). He argues that the fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers’ goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates (Schumpeter 1942: 83). According to Schumpeter's economic model, where the economic system enters into crisis, the exit point can be reached through change and innovation. He also suggests that change will be provided internally, not externally.

Another issue that should be considered in connection with innovation is organization. Organizations are the social units that people create to achieve their specific goals. For companies; to gain access to their goals, to take advantage of competition, to protect and maintain their advantages, and to have a say in the future, can be possible with a good management system and appropriate organizational structure.

Organization is a very important element for all businesses. With an organization; factors such as the determination of business strategies, planning of works, budget and resource

allocation can be adjusted in the most appropriate and efficient way. As Miles (2012) states, organizations are deliberate arrangements and conscious coordination of people to achieve a common goal or set of goals. They are not a random group of people who come together by chance. The main purpose of an organization is supporting the management process and achieving its established mission, vision, strategies and goals.

Organizations are constantly interacting with the internal and external environment. The fact that the environment has a dynamic character pushes organizations to become dynamic structures as well. Kozlowski (2012), quoting from Ford and Foster-Fishman, examined the factors that affect the success or failure of organizational change and discussed the process of change of organizations. He also states that organizational change is inevitable and is all around us:

“Organizations, public and private, face turbulent and uncertain environments. Downsizing, rightsizing, and contracting out threaten the jobs of public sector managers, supervisors, and front line workers. Restructuring, decentralization, and empowerment are recommended for meeting the challenges of fast-changing environments. However, adjusting blocks and lines on an organization chart, or creating task forces and cross-functional work groups, will not automatically transform an organization’s behavior. Perhaps working with people, and allowing change to emerge from natural dispositions of the group members, can bring organizational effectiveness” (Bobic, Davis and Cunningham, 1999: 18).

In this context, the organizational model, which was previously good and most productive, will lose its effectiveness over time and become inefficient. To prevent this situation, it is necessary to constantly follow the changes in the surrounding environment. Organizational structures should also be restructured (modified) in the direction of these changes.

Limited literature has been found on organizational determinants as the effects of the authorization policies, organization's level of formalization, number of hierarchical steps, staff participation levels in the decision-making mechanism, R & D activities and strategic partnerships on innovation.

Martinkute and Skandarioon (2013) investigated the effect of team work on innovation. They have found that teamwork in the organizations positively influences innovation. Schleimann-Jensen and Suraga (2006) and Werner (2015) have studied the views of top managers on innovation. They aim to analyze innovation management at large profit-driven corporations from top management perspective. In their study, Sendogdu and Ozturk (2013) have examined the relationship between the tendency to innovate and the innovation performance. Yavuz (2010) in her work on Canakkale Ceramic Corporation has suggested the importance of creating necessary conditions for innovation in enterprises and tried to explain the relationship between innovation and organizational performance. Breiby and Wanberg (2011), Gothberg and Simonchik (2014) and Adalakun (2014) have studied on successful business model of innovation. The goal of their master thesis is to uncover further insight on factors for successful business model of innovation. Mercan and Gomleksiz (2013) have dealt comparatively with the innovation systems of organizations operating in the same location. With a survey on SMEs operating in the organized industrial zone in Konya, Tunen (2011) has tried to point out the influence of innovation policies applied in Turkey between 2000-2010 on SMEs. In his work on industrial enterprises operating in the Cukurova region, Celiktas (2008) has examined the effects of organizational elements on innovation such as organizational culture and intra-organizational communication. Orucu, Kilic and Savas (2011) have tried to point out which innovation strategies that SMEs prefer and apply in their management process. In his study, Gomleksiz (2012) has examined the relationship between innovation and economic growth. He also investigates the determinants of innovation within

the scope of Turkey. Hansen (2012) deals with using the human resources in the context of innovation, creativity and culture. Hreinsdóttir and Dhali-Lund (2012) have studied the effects of clients' knowledge, management and organizational structure on innovation. Smith-Jensen (2011) studies how user and crowd involvement can be implemented as a new organizational method in firm's business practices and innovation. Polattas (2009), on the other hand, has tried to show the improvement process of innovation activities within a company. In this context, he focuses on the effects of R & D, technology and strategic partners on innovation. Dogruyol (2014) has conducted a research on restaurants in Istanbul region. In his study, he has investigated if restaurant managers' ideas on innovation are affected by demographics. Lastly, Ecevit Sati and Isik (2011) have dealt with the issue of seeing innovation as a strategic value in terms of businesses and the importance of strategic innovation.

The study will continue by defining the concept of innovation.

1.1. Innovation: Conceptual Framework

What is innovation? What do we understand when it comes to innovation?

“Innovation is not a new phenomenon. Arguably, it is as old as mankind itself” (Fagerberg, 2003: 2). Since the days when people existed, they try to produce something and benefit from it. But the beginning of the study of innovation as a separate discipline dates back to the 1960s. Since then, many studies have been conducted about what innovation is, its scope, its aims and its contribution on businesses' competition strategy. Before moving on these issues, it is necessary to determine the limits of the concept by defining the innovation term.

To Drucker (1985: 28), “innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is

capable of being presented as a discipline, capable of being learned, capable of being practiced”.

“The successful exploitation of new ideas. Often it involves new technologies or technological applications” (DTI, 2003: 8).

“An innovation is an idea, practice, or object that is perceived as new by an individual or other unit of adoption” (Rogers, 1995: 11).

“Innovation means invention implemented and taken to market” (Chesbrough, 2003: IX).

According to the general classification made in the literature innovation is examined under four main headings. These headings are namely product innovation, process innovation, marketing innovation and organizational innovation. As stated in Oslo Manual (2005), a firm can make many types of changes in its methods of work, its use of factors of production and its types of output which improve its productivity and/or commercial performance.

From the definitions above, it can be said that innovation has two dimensions. First, innovation should include a change movement. This movement of change can be realized by making changes on existing applications and products, or it can be observed as the form of new product or services.

On the other hand, this movement of change should be transformed into marketable practices or services that will provide social benefit. Feasibility is an indispensable element of innovation. If the phenomenon of change that occurs at the idea level does not gain a marketable condition or transfer into a service that will provide social benefits, it will be impossible to talk about innovation.

It is mentioned that innovation has two dimensions as change and applicability. Innovation can be classified according to the way this change takes place. Again, this change phenomenon can be examined under different models according to the way of being constructive or destructive. In the following headings; what are the effects of innovation, innovation types and models will be examined. Then the determinants of innovation will be reviewed. After finishing the literature on innovation and organizations will be investigated.

1.1.1. What is Innovation?

Can any change be defined as innovation? What makes a change in a product, process, marketing method, or organizational structure an innovation?

The change alone does not provide a name for innovation. In terms of action and consequences, change should also lead to marketable quality or become a social benefit. The most important feature that separates innovation from the phenomena called inventions is its ability to be marketable.

Another feature of innovations is that different and new ideas are developed and put into practice. At this point, Research & Development (R & D) activities play a very important role in the innovation process. At the same time, R & D activities and change or novelty movements at an intellectual level cannot be called as an innovation, as long as they remain at the level of idea. At the idea level or theoretically produced changes, have to be transformed into perceptible or tangible outputs.

From the examples, what can be called as an innovation has shown. To look what cannot be called as innovation can also be contributive.

First of all, innovation is not just creative thinking. Together with being a trigger of the innovation process, creative thinking cannot be called as innovation if it does not turn into a

commercial or social benefit. In this context, the studies conducted in the field of R & D can be considered in the same scope. If R & D studies do not acquire the qualifications for commercialization or become a social benefit, they will not be called as innovation.

Innovation should not be used synonymously with "invention". It can refer to the inventive process by which new things, ideas, and practices are created or it can mean the new thing, idea, or practice itself (Shavinina, 2003). An invention cannot be called as innovation unless it has "commercial value" or "social value". Fagerberg (2003) distinguishes these two issues by referring the invention as “the first occurrence of an idea for a new product or process”. He defines innovation as “the first commercialization of the idea”. It is possible to talk about many examples of the transformation of an invention into an innovation. For example, Tidd, Bessant and Pavitt (2001) discuss, by exemplifying the vacuum cleaner, how an invention turns to an innovation. They narrate that “the vacuum cleaner was invented by one J. Murray Spengler and originally called an ‘electric suction sweeper’. He approached a leather goods maker in the town who knew nothing about vacuum cleaners but had a good idea of how to market and sell them – a certain W. H. Hoover” (Tidd, Bessant and Pavitt, 2001: 67). Tidd, Bessant and Pavitt (2001), also state that the world's first sewing machine produced in 1846 by Elias Howe. But the commercialization of this invention and its worldwide reputation has been thanks to Isaac Singer, who making it marketable. So it can be said that the person making an invention and the person turning it into innovation can be different.

Innovation should not be considered as an activity on its own. That is innovation is not a phenomenon separate from science and technology activities, it is a phenomenon which covers all of these processes. The process of innovation is already beginning with changes in science and technology.

1.1.2. Innovation and Competitive Advantage

What is business competition? And in competition strategies of businesses, what is the role of innovation?

Competition plays a very important role in business survival. Porter (1985) states that it is at the core of the success or failure of the firms. He also says that “competition determines the appropriateness of a firm’s activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation... Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition” (Porter, 1985: 1).

“Organisations conducting business in the global environment are faced with significant competition. The search for competitive advantage has led to the recognition of innovation as a vital ingredient for survival and profitability in the information age” (Read, 2000: 96). Businesses compete to increase their market share and try to make more profits from their products. So, competition is essential for businesses. About the customers’ perspective; competition is a very important process because it leads companies to be productive, to offer more products and services with higher quality and lower prices. As a consequence the welfare of the consumers increases. On the other hand, competition leads new inventions and technological improvements.

In her study, conducted on the organisations in the Czech Republic, Hana (2013) investigates the relationships between innovation and competition. She says that all organizations try to dominate their rivals and by doing so they need to adopt new innovative ideas. She also states that "one of the conclusions of the article is that organisations find it important to innovate and support an innovative culture. Knowledge too is very significant in the innovation process

since it represents not only important input, but also output of the transformation process" (Hana, 2013: 1).

Innovation is an important argument in the context of bringing the competitive strategies of firms into reality. Innovation means coming up with something new that may have important consequences for the organization. By innovation, you create something that other organizations (especially) do not have. If it works, it provides you a competitive advantage against your competitors, if it does not work, the process is ending up with a two consequences: waste resources or learning new things that can lead to further innovation.

What is the effect of innovation on competition? The effects of innovation on competition can be considered in two opposite aspects: positive and negative effects. Innovation, where it takes places at the firm level, has an effect on enhancing and supporting the competition in the organization. When it is regarded on product basis; with the new products entering the market, the firm will be able to get more money by driving different products to the market. On the other hand, the positive effect of innovation for the firm may turn opposite consequences for its competitors. If the competitors cannot keep up with the changes in their surroundings, they may lose market power and experience significant economic problems.

When its effects are considered at firm level; innovations in the production process contribute to the increase of profit margins of the companies with the cost advantage in the products. Or companies can increase their market share and gain significant advantages against their competitors by driving these products cheaper to the market, which they produce at a lower cost. The effects of this situation on consumers can be observed as increasing their welfare by getting access to same product with a lower price and better quality.

Innovation can shake the roots of established companies as well. Unexpected new players can acquire the market shares of experienced companies in a short period of time. For example in

the telecommunication market, especially in the mobile phone industry, Nokia was once an unrivaled leader. With long charge life and simple usage, Nokia had received the lion's share of the industry all over the world. But, they could not catch smartphone technology. So, Nokia Company, perhaps in a way that they have never expected, left its place to the companies like Samsung and Apple. "Powerful competitors often not only resist innovative threats, but also resist efforts to understand them, preferring instead to further deepen their commitment to their older products." (Utterback, 1994: 83).

The impact of innovation at the firm level also provides benefits for country development. An economic and technological development of a country is directly proportional to the decline in the cost of products, productivity and the integration of advanced technology into the system. The success of these issues positively affects the economic performance of the country. As a consequence of these developments, employment rates decline and economic growth raises.

R & D activities are among the basic triggers of innovation. R & D activities, scientific and technological developments and university-industry cooperation are step by step enhancing the scientific knowledge and the intellectual capacity of the country. If this situation is considered for underdeveloped countries, it is important in terms of prevention of brain drain, reduction of external dependence on science and technology, and prevention of the national income of the country from going to the foreign countries.

1.1.3. Innovation Process

It is necessary to firstly specify that innovation refers to a process not an event (Bessant et al, 2014). In this process, it is not possible to see immediate results such as the effect-response phenomenon. Furthermore, it would be a false assumption to consider that the innovation process is not successful in a short run. The innovation process is usually a long-running process. A certain period of time must pass before the results can be observed.

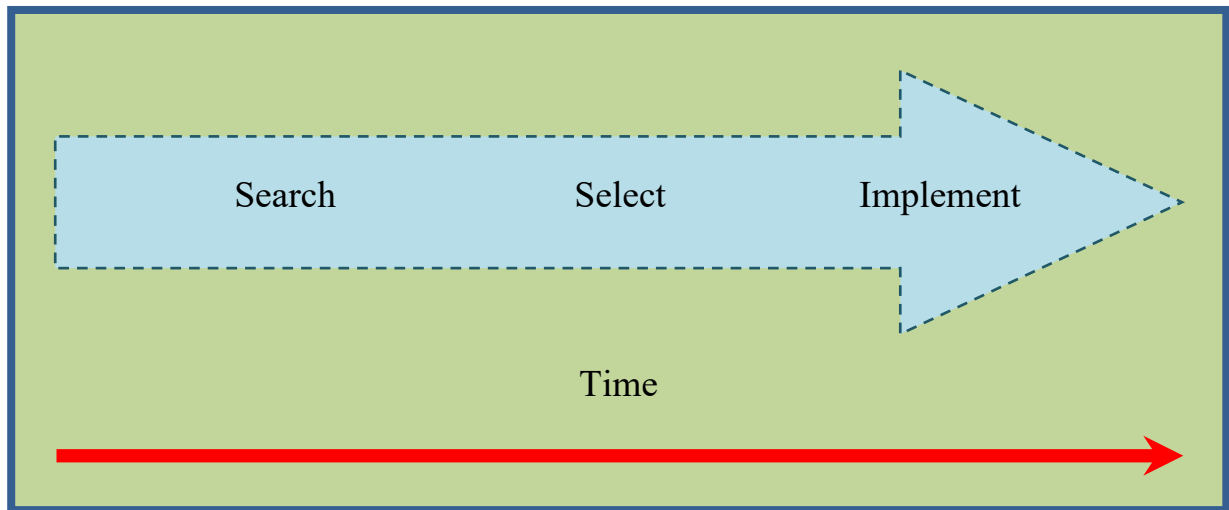


Figure 1. Innovation Process. (Adapted from Tidd, Bessant and Pavitt, 2001).

Innovation is not an independent process as it is strictly related with the scientific and technologic developments, novelty studies, R & D activities and production processes. Innovation includes all of these activities and even more of them. Tidd, Bessant and Pavitt (2001) simply represent the innovation process mainly at three stages: Search, select and implement stages. In this process, you need to do a series of activities. The main ones can be listed as below:

- Triggers of innovation: These are external triggers like “customer needs”, “environmental changes”, “new technology” and internal triggers like “organizational problems”, “company growth” and “strategic partnerships”.
- Brainstorming about change and conducting R & D studies.
- Prototyping the product or modeling a new application.
- Marketing the product or applying the service.
- After receiving feedbacks from users, making recent changes on the prototype or service.
- Putting production or service into practice.

Economic competence plays an important role in all of the above processes. In absence of economic competence, even though the triggering reasons for innovation will force the organization to change, human and material resources cannot be channeled to this process because the budget is not sufficient. As a consequence, the process will face with the failure.

1.1.4. Innovation Models

Innovation is a phenomenon that represents a long process. As Norman and Verganti (2012) states that the classification of innovation may vary according to the object of innovation, to the drivers of innovation or to the intensity of innovation. In this context, innovation can be classified under two main headings: According to the stage in which it takes place in the process, and according to the way of realization. First, the classification made according to the way of realization will be considered.

The basic parameter of this classification is the size of the change that takes place. According to the change's size (major or small improvements in existing products or services), innovation divides into two as Radical (or Disruptive) Innovation and Incremental Innovation.

1.1.4.1. Radical or Disruptive Innovation

Disruptive innovation is “the process of developing new products or services to replace existing technologies and gain a competitive advantage” (<http://www.businessdictionary.com/definition/disruptive-innovation.html>). O'Connor and McDermott (2004), defines radical innovation as the creation of a new line of business—new for both the firm and the marketplace.

Norman and Verganti (2012) also discuss the differences between incremental and radical innovation. They defines radical innovation as “a change of frame” (doing what we did not do

before) and incremental innovation as “improvements within a given frame of solutions” (doing better what we already do).

Radical innovation poses higher risk and uncertainty. The level of novelty in this innovation is very high. Since radical innovations have opened new business areas and this new field has not yet been clearly defined; game rules and competitors are not yet fully defined. It is obvious that it will provide a great advantage to the company if radical innovation is accepted in the market. Because there is not yet another company that will compete with the innovator company and the market recognizes this company’s name when they see the new product of service.

Since radical innovation has to operate in an area that has never been seen before, no way has yet been made to move on that path. In other words, the innovative organization itself determines the progress strategy in terms of the problems it faces and the objectives it determines. This allows the innovative organization to learn new things in the process.

Perhaps the most important thing to pay attention to in radical innovation is to tolerate the possible mistakes that can be done those who are engaged in realizing this activity. Motivating employees to what they do and avoid from overestimating the possible mistakes will increase the likelihood of the successful radical innovation attempts.

But radical innovation will bring some problems if it is not accepted in market conditions. Resources devoted to radical innovation can be faced with the danger of becoming waste resources. Radical innovations can also have a major impact on competing firms. For example, the emergence of smartphones, a radical change, has brought many traditional mobile phone manufacturers to the brink of bankruptcy or forced them to undergo major changes.

1.1.4.2. Incremental Innovation

Incremental innovation is the innovation that comes from the accumulation of small changes. The aim of these small changes is to improve the products quality, to lower the product prices and to make old products more attractive.

Incremental innovation does not have high risk and uncertainty like radical innovation. Because these types of innovations are built on what already exists, there is no such thing like an environment in which you are not sure what you will encounter, as in radical innovation. Companies operating in this area and other products that are in competition are specific.

Incremental innovation is necessary to transform the radical idea into a form that is acceptable to those beyond early adopters. The bottom line is that both forms of innovation are necessary. “Radical innovation brings new domains, new paradigms, and creates a potential for major changes. Incremental innovation is how the value of that potential is captured.” (Norman & Verganti, 2012: 6).

After a radical innovation, we can see countless minor product and systems improvements (Abernathy and Utterback, 1978). Radical innovation and incremental innovation are phenomena that follow and trigger each other. Sometimes various incremental innovations can be seen after a radical innovation and sometimes radical innovation after an incremental innovation may come up. What stands out here is that the possibility of radical innovations is very low compared to the incremental innovation.

1.1.5. Types of Innovation

Another form of classification of innovation is the classification of innovation according to the stage in which it takes place during the process. This classification was made by Oslo Manual (2005) under four headings. These are:

- Product innovation
- Process innovation
- Marketing innovation
- Organizational innovation

1.1.5.1. Product Innovation

This kind of innovation is the innovation that can be observed in the most concrete way. Because a product that everyone can see or a service that can benefit is emerging. Product innovation can be defined as moving a different product to the market by modifying the existing products or by producing new ones. It can be also defined as new products or services. It has an external focus and is primarily market driven. It is introduced to meet customer needs (Dubouloz, 1992).

Nanotechnological fabrics can be given as an example for product innovation. These fabrics produced with superior technology, do not keep dirt, more resistant to wrinkling and contains less hazardous materials. The differentiation of these fabrics from other fabrics can be called as a product innovation.

Product innovation's contribution to a company cannot be underestimated. It increases companies' knowledge capacity, reduces production costs and time, increases efficiency, realizes customers' needs and as a consequence, it contributes the country's economic growth and productivity (Reguia, 2014).

Product innovation is the kind of innovation that occurs after long periods of time. Their economic returns cannot be observed until the desired product is obtained. It is not sufficient to produce only the new product in order to obtain the economically expected returns. These products must be accepted also by the customers, that is, by the market. It is possible to see

the commercial output after the obtained product has become marketable and after it has been marketed.

With product innovation, it is aimed to drive more featured and higher quality products to the market. It is very important to be able to meet customer expectations in product innovation. Products that cannot respond to the needs of customers will not be able to provide competitive advantage to the company.

R & D activities have an important place in product innovation. Before a new product was released to the market; identification of the different features that should be added to the product must be done. In order to provide superiority to competitors, measuring customer expectations, producing the product with better quality, etc. all activities should be done within the scope of R & D. Product innovation is a type of innovation that is often time consuming and costly.

1.1.5.2. Process Innovation

Process innovation is the type of innovation that occurs when business processes are regulated, redefined or improved. It is stated by Oslo Manual (2005: 81) that a process innovation includes new production techniques, new organizational features (introduction of new technologies) or new professional software.

The purpose of process innovations is usually to reduce production costs. Rather than putting new products to the market, the purpose of this innovation is to make it possible to drive the products to the market at a lower cost. In this context, innovations in the distribution process might be evaluated within the scope of process innovation.

As every movement of change encounters a resistance, it is normal for process innovations to encounter resistance within the organization. "Although experienced managers are generally

all too aware of this fact, surprisingly few take time before an organizational change to assess systematically who might resist the change initiative and for what reasons" (Kotter and Schlesinger, 1979: 107). For example by changing production methods or changing the production tools (machines) to reduce costs, may not be welcomed by employees involved in this process. Because the machines that employees have used and mastered before have gone and instead, new machines have arrived which perhaps they didn't use and don't understand. This means a cycle of inexperience term and necessity of training again for them. Because the new situation will disturb to their existing comfort, this is an undesirable condition for them.

Several different ways are proposed for overcoming this situation in process innovation. One of these methods is the inclusion of employees in the innovation process. If employees are included in the innovation process, each individual will feel responsible and will be more willing to resolve possible problems at the point of encountering possible challenges. Also, employees will have less resistance to keeping up with these changes, since they will anticipate possible changes beforehand. Another way to overcome possible problems in process innovations is to support the employees from economic and social aspects. In this way, employees will be more careful in solving problems.

Process innovations also bring the problem of training the personnel. Personnel involved in the production or distribution process should be informed about the innovation. If these personnel need to take different trainings from the previous ones, this deficiency should be remedied. As well as the full-fledged integration of the innovation case must be achieved by minimizing the possible resistance to be encountered.

1.1.5.3. Marketing Innovation

Firms need innovation to improve their performance in real life changing business environments (Aragon-Correa, Garcia-Morales, and Cordon-Pozo, 2007). Marketing

innovation includes activities after the production stage of the product. Pricing of products, promotional advertisements, changes in activities such as designing and packaging of products should be considered within the scope of marketing innovation.

Customer expectations are an important determinant in marketing innovation. The marketing technique to be applied is directly related to the target audience. For example, when the target is a child, the design, packaging, or advertisement of the product must include motifs specific to the children. Or when the target mass is the generation of young people, the products should include more dynamic, colorful and youthful popular motifs.

1.1.5.4. Organizational Innovation

Organizational innovation refers to the adoption of an idea or behavior that is new to the organization (Hage, 1999). Dubouloz (1992) tackle this issue with two main perspectives.

"The first perspective uses the term 'organizational innovation' to mean the adoption of various types of innovation in organizations. The second perspective defines organizational innovation is itself the unit of analysis but it can be analysed as a result or an output (concrete new practices, concepts, forms, structures) or as a process within which new practices and concepts are considered, decided, put into use and sustained".

The main objective in organizational innovation is to improve business performance. In a rapidly changing environment organizations should adopt themselves to the environmental changes (Cameron and Quinn, 2006). In this context, by making changes in the business and operations of the enterprise, an important contribution to the competitiveness of the company might be provided. Moreover, by making the organizational structure dynamic and fully integrating the staff to the change and novelty (being an incentive element, not a resistance element), employees' contributions to the innovative activities can be provided.

Alice Lam (2004) studies the relationship between organization and innovation in three perspectives. These are: a) the relationship between organizational structural forms and innovativeness; b) innovation as a process of organizational learning and knowledge creation; and c) organizational capacity for change and adaptation. According to her findings she states that in organizational innovation, technological innovation is a necessary preliminary step. She also emphasizes that in organizational innovation process, organizational forces such as capacity for learning, values, interests and power in shaping organizational transformation and technological change are another important factors for the success of the desired objectives.

Organizational structures of firms are very important determinant for innovation capabilities. Organizational innovation also encompasses new management practices, organizational strategies, processes, policies and structures in the pursuit of organizational goals (Bocquet and Dubouloz, 2014). In general, when innovation is considered as a process and an outcome of collective work, the elements involved in the innovation process and the importance of the organizational structure will be better understood.

		Focus of Organisational Innovation	
		Intra-Organisational	Inter-Organisational
Type of Organisational Innovation	Structural Innov.	<ul style="list-style-type: none"> • Cross-functional teams • Decentralisation of planning, operating and controlling functions • Manufacturing cells or segments • Reduction of hierarchical levels • ... 	<ul style="list-style-type: none"> • Cooperation/networks/alliances (R&D, production, service, sales, etc.) • Make or buy/Outsourcing • Offshoring/relocation • ...
	Procedural Innov.	<ul style="list-style-type: none"> • Team work in production • Job enrichment/job enlargement • Simultaneous engineering/concurrent engineering • Continuous Improvement Process/Kaizen • Quality Circles • Quality audits/certification (ISO) • Environmental audits (ISO) • Zero-buffer-principles (KANBAN) • Preventive maintenance • ... 	<ul style="list-style-type: none"> • Just-in-time (to customers, with suppliers) • Single/dual sourcing • Supply Chain Management • Customer quality audits • ...

Table 1. Organizational Innovation Typology. (Armbruster, Bikfalvi, Kinkel and Lay, 2008: 647).

Armbruster, Bikfalvi, Kinkel and Lay (2008) have investigated organizational innovation in two parts namely intra-organizational and inter-organizational innovation. They have examined these two concepts with the view whether it includes procedural arrangements or structural changes. If the innovations that took place in the organization's structure are realized within the organization, they contain such elements like cross-functional teams, decentralization of planning, operating and controlling functions, manufacturing cells of segments. Cooperation, alliances, outsourcing may lead to structural innovation. For the procedural innovations created within the organization; team work in production, job enrichment, continuous improvement process are the main issues that should be taken into account. Procedural innovations created outside the organization may be represented by just-in-time, supply chain management, customer quality audits etc.

Organizational innovation has both external and internal antecedents (Bocquet and Dubouloz, 2014). The triggers of the innovation process can be the emergence of a problem or the need for innovation. After triggering the process, next step is the strategy to be adopted in order to solve the problem. In this context, it is not possible to think all of the activities independent from organizational structure such as the R & D studies to be carried out, the preference of the firm's decision-making mechanism, the determination of the appropriate R & D options, the creation and marketing of new products or services in this direction etc. So it might be suggested that organizational structure is influential on all other types of innovation.

In organizational innovation, the staff has a great commitment to the realization of innovation and novelty. An employee who is involved in the production process of the organization may have an opinion due to encountering problems in production may be the initiator of a change by sharing his ideas. At this point the key factors that will enable the employee to have this behavior are;

- The suitability of the organizational structure for change,
- The importance given to employees participation in management process and
- Whether the employee has the qualifications necessary for awareness.

1.1.6. Innovation and R & D Relationship

R & D and innovation concepts are different, but they are closely related. The aim of the R & D is to increase knowledge, to contribute to the development of science and technology, and to collect information on a specific subject systematically through scientific studies. On the other hand, the aim of innovation is to create competitive advantage with the realization and marketing of the change.

The success criteria of R & D and innovation concepts are also different. As a result of gathering systematic information and research activities conducted within the context of R & D activities; it is not always possible to achieve the desired tangible targets. That is, the accumulated knowledge is considered as an R & D activity even if it does not provide the desired value you desire. Hundreds of tests that do not yield positive results during Edison's bulb-finding trials are recalled in this regard. But the situation for innovation is different. The novelty and change movements that are put forward in order for a work to be called innovation are required to acquire a marketable quality. It will not be possible to talk about innovation if one of two conditions (change and novelty) cannot be achieved.

R & D is a step in the innovation process. With such studies; theoretical (informative) infrastructure of innovations for product, process, organization and marketing is created. All activities based on knowledge accumulation of what will be marketed or offered for public use, how it will be designed, and what features it will have will be evaluated in the context of R & D activities.

Today, European states are investing heavily in R & D Expenditures. (European Innovation Scoreboard, 2017). But they also observe that many of these R & D activities are ineffective and produce no output. The huge difference between the number of patents produced and the budget allocated to R & D spending push European states to adopt new practices and policies in innovation.

1.1.7. Determinants of Innovation

Innovation is a dynamic phenomenon that is constantly interacting with the organization in which it is formed and the factors surrounding it. In this context, the determinants of innovation have spread to a very wide range; from the establishment where the innovation takes place to the business sector in which it operates and from the technology and economic policies adopted by the country where the institution concerned is located to the customer expectations. National systems of innovation do have an important impact on the rate of changes in the variety of goods and services in a country.

In this study, innovation will be examined within the framework of 6 main factors. These are;

- Economic Competence
- Technological Competence
- Business Sector
- Environmental Factors and Customer Expectations
- R & D Activities and Technology
- Organizational Elements and Structure of the Company

R & D activities have the most important influence in the process of the emergence of an innovation. The importance attached to R & D activities, human and material resources allocated for it will significantly affect the success of innovation. The firm will have a certain

level of economic competence so that you can allocate resources to R & D activities and you can come up with innovations as a result of these R & D activities. As the findings of Alsharkas (2014) shows that firms with no obstacles to accessing financial resources are more likely to innovate, which also coincides with Schumpeter's predictions. Another point in which economic competence is influential emerges in the implementation phase of innovation. Innovation is a process and in this process, economic resources are needed in order to the realization of the targeted change through life.

In the world of microelectronics and genetic engineering, it is unnecessary to belabor the importance of science and technology for the economy. Whether like the sociologist, Marcuse, or the novelist, Simone de Beauvoir, we see technology primarily as a means of human enslavement and destruction, or whether, like Adam Smith and Marx, we see it primarily as a liberating force, we are all involved in its advance. However much we might wish to, we cannot escape its impact on our daily lives, nor the moral, social and economic dilemmas with which it confronts us. We may curse it or bless it, but we cannot ignore it (Freeman and Soete, 1997: 1).

Innovation and technology are complementary elements. Innovations and new developments which are brought to the service of humanity carry the technology further. The development of technology also continuously triggers innovative activities and then leads to innovations. Technology is a phenomenon that is developing as a result of long struggles and scientific knowledge. Since each technological development brings with it the opportunity of change and innovation as well, technological developments have a significant influence on innovation activities.

The business sector in which the company operates is another important determinant of innovation. According to the study of Unger and Zagler (2000) the machinery and equipment

sector was significantly more innovative than the food, textile and leather sector in all versions of the models.

Environmental factors and customer expectations are other determinants of innovation. Environmental factors include the laws of the country in which the organization is located, other companies in which the organization is interacting, and the socio-cultural structure of the geographical area. A firm's level of entrepreneurial intensity is influenced by both its external and its internal corporate context. Firms in turbulent vs. stable environments tend to be more innovative, risktaking, and proactive (Barringer and Bluedorn, 1999). Since innovation is a dynamic phenomenon, the change in all these elements, or the existing values, will have an impact on innovation.

The size of the sources that countries allocate to R & D is directly proportional to the size of the innovation capacities. The main element of change in innovative activities is the information obtained as a result of R & D studies. "National systems of innovation do have an important impact on the rate of changes in the variety of goods and services in a country" (Unger and Zagler, 2000). Especially in developed countries, governments aim to increase their scientific and technological development with the incentives they give to private businesses. As stated in Department of Trade and Industry (DTI) (2003), innovation depends on several factors but governments play an important role in creating the best conditions for innovation. Also, by developing its science and technology capacity and giving incentives for knowledge and education, governments play an important role for a dynamic and innovative economy.

In this study, as the effects of organizational structure and factors on innovation are investigated, the 'Organizational Elements and Structure of the Company' will be discussed in detail under a separate heading in Chapter 2.

2. CHAPTER

THE ORGANIZATIONAL DETERMINANTS OF INNOVATION

Innovative attempts require favorable conditions and circumstances. Certain organizational structures facilitate the creation of new products and processes (Lam, 2004). Organizational learning and managerial leaderships also have a direct influence on innovation (Aragon-Correa, Garcia-Morales and Cordon-Pozo, 2007).

Organizations strive to achieve their goals by adopting an organizational model in line with their principles and strategies. Organizational structure is shaped by some factors such as specialization, geographical segmentation, product and customer orientation, centralization, formalization etc.

Leading stimulators of innovations are participation in the decision-making mechanism, R & D activities and budget allocated for it, technologic competence, customer orientation, environmental follow up which are significantly affected by organizational determinants.

The organizational determinants of innovation can be listed as follows:

- Organization's authorization policies (centralized or decentralized)
- Formalization degree
- Hierarchical structure of the organization
- Decision making mechanism (ensuring employee involvement)
- Research and development activities
- Strategic partnerships

2.1. Organization's Authorization Policy

Authorization policies of organizations are determined by the degree of centralization. In some organizations, authorities are only held in the hands of the top executives while in others, it is distributed to the lower level of employees. Innovative companies delegate authority and autonomy to subordinates and tolerate possible mistakes. As Kelley (1955: 180) states "if you are the master of your destiny, you will have the self-confidence to take risks".

"Managers contribute in important ways to both technological and business model innovation. For innovation, top management has a particularly important role, because putting in place a new business model for an entire organization is likely to require leadership from the top. However, managers lower in the organization also may play an important role in coming up with ideas for new business models and in implementing them" (Shalley, Hitt and Zhou, 2015: 424).

In the management process of an organization, the level of authority given to the staff has a direct effect on the realization of innovation and change. In this context, decentralized organizations offer more favorable grounds for innovative activities. In these types of organizations since the staff are aware that they are also a decision maker, they know that the work and projects they produced will not be wasted. On this account, employees perform their tasks more carefully and passionately.

Also in decentralized organizations, as communicating with management levels is easier and shorter than that in centralized organization, decisions can be taken more effectively and efficiently. This will increase the staff's participation degree in innovative activities. Because staff will have the opportunity to make their ideas more easily accessible to the authorities and without fear of entering into a long decision-making mechanism.

2.2. Formalization Level

The degree of formalization refers to the degree of standardization of work within an organization. "Formalization is the design parameter by which work processes are standardized through rules, procedures, policy manuals, job descriptions, work instructions and so on" (Mintzberg, 1980: 325). In this context, the degree of formalization of the organization determines how much the employees' behavior and working patterns depend on rules and procedures.

The organization, while shaping the behavior of its staff, sometimes restricts them from taking risks and responsibilities, thus hinders the emergence of innovative activities. Employees should focus on solving problems related to their work. In this context, they should take responsibility for the behaviours they do and should not hesitate to make a decision. Where the decisions they make are not in place, reasonable mistakes should not be seriously punished and should be tolerated as much as possible. Otherwise it would be a very optimistic approach to expect employees to contribute the emergence of a change and innovation process.

In this regard, mechanic and organic organizations represent opposite polars. While all work and transactions are determined by written rules and procedures in mechanistic organizations, in organic organizations solid rules are not dominant, employees are interacting with each other and have the ability to assess and initiate things related to their working areas.

Burns and Stalker (1961) have conducted research on 20 enterprises operating in the machinery and electronics industries. They have examined the relationship between organization and environment. As a result of their work, they have gathered the organizational structures of enterprises in two groups as mechanistic and organic. In the organizational structures they call mechanistic, the environment is stagnant, balanced and the rate of change

in conditions is low. In organic structure, the environment is constantly and rapidly changing. Neither type is inherently right or wrong, but the firm's environment is the contingency that prompts a structural response.

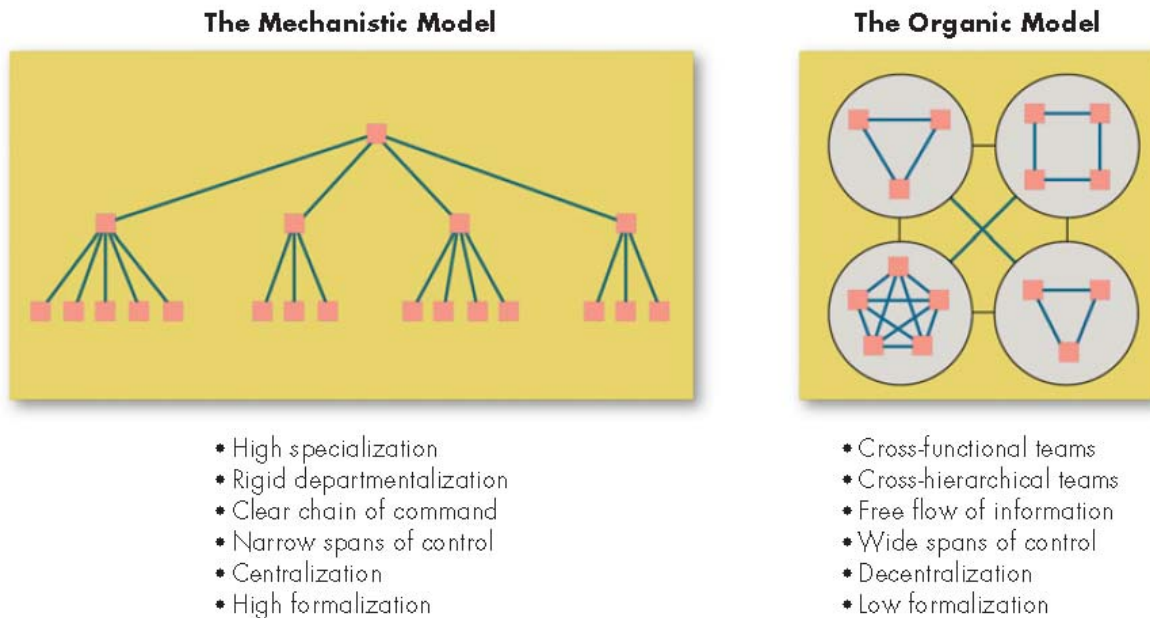


Figure 2. Mechanistic versus Organic Models. (Robbins and Judge, 2013: 497)

In mechanistic organization;

- Jobs are divided into specific areas of specialization and employees only know their own work, not others'.
- Duties, authorities and responsibilities are rigidly defined and stereotyped.
- Command chain is clearly defined.
- Intra-organizational relations are mostly vertically established.

In organic organization;

- Instead of detailed and narrow job description, business expansion is adopted.
- The authorities were distributed to the employees at the bottom.
- In addition to vertical relations, horizontal relations are also important.

- Organization is more open to environmental interaction.
- Rules and procedures are fewer.

Innovation can arise in the organizations where interaction takes place, employees behave comfortably, environmental changes can be tracked in time, there is the opportunity of employees to influence decision-making mechanism and employees can easily communicate with the managers. Also, studies conducted by Ghoshal and Bartlett (1988) shows that well-developed intra and inter-unit communication endorses innovation process. In this context, the above-mentioned issues show that organic organizations are more favorable organizations for innovative activities as they provide the necessary conditions for innovation.

The organization's determination of procedures, such as what employees will do, how and when they will do their work, and what they should pay attention when they working, will not push employees into creative thinking and adopt behaviors that contribute to the organization. Lower levels of formalism are more suitable for innovative activities, as too much formalization prevents the emergence of creativity in which the behavior of employees is largely determined by the organization.

Mutual trust climate between senior management and employees is another factor that is influential on innovation. With this confidence climate, the employees will try to do their duty with the awareness that the managers are behind them and there is not any mutual misconduct in the face of a possible problem.

2.3. Hierarchical Structure of the Organization

Is it possible to talk about a relationship between innovation and the hierarchical structure? If so, which type of hierarchical structure is most appropriate for an innovative organization?

Does the number of hierarchical steps prevent innovation?

Hierarchy is a concept that expresses the organization of power and tasks in social organizations and the arrangement of them according to subordinate relations.

In organizations, the governance of material and human resources are inevitably conjures up issues of power. There are two forms of power, especially when one considers institutional contexts. Institutional structures tend to be based on what can be called vertical accountability through hierarchies. In horizontal accountability, mutual relationships among participants are come forward. Power works along these two axes of accountability:

- **Vertical accountability**, associated with traditional hierarchies, decisional authority, the management of resources, bureaucracies, policies and regulations, accounting, prescriptions, and audit inspections.
- **Horizontal accountability**, associated with engagement in joint activities, negotiation of mutual relevance, standards of practice, peer recognition, identity and reputation, and commitment to collective learning (Wenger, 1999: 13)

It is not possible to communicate with the top managers at firms in which vertical hierarchy builds on many levels. In such organizations it is more unlikely to start an innovative activity with a momentum from the grassroots. It is quite clear that in such organizations, decision-making mechanisms and authority have gathered in the hands of the top management so; it takes a long time for any change of movement to pass through. The command-line chain puts a certain mold on the behavior of employees. This prevents employees from having a chance to imagine events like change and innovation.

2.4. Decision - Making Mechanism

Another factor I will examine in the context of organizational determinants of innovation is the decision-making mechanism of the organization. The decision-making mechanism is the

process of choosing the right one from the available options. In this process, the positive and negative aspects of each option should be identified and as much information as possible about the options should be collected.

The management policies adopted by the managers in the decision-making mechanism directly affects this process. While in some organizations decisions are made only by top managers, in others, lower level employees are also included to this mechanism.

If the decision making mechanism is only at the hands of the top managers, this will cause the system to be closed out and reduce the interaction with the environment. The emerging problems will face the danger of becoming chronicer and more complicated, because top management's ability to produce solutions can lead to undesired time losses. All these factors represent situations with negative effects for innovation. That is, the decision making mechanism is only at the hands of top managers is a negative situation in terms of innovation.

The involvement of lower level employees in the decision making mechanism will enable chance of producing a direct solution to the employee who sees the problem on the spot. Managers in an organization can draw the attention of top managers with their individual initiatives and perspectives. In this way, they may be triggers for an innovation on organizational change (Dutton, Ashford, O'neil and Lawrence, 2001). This is a positive development in order to concentrate and motivate employees to the work they do. An employee who knows that he has a say in the management process will not avoid taking responsibility for his/her job.

Employees' participation in the management process has a critical impact on the innovation, as it breaks of the resistance that the change phenomenon will generate in employees minds'. Most of the time the change efforts of managers often face with the human resistance.

"Of course, all people who are affected by change experience some emotional turmoil. Even changes that appear to be 'positive' or 'rational' involve loss and uncertainty. Nevertheless, for a number of different reasons, individuals or groups can react very differently to change—from passively resisting it, to aggressively trying to undermine it, to sincerely embracing it" (Kotter and Schlesinger, 1979).

Employees will be less resistant to the challenges they will face in the implementation phase of novelty and innovations. When the employees themselves are involved in the decision-making process, they will also take part in the emergence of new behavioral models to be adopted. This will facilitate and shorten the process of integrating innovative activities into organizations with full efficiency. Besides, advantages provided by collective thinking as fewer errors, increased knowledge, competences, creativity etc. will also provide positive contributions to the innovative process.

2.5. Research and Development Activities

Another organizational determinant of innovation that I am going to discuss is organizations' R & D activities. R & D studies are the main source of scientific and technological developments.

R & D activities are time consuming and require too much money. Scientist like Schumpeter (1942), Christensen (1996), Furman, Porter and Stern, (2002) claim that R & D activities are the most important determinant of innovation. In his study, Schumpeter (1942) states that large firms are the pioneers of technologic developments and economic growth. According to his findings, large firms are the locomotives in innovative activities because they have more opportunity to get external finance, their budget for R & D studies is sufficient and they can tolerate the probable risks that can be encountered during this process. "Furthermore, in large corporations operating in high-technology markets there is no longer one R & D department

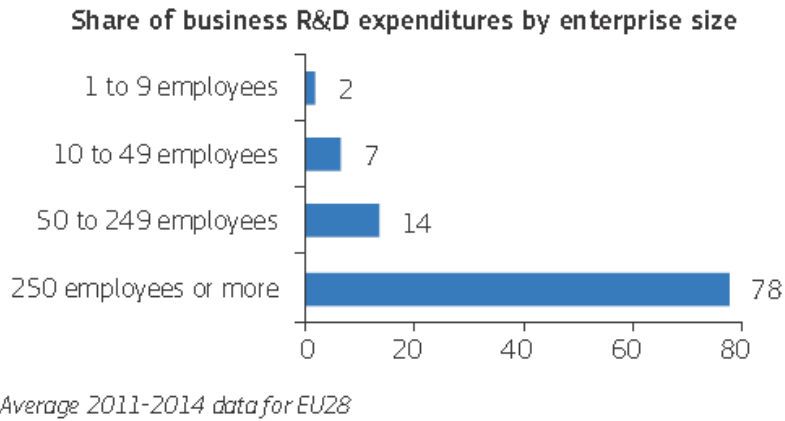


Figure 3. Enterprise Size and Business R & D Expenditures. (European Innovation Scoreboard, 2017: 12)

that comprises the total corporate portfolio of innovative and technological assets. Rather, different parts of the technology base are spread all over the corporation, from central science laboratories to product development, engineering and design departments (or individuals/groups) in product divisions, subsidiaries, or joint ventures” (Christensen, 1996: 6). R & D activities are essential activities for the organization to perceive environmental changes and keep pace with the ages. Firms which are innovative and leader in their sector, transfer a lot of resources to their R & D activities (Furman, Porter and Stern, 2002).

Through R & D activities, organizations try to collect information about what kinds of product launches are needed to the market, what modifications should be made to the existing products, what kind of products will be on the front line in the future, and so on.

Alsharkas (2014) states that there is a relationship between innovation and financing. She emphasizes that "the empirical research by a number of researchers generally point to a positive correlation between financing, size, and innovation". Because large firms have more resources allocated to R & D, which has a positive impact on innovation. The probability of large firms to innovate is higher than small and medium sized firms.

2.6. Strategic Partnerships

A strategic partnership refers to two or more organizations that work together to achieve common goals. Strategic partnerships can be made in line with the growth and development targets of the enterprises as well as in order to get rid of the crises that the enterprises enter. Joint ventures, R & D consortias, franchisings and equity investments are some of the main strategic alliances types (Todeva and Knoke, 2005). Strategic alliances also allow for the sharing of potential risks so that businesses can move more boldly.

1. Organisational - Learning / Competence Building

- various kinds of learning and internalisation of tacit, collective and embedded skills;
- restructuring; improving performance;
- acquiring means of distribution;
- recreating and extending supply links in order to adjust to environmental changes;
- complementarity of goods and services to markets; legitimation

2. Economic – Market – Cost & Risk related

- market seeking;
- cost sharing and pooling of resources;
- risk reduction and risk diversification;
- obtaining economies of scale;
- co-specialisation

3. Strategic - Competition Shaping / Pre-emption / Product & Technology related

- achieving vertical integration;
- achieving competitive advantage;
- diversifying into new business;
- gaining access to new technology;
- converging technology;
- R&D;
- developing new products and technologies;
- cooperation with potential rivals or pre-empting competitors;
- bandwagon effect and following industry trends

4. Political - Market development

- developing technical standards;
- overcoming legal / regulatory barriers

Table 2. The Motives to Engage in Strategic Alliances. (Adapted from Todeva and Knoke, 2005: 6)

Why the companies should make alliances? As Hamel, Doz and Prahalad (1989) mention that making alliances provide companies to new technologies and skills. Each partner obtains the

necessary feature from the others. There are many benefits of establishing strategic partnerships such as benefiting from other's experience, reducing the risks in experimentation, and making use of peer group support (Bessant, Barnes, Morris and Kaplinsky, 2003; Gulati, 1998). In strategic partnerships, the contribution of information sharing to the competitiveness of partners is an undeniable fact. Knowledge is the greatest source of strategic importance for companies (Simonin, 1999).

"The nature of strategic alliances can vary widely. For example, firms might attempt to obtain greater efficiencies of scale by pooling resources within common functional areas (such as merging R & D resources), take advantage of complementary skills by pooling resources across functions (such as teaming R & D and marketing functions), or develop new products in parallel" (Amaldoss, Meyer, Raju and Rapoport, 2000: 106).

Kogut (1988) states three main approaches for the motivations of strategic partnerships. The first approach bases on transaction cost theory that is on reducing the cost of economic activities of the enterprises. Second approach which derives from strategic motivations is about gaining competitive advantage through competitive positioning and profitability. Lastly the third approach is derives from organizational theories and try to explain the relationship between organizational models and strategic partnerships. In his study, Gulati (1998) investigates what are the reasons that push firms to enter alliances, how they structure themselves and what are the performance benefits that firms expect from alliances.

In strategic alliances, knowledge transfer is an important issue for full integration of companies. Simonin (1999) is trying to analyze the knowledge transfer efficiency and the factors which effect strategic alliances. He studies the issue under two main variables: knowledge-specific variables such as tacitness, complexity and partner-specific variables such as prior experience, cultural distance and organizational distance. The harmony captured the above mentioned variables will determine the efficiency of the alliances.

There is also relationship between strategic alliances and R & D activities. Firms' foreign links contribute substantially in their pursuance of R & D activities and product innovation (Waheed, 2011). The interaction that takes place between companies provides both sides significant knowledge experience.

Since innovation is a movement of change and novelty, it carries some certain risks. For example, organizations may have to allocate too many resources to an area for innovation. This does not mean that the end of the innovation process will precisely match the resources invested. Sometimes the product or service offered is not marketable and is not accepted by the customers. Strategic partnerships enable us to share the risk of the firm at this point and also to eliminate the ambiguities by benefiting from the experience and knowledge of the other companies. In this sense, firms will have more knowledge and experience for innovative activities and with confidently, they will proceed to the brighter future.

Strategic partnerships also offer opportunities to learn local market conditions for companies operating in different geographies. This information provides different perspectives for innovation activities to the firms. The personnel interaction working at different firms will increase the likelihood of successful novelty and innovation activities.

2.7. In an Organizational Context, Requirements for a Successful Innovation

For a successful innovation to take place what kind of characteristics an organization must have and which features the managers should pay attention? I will refer to the main factors that contribute positively to the success of an innovation activity in the organizational context.

The organization must first see innovation and novelty as a value and strategic goal. In this way, the staff will act with the incentive of innovation and strive to initiate a possible innovation activity.

Another factor is to ensure that employees are involved in the management and decision-making process. With the study of Delaney and Huselid (1996) it is shown that people are the preeminent organizational resource and the key to achieving outstanding performance. Their study suggests that progressive human resource management (HRM) practices, including selectivity in staffing, training and incentive compensation, are positively related to perceptual measures of organizational performance. Besides that, employees should be encouraged to cooperate with each others and team spirit must be created. In this respect, the staff will feel that they are respected and as a consequence, they will be more likely to adopt and enforce the business's goals and objectives.

With the authority transfer, ensuring the employees at lower levels to move freely and take decisions faster is another factor that contributes positively to the innovation process.

To ignore reasonable mistakes and to ensure that employees use initiative without having to worry about punishment is an indispensable condition for creativity to emerge.

Making it easier for employees to access the information they need and keeping the communication channels open all the time will contribute to the interaction phenomenon which has a big impact on innovation. "The importance of good communication and optimal information flows has been stressed throughout the whole history of the study of management of the innovation process" (Meyer, 1985: 1). Keeping the level of formalization too high and allowing employees to adopt stereotyped behaviors will prevent creativity.

To allocate sufficient resources and personnel for novelty and R & D activities and to create a separate unit for these fields will support innovation process.

Following scientific and technological developments in the environment and integrate them into the affiliated organization will be of great benefit to keep up with current developments.

If the local needs and customer expectations can be determined correctly and products can be produced accordingly, the ability of the innovation to acquire the marketable quality will be properly established.

Taking into account customer feedbacks and employees' opinions will help to compensate for possible mistakes in the innovation process.

Not neglecting market strategies of competing firms will minimize possible uncertainties in the innovation process.

To identify better the cultural values of the society in which the organization operates and to shape the organizational culture on the basis of innovation will contribute to positioning the innovation activities on the right track. In organizations, change sticks when it becomes “the way we do things around here”, when it seeps into the bloodstream of the corporate body. Until new behaviors are rooted in social norms and shared values, they are subject to degradation as soon as the pressure for change is removed (Kotter, 1995).

By establishing strategic partnerships and integrating two or more different organizations; increasing the organization's experience and knowledge is an important factor for a successful innovation process.

In the above section, the organizational factors that have influence on innovation are theoretically mentioned. In the next section, the validity of this information will be tested.

3. CHAPTER

THE ORGANIZATIONAL DETERMINANTS OF INNOVATION IN TEXTILE BUSINESSES

In this chapter, the organizational determinants of innovation for the competition strategies of textile firms operating in the Istanbul region are discussed. In this context, 120 textile enterprises have been studied. Below, the details of the research will be elaborated.

3.1. Purpose of the Study

There have been many studies on the innovation process in organizations. These studies examine organizational factors such as communication, management, leadership, etc. and non-organizational factors such as economy, prosperity and technology level, development level of the country, and economic policies. In this study, the organizational elements that influence innovation processes and organization's innovation performance will be examined.

What are the factors that push companies to different innovations types? Or is it possible to talk about the relationship between innovation policies and organizational structures? What is the role of organizational structure in the efficiency of a company's innovative activities? How much does the organization structure provide opportunity for innovation activities? It is tried to find the answer to all these questions and below the issue will be discussed in more detail.

Within this scope, researches are carried out in textile companies operating in Istanbul region. By comparing the organizational structures of the firms surveyed, it will be tried to determine what types of structures support innovations and what types of structures inhibit them.

In this study, the effects of organizational factors on innovative activities are investigated.

Another purpose of this study is to analyze organizational structures for innovative activities. Businesses have to be very careful when setting their innovation policies. Because a wrong decision and wrong policies can put businesses into extreme situations. Waste resources, time loss, the disadvantage of the company against its competitors, the threat of its existence by failing to meet the changes in the environments of the enterprises are some difficult situations that can be encountered in this context.

Also, in the transformation process of Research & Development (R & D) studies into innovations, the right decision mechanisms and appropriate organizational structure have a vital importance. Today, with the influence of government incentives, many enterprises have focused on R & D activities. However, it is also necessary to ensure that resources transferred to R & D and the importance given them should be returned as an output. Otherwise, businesses will again face the danger of waste resource.

Another aim of this work is to emphasize that companies need to take into account their organizational elements while setting their innovation policies.

In addition, this study aims to increase the organizational awareness of companies and so to prevent the ineffectively using the resources (human resources, material resources, time etc.) that they separate into innovative activities.

The benefit expected from this work is to identify the organizational determinants of innovation and to help the businesses to create their competition policies with the least harm, the greatest benefit.

3.2. The Problem and Proposals of the Research

The problem of the research is to find; what is the role of the organizational determinants in the innovation activities of textile businesses.

“More than ever companies are forced to renew their product portfolio. Only with new products can they sustain their competitive position by increasing revenues and profit, leading to an improved company value. But do firms have the right conditions and environment to enable them to maximize innovation success?” (Alwis and Hartmann, 2008: 133). In this framework, the following questions have been studied in detail to determine how organizational elements affect innovative activities.

- Do the authorization policies (centralized or decentralized) adopted by the firms affect the innovation activities?
- Does the organization's level of formalization affect the innovation activities?
- Do the number of hierarchical steps that firms have, affect innovation activities?
- Do staff participation levels in the decision-making mechanism affect innovation activities?
- Do the R & D studies affect innovation activities?
- Do strategic partnerships affect innovation activities?

As a result of these six questions, the hypotheses of the study as follows:

H₀₁: There is not a relationship between decentralized organization and innovation.

H₁₁: There is a positive relationship between decentralized organization and innovation.

H₀₂: There is not a relationship between formalization and innovation.

H₁₂: There is a negative relationship between formalization and innovation.

H₀₃: There is not a relationship between hierarchical levels and innovation.

H₁₃: There is a negative relationship between hierarchical levels and innovation.

H₀₄: There is not a relationship between employee participation to the decision-making mechanism and innovation.

H₁₄: There is a positive relationship between employee participation to the decision-making mechanism and innovation.

H₀₅: There is not a relationship between R &D activities and innovation.

H₁₅: There is a positive relationship between R & D activities and innovation.

H₀₆: There is not a relationship between strategic partnership and innovation.

H₁₆: There is a positive relationship between strategic partnership and innovation.

Based on these hypotheses, the model of the research is shown by figure 6.

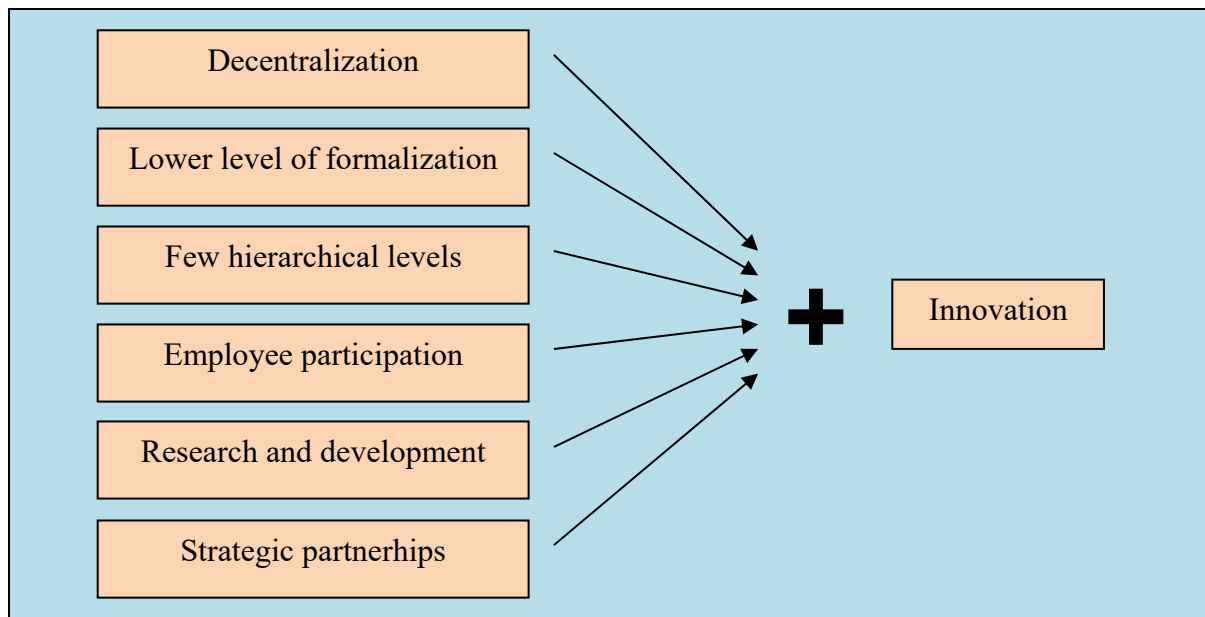


Figure 4. Research Model

3.3. Scope and Limitations of the Research

The research universe is made up of textile companies operating in Istanbul. There are about 7000 companies operating in textile sector in Istanbul. In the sample, 120 companies operating in Istanbul were selected. Within the scope of the study, in order to obtain desired information, a comprehensive study carried out in Bayrampasa, Zeytinburnu and Merter regions where textile firms are concentrated.

The reason for choosing the companies operating in Istanbul region on research can be summarized as follows:

- Istanbul is Turkey's most economically developed region, the leading companies of this field in Turkey are concentrated in the Istanbul region and I will have more access capability to more firms in a shorter period of time.
- Textile firms operating in Istanbul are also leading companies in the import - export field in this sector.
- In some regions of Istanbul such as Zeytinburnu and Merter, textile clusters are created to increase the productivity and profitability of textile firms, to improve the experience levels of firms by exchanging information etc. Another reason why research is conducted in these regions of Istanbul is to learn what kind of differentiation they have gone through to become more innovative.
- Furthermore, the companies in this district differ in size, from companies with hundreds of employees to companies with about 20 employees. This gives the opportunity to reach a wide range of organization.
- Data set provided by Turkish Statistical Institute (TSI).

Within the scope of the research; I personally and informally interviewed with some staff within distinctive levels, from a simple employee to a department manager and the owners of the businesses.

The fact that the sample is the main limitation of this study. Sample's representation to the universe might be expressed as another limitation. Factor analysis could be done separately for each factor. However, the diversity and size of the enterprises mitigates this limitation.

3.4. Method

The aim of the work is to determine the role of innovation among the textile companies' competition strategies. In this context, the organizational determinants that form the innovation policies of the textile enterprises are studied.

Survey research is employed as a quantitative research method. Questionnaire was used to collect information. A questionnaire consisting of 38 questions has been prepared in order to gather data. Questionnaire was prepared by using the scales used by the TSI in its research. In addition, the parameters used in the works of Sendogdu and Ozturk (2013), Yavuz (2010), Celiktas (2008), Kor and Maden (2013) and Ecevit Satı and Isik (2011) have been utilized.

Those between 1-5 of these questions are designed to determine the demographic characteristics of the participants. The relation with the hypotheses and other questions as follows:

- Those between 7-12 of these questions are designed to evaluate hypothesis 1.
- Those between 13-18 of these questions are designed to evaluate hypothesis 2.
- Those between 19-23 of these questions are designed to evaluate hypothesis 3.
- Those between 24-27 of these questions are designed to evaluate hypothesis 5.
- Those between 28-32 of these questions are designed to evaluate hypothesis 6.
- Those between 33-38 of these questions are designed to evaluate hypothesis 4.

Reliability of the scale was tested. Both reliability analysis and factor analysis are powerful tools that enable to find and eliminate mistakes related to research design. With the final questionnaire which is made up with 5 point likert scale, the attitudes and perceptions of the first, middle and upper level managers and workers of the textile firms operating in Istanbul

province were investigated. A questionnaire study with a 5-point likert scale was applied to participants.

Case Processing Summary				Reliability Statistics	
		N	%	Cronbach's Alpha	N of Items
Cases	Valid	120	100,0	,842	38
	Excluded ^a	0	,0		
	Total	120	100,0		

Table 3. Results of the Reliability Analysis in Total (Cronbach Alpha Test)

The SPSS 24 package program was used in the evaluation of the responses given to the 38 expressions that were asked with the 5-point Likert scale. The scale reliability of the variables obtained as a result of the survey was measured with the help of the Cronbach Alpha test. Test measurements gave, as it is shown in table 3, a satisfactory reliability since the alpha coefficient (parameter) of the test measurements is 0.842 and this value is greater than 0.70.

Factor analysis and multivariate variance analysis were employed in analyzing the data.

3.5. Findings

Face to face questionnaire model was applied. A total of 120 questionnaires were conducted in this research. The demographic findings are presented in Table 5.

Characteristics of the Sample				
Gender of Respondents				
		Frequency	Percent	Cumulative Percent
	Female	33	27,5	27,5
	Male	87	72,5	100,0
	Total	120	100,0	
Education of Respondents				
	Undergraduate	31	25,8	25,8
	Graduate	82	68,3	94,2
	Postgraduate	7	5,8	100,0
	Total	120	100,0	
Experience of Respondents				
	0-4 years	17	14,2	14,2
	5-9 years	38	31,7	45,8
	10-14 years	31	25,8	71,7
	15-19 years	25	20,8	92,5
	More than 19 years	9	7,5	100,0
	Total	120	100,0	
Age of Respondents				
	18-27 years	25	20,8	20,8
	28-37 years	46	38,3	59,2
	38-47 years	36	30,0	89,2
	more than 47 years	13	10,8	100,0
	Total	120	100,0	
Position of Respondents				
	Senior management	11	9,2	9,2
	Middle management	18	15,0	24,2
	Sub management	27	22,5	46,7
	Employee	64	53,3	100,0
	Total	120	100,0	
How Many People Work at Your Institution?				
	1-19 peoples	10	8,3	8,3
	20-49 peoples	44	36,7	45,0
	50-99 peoples	33	27,5	72,5
	100-249 peoples	27	22,5	95,0
	More than 249 peoples	6	5,0	100,0
	Total	120	100,0	

Table 4. Characteristics of the Sample.

When examining the demographic characteristics of the participants in the research, the following results are encountered:

85.8% of the respondents have more than 4 years of experience. This demonstrates that participants have the ability to recognize the organization they are in, and have the necessary knowledge and experience about their jobs. As a result, it can be said that they have valuable knowledge about the organizational structure, and the impacts of organizational structure on other organizational factors.

53.3% of the participants were from the 'employee' position and 46.7% were from the managerial position. Manager - employee ratio is close to one another. So, it is important to reflect the thinking of the whole organization.

The first hypothesis of the research is based on the relationship between decentralization and innovation.

H₀₁: There is not a relationship between decentralized organization and innovation.

H₁₁: There is a positive relationship between decentralized organization and innovation.

7, 8, 10, 11 and 12th on the basis 9th questions related to this hypothesis. The results are as below:

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Do you agree that the decision-making authority is disseminated to the subordinates of your institution?	7,589 ^a	3	2,530	1,569	0,201
While the employees you work with face a problem in their area; do you agree that they have the power to make decisions to solve it?	13,049 ^b	3	4,350	6,312	0,001
In the institution you work in, do you agree that the ease of reaching the authorities support your desire to change and innovate?	17,382 ^c	3	5,794	13,419	0,000
Do you agree that the decision making process is fast and smooth in your institution?	5,211 ^d	3	1,737	1,592	0,195
Do you agree that your institution support risk taking and change?	3,137 ^e	3	1,046	0,758	0,520
a. R Squared = ,039 (Adjusted R Squared = ,014)					
b. R Squared = ,140 (Adjusted R Squared = ,118)					
c. R Squared = ,258 (Adjusted R Squared = ,238)					
d. R Squared = ,040 (Adjusted R Squared = ,015)					
e. R Squared = ,019 (Adjusted R Squared = -,006)					

Table 5. Results for Hypothesis 1.

According to the 'Results for Hypothesis 1' table ($P_2 = 0,001$, $P_3 = 0,000$; $P < 0,05$); there is a significant relationship between 'having the power to solve a problem', 'ease of reaching the authorities' and innovation. But, the values also show that ($P_1 = 0,201$, $P_4 = 0,195$, $P_5 = 0,520$; $P > 0,05$) there is no significant relationship between 'dissemination of decision-making authority to the subordinates', 'the fact that the decision-making mechanism is fast and smooth', 'supporting risk taking and change' and innovation. **H₀₁ hypothesis is supported by the test result. So, there is not a relationship between decentralized organization and innovation.**

The lack of a meaningful relationship between decentralized organizations and innovation might be interpreted as the distribution of the authority may cause misconduct in the business process, thereby this may cause managerial problems which in turn will adversely affect innovation.



The second hypothesis of the research is based on the relationship between formalization and innovation.

H₀₂: There is not a relationship between formalization and innovation.

H₁₂: There is a negative relationship between formalization and innovation.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Do you agree that the existing patterns of behavior and responsibilities within the institution are determined by too many written rules?	6,213 ^a	3	2,071	1,649	0,182
Do you agree that the attitudes of managers in your organization towards their subordinates are too official?	7,371 ^b	3	2,457	1,753	0,160
Do agree that procedures and working instructions prevent you from thinking creatively?	12,319 ^c	3	4,106	6,483	0,000
Do you agree that the written rules hinder your desire to change and innovate?	11,158 ^d	3	3,719	6,888	0,000
Do you agree that your business have a flexible and harmonious structure in the face of change and innovation?	6,658 ^e	3	2,219	2,410	0,071
a. R Squared = ,041 (Adjusted R Squared = ,016)					
b. R Squared = ,043 (Adjusted R Squared = ,019)					
c. R Squared = ,144 (Adjusted R Squared = ,121)					
d. R Squared = ,151 (Adjusted R Squared = ,129)					
e. R Squared = ,059 (Adjusted R Squared = ,034)					

Table 6. Results for Hypothesis 2.

According to the ‘Results for Hypothesis 2’ table ($P_3 = 0,000$, $P_4 = 0,000$; $P < 0,05$) there is a significant relationship between ‘procedures and instructions restrict employees to think creatively’, ‘written rules hinder employees’ desire to innovate’ and innovation. But, the values also show that ($P_1 = 0,182$, $P_2 = 0,160$, $P_5 = 0,071$; $P > 0,05$) there is no significant relationship between ‘determining the existing patterns of behavior and responsibilities within the institution by too many written rules’, ‘being too official the attitudes of managers to their subordinates’, ‘having flexible and harmonious structure in the face of change and innovation’ and innovation. H₀₂ hypothesis is supported by the test result. So, **there is not a relationship between formalization and innovation.**

Celiktas (2008) and Orucu, Kilic and Savas (2011) also examined the relationship between level of formalization in the overall business and innovation. Their findings also show that there is no a meaningful relationship between the level of formalization within the organization and innovation. The increase of the informalization; on the one hand, will increase innovative and diverse ideas. But on the other it will causes abuse of power and lack of seriousness and sense of responsibility within the organization (Celiktas, 2008). As a result of the positive contributions provided by informalization as well as the negativities caused by it, might be interpreted as a meaningless relation between formalization and innovation.



The third hypothesis of the research is based on the relationship between hierarchy and innovation.

H₀₃: There is not a relationship between hierarchical levels and innovation.

H₁₃: There is a negative relationship between hierarchical levels and innovation.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Do you agree that the amount of hierarchical steps keep you from creative thinking?	21,105 ^a	4	5,276	5,291	0,001
Can you easily reach top managers who are in the power of decision making?	31,039 ^b	4	7,760	8,535	0,000
Do you agree that there is a hard relationship between hierarchical levels in your organization?	22,856 ^c	4	5,714	4,351	0,003
Can your innovative ideas easily get through hierarchy?	11,565 ^d	4	2,891	3,985	0,005
a. R Squared = ,155 (Adjusted R Squared = ,126)					
b. R Squared = ,229 (Adjusted R Squared = ,202)					
c. R Squared = ,131 (Adjusted R Squared = ,101)					
d. R Squared = ,122 (Adjusted R Squared = ,091)					

Table 7. Results for Hypothesis 3.

According to the ‘Results for Hypothesis 3’ table ($P_1 = 0,001$, $P_2 = 0,000$, $P_3 = 0,003$, $P_4 = 0,005$; $P < 0,05$) there is a significant relationship between ‘the amount of hierarchical steps keep the employees from creative thinking’, ‘easily reaching top managers’, ‘being hard relationship between hierarchical levels’, ‘creative ideas easily getting through hierarchy’ and innovation. H₁₃ hypothesis is supported by the test result. So, **there is a negative relationship between hierarchical levels and innovation.**

Do you agree that the amount of hierarchical steps keep you from creative thinking?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	33	27,5	27,5	27,5
Agree	51	42,5	42,5	70,0
No opinion	17	14,2	14,2	84,2
Disagree	16	13,3	13,3	97,5
Strongly disagree	3	2,5	2,5	100,0
Total	120	100,0	100,0	

Table 8. Hierarchy – Innovation Relationship

When looking at the answers given by the participants to the question of **“Do you agree that the amount of hierarchical steps keep you from creative thinking?”**; it is seen that only 15,8% of those state that the hierarchy do not prevent them from creative thinking. %70 of them accept that the amount of hierarchical steps keep them from creative thinking.

A negative relationship between hierarchy and innovation might be interpreted as the number of hierarchal levels may hinder the employees to reach easily to the authorities. As a result of this situation they may avoid to generate new ideas.



The fourth hypothesis of the research is based on the relationship between employee participation and innovation.

H₀₄: There is not a relationship between employee participation to the decision-making mechanism and innovation.

H₁₄: There is a positive relationship between employee participation to the decision-making mechanism and innovation.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
What is the participation rate of employees to the decision making mechanism in your organization?	15,712 ^a	3	5,237	10,358	0,000
What is the role of middle-low level employees in innovative activities that take place in your business?	44,319 ^b	3	14,773	28,432	0,000
To what extent, are your innovative activities be rewarded by your organization?	67,770 ^c	3	22,590	33,022	0,000
Do your managers tolerate you when you want to try new ways of doing things?	48,039 ^d	3	16,013	24,073	0,000
Are your creative ideas being implemented by your organization?	26,660 ^e	3	8,887	11,578	0,000
a. R Squared = ,211 (Adjusted R Squared = ,191)					
b. R Squared = ,424 (Adjusted R Squared = ,409)					
c. R Squared = ,461 (Adjusted R Squared = ,447)					
d. R Squared = ,384 (Adjusted R Squared = ,368)					
e. R Squared = ,230 (Adjusted R Squared = ,211)					

Table 9. Results for Hypothesis 4.

According to the 'Results for Hypothesis 4' table ($P_1 = 0,000$, $P_2 = 0,000$, $P_3 = 0,000$, $P_4 = 0,000$, $P_5 = 0,000$; $P < 0,05$) there is a significant relationship between 'participation rate of employees to the decision making mechanism', 'role of middle-low level employees in innovative activities', 'rewarding innovative activities', 'managers' tolerance on new ways of doing things', 'implementing employees creative ideas in the organization' and innovation.

H₁₄ hypothesis is supported by the test result. So, **there is a positive relationship between employee participation to the decision-making mechanism and innovation.**

Does the participation to the decision making mechanism support your desire to change and innovate?

	Frequency	Percent	Valid Percent	Cumulative Percent
So much	44	36,7	36,7	36,7
Much	43	35,8	35,8	72,5
Average	22	18,3	18,3	90,8
Few	11	9,2	9,2	100,0
Total	120	100,0	100,0	

Table 10. Participation to the Decision Making Mechanism – Innovation Relationship

When looking at the answers given by the participants to the question of “**Does the participation to the decision making mechanism support your desire to change and innovate?**”; it is seen that only 9,2% of the respondents say that participating in the decision-making mechanism supports fewly their tendency to think creatively and innovate. %72,5 of them accept that participation to the decision making mechanism support their desire to change and innovate.

Innovation pioneers are seeking to enhance the participation rate of lower level employees to the business process (Dutton, Ashford, O’neil and Lawrence, 2001). They know that the contributions of the employees to the business performance and innovation can not be neglected (Kotter, 1995). A positive relationship between participation to the decision making mechanism and innovation might be interpreted as including lower level of workers to the decision making process may increase workers’ sense of responsibility and prevent resistance that can occur in case of a possible renewal.

The fifth hypothesis of the research is based on the relationship between R & D and innovation.

H₀₅: There is not a relationship between R &D activities and innovation.

H₁₅: There is a positive relationship between R & D activities and innovation.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Do you agree that there is enough resources allocated to R & D activities at your institution?	51,418 ^a	4	12,855	10,673	0,000
Do you agree that the size of resources allocated to R & D increase your innovative activities?	30,664 ^b	4	7,666	6,238	0,000
Do you agree that a separate unit for innovation (R & D) is effective in the emergence of innovative activities?	13,641 ^c	4	3,410	2,794	0,029
a. R Squared = ,271 (Adjusted R Squared = ,245)					
b. R Squared = ,178 (Adjusted R Squared = ,150)					
c. R Squared = ,089 (Adjusted R Squared = ,057)					

Table 11. Results for Hypothesis 5.

According to the ‘Results for Hypothesis 5’ table ($P_1 = 0,000$, $P_2 = 0,000$, $P_3 = 0,029$ $P < 0,05$) there is a significant relationship between ‘allocating enough resources to R & D activities’, ‘effective work of special units established for innovative activities’, ‘size of resources transferred to R & D’ and innovation. H₁₅ hypothesis supported by the test result.

So, there is a positive relationship between R & D activities and innovation.

Do you agree that the size of resources allocated to R & D increase your innovative activities?

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	42	35,0	35,0	35,0
Agree	47	39,2	39,2	74,2
No opinion	7	5,8	5,8	80,0
Disagree	18	15,0	15,0	95,0
Strongly disagree	6	5,0	5,0	100,0
Total	120	100,0	100,0	

Table 12. R & D – Innovation Relationship

When looking at the answers given by the participants to the question of “**Do you agree that the size of resources allocated to R & D increase your innovative activities?**”; it is seen that only 20% of the them state that allocating resources to R & D activities do not increase their innovation capacities. %74,2 of them state that the size of resources allocated to R & D increase their innovation capacities.

A positive relationship between R & D and innovation might be interpreted as R & D activities are covers the efforts to find out all the ways to improve business performance and innovation. As a result of these efforts, new ideas arise, which contributes positively to the innovation process. Polattas (2009) states in his research that R & D contributes to the potential changes in the company's strategy and long-term thinking about the company's future. The firm's innovation implementation is influenced by the company's R & D activities (Tunen, 2011; Orucu, Kilic and Savas, 2011).

The last hypothesis of the research is based on the relationship between strategic partnership and innovation.

H₀₆: There is not a relationship between strategic partnership and innovation.

H₁₆: There is a positive relationship between strategic partnership and innovation.

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
What is the share of your strategic partnerships in innovative activities that have taken place in your business?	29,857 ^a	4	7,464	16,277	0,000
Do you provide information and experience from your strategic partners?	26,567 ^b	4	6,642	10,814	0,000
Is this information and experience that you have obtained influence innovation?	32,933 ^c	4	8,233	13,213	0,000
Do sharing the risks on change and innovation with your strategic partners and obtaining information from them, make it easier to realize your innovative activities?	19,051 ^d	4	4,763	8,543	0,000
a. R Squared = ,361 (Adjusted R Squared = ,339)					
b. R Squared = ,273 (Adjusted R Squared = ,248)					
c. R Squared = ,315 (Adjusted R Squared = ,291)					
d. R Squared = ,229 (Adjusted R Squared = ,202)					

Table 13. Results for Hypothesis 6.

According to the ‘Results for Hypothesis 6’ table ($P_1 = 0,000$, $P_2 = 0,000$, $P_3 = 0,000$, $P_4 = 0,000$; $P < 0,05$) there is a significant relationship between ‘involvement of strategic partners in innovative activities’, acquiring knowledge and experience from strategic partners’, ‘use of knowledge and experience gained from strategic partners in innovative activities’, ‘reduction of the risk that the strategic partnership will enable’ and innovation. H₁₆ hypothesis is supported by the test result. So, **there is a positive relationship between strategic partnership and innovation.**

Do sharing the risks on change and innovation with your strategic partners and obtaining information from them, make it easier to realize your innovative activities?

	Frequency	Percent	Valid Percent	Cumulative Percent
So Much	42	35,0	35,0	35,0
Much	51	42,5	42,5	77,5
Few	22	18,3	18,3	95,8
Too few	5	4,2	4,2	100,0
Total	120	100,0	100,0	

Table 14. Strategic Partnership – Innovation Relationship

When looking at the answers given by the participants to the question of “**Do sharing the risks on change and innovation with your strategic partners and obtaining information from them, make it easier to realize your innovative activities?**”; it is seen that only 22,5% of those surveyed say that sharing possible risks and obtaining information from their strategic partners do not facilitate their innovation activities. %77,5 of them accept that sharing the risk on change and innovation with their strategic partners and obtaining information from them make it easier to realize their innovative activities.

A positive relationship between strategic partnership and innovation might be interpreted as strategic partnerships provide various knowledge and experience to stakeholders. In this respect businesses may have more opportunity to become innovative. Alwis and Hartman (2008) addresses that organizations can do to promote knowledge sharing in order to improve successful innovation. Strategic alliances boost companies innovativeness (Todeva and Knoke, 2005).

3.6. Discussion

Hypotheses	Status
H1: There is a positive relationship between decentralized organization and innovation.	Rejected
H2: There is a negative relationship between formalization and innovation.	Rejected
H3: There is a negative relationship between hierarchical levels and innovation.	Accepted
H4: There is a positive relationship between employee participation to the decision-making mechanism and innovation.	Accepted
H5: There is a positive relationship between R & D activities and innovation.	Accepted
H6: There is a positive relationship between strategic partnership and innovation.	Accepted

Table 15. Hypotheses Status.

In this research the validity of 6 hypotheses are tested. The sample is formed from 120 textile firms operating in Istanbul. As a result we see that there is a significant relationship between organizational structure and innovation.

When the results are analyzed with SPSS 24.0 program, the following results are encountered: The participants are %9.2 senior management + %15.0 middle management + %22.5 sub management = %46.7 from the management levels of the enterprises. The remaining 53.3% are employees. The results indicate that the participants are distributed proportionally in the manager-worker distinction and it reflects the institution as a whole.

In a business environment where competition and environmental conditions are constantly changing; factors such as the development of the hierarchy horizontally and the ease of communication between the steps, the inclusion of employees in the decision making process, the allocation of resources to R & D and the establishment of strategic partnerships are significant contributors to the businesses' innovation activities.

I will now examine in detail the aspects I briefly describe in the above paragraph with the light of the analysis of the data I have obtained;

Primarily, in the comparison between centralized and decentralized enterprises; it turned out that there is no significant relationship between the distribution policies of the duties and powers to the lower levels of the organization and innovation. As Shalley, Hitt and Zhou (2015) states that lower level of workers as well as top managers in a company can play a role in the emergence of innovative events. This means that all the individuals involved in the organization's authority scale are an important contributor to the innovation process. So, in line with the research results of the first hypothesis, **there is not a relationship between decentralized organization and innovation (H_{01}).**

Secondly, it is seen that there is no significant relationship between procedures, written instructions and innovation. Organizations may choose to organize themselves as organizations whose behavior, duties and responsibilities are written in accordance with the environmental conditions they have. Or they may choose to be structured as organizations that do not refrain from changing their format according to the circumstances in their environment whose boundaries of duties, powers and responsibilities may vary. Neither type is inherently right or wrong, but the firm's environment is the contingency that prompts a structural response (Burns and Stalker, 1961). So, it turned out that **there is not a relationship between formalization and innovation (H₀₂)**.

Another issue is the relationship between organizational hierarchy and innovation. The responses of the participants show that the amount of hierarchical steps in an enterprise and rigidity of relationships between stages are preventing the emergence of change and novelty phenomena and have an adverse effect on innovation. The ability of employees to easily reach their ideas to the managers increases their desire for change and enables the business to become more competitive. By the way, organizations should not assume that horizontal relationships lack accountability; instead they should give enough grounds to provide more mobility for employees (Wenger, 1999). As the results of the research signify that **there is a negative relationship between hierarchical levels and innovation (H₁₃)**.

The inclusion of mid-low level employees in the decision-making process and the rewarding of their innovative activities provide positive contributions to the innovation capacity of the organizations. Managers must use their human resources most efficiently in order to reach their organization's strategic goals (Dutton, Ashford, O'neil and Lawrence, 2001). In addition, the acceptance of employees' own ideas and practices motivates them to do a good job and sets the stage for more innovative ideas and practices to emerge. In other words, **there is a**

positive relationship between employee participation to the decision-making mechanism and innovation (H₁₄).

Another issue is the relationship between R & D and innovation. R & D activities are the triggers for development and change movement. It is time consuming and costly. Generally, in larger and more institutional enterprises the size of the enterprise may facilitate the innovation of the enterprise (Celiktas, 2008). That is, having the power to allocate more resources to their R & D activities; specialization and separate units operating in innovation make organizations more advantageous against their competitors. The research results show that, **there is a positive relationship between R & D activities and innovation (H₁₅).**

The last point that is going to address is the accumulation of knowledge and experience provided by each strategic partner to each stakeholder and the effects of these issues on innovation (Hamel, Doz and Prahalad, 1989). In this study, it is stated that strategic partnerships increase the level of knowledge and experience of each stakeholder. These partnerships also reduce the level of risk that a possible change event will create (Bessant, Barnes, Morris and Kaplinsky, 2003). Organizations are increasing their innovation capacities by the factors such as various kinds of learning and internalisation of tacit, collective and embedded skills, developing technical standards, overcoming legal / regulatory barriers, diversifying into new business and risk reduction and risk diversification (Todeva and Knoke, 2005). In other words, **there is a positive relationship between strategic partnership and innovation (H₁₆).**

Although the results show that there is a close relationship between innovation and organization, I need to emphasize the constraints of the research. The fact that the chosen province is limited to Istanbul constitutes the most important limitation of the research. However, the diversity and size of the enterprises operating in Istanbul allows us to overcome this constraint.

CONCLUSION and SUGGESTIONS

In today's competitive environment, the number of enterprises and the possibilities provided by globalization put firms in an increasingly difficult competition environment. Strategies for businesses' survival or superiority to their competitors will no longer be as easy and practical as their old counterparts. Moreover, it is very obvious that we are faced with a constant change and novelty phenomenons.

At this point, innovation is emerging as a very important alternative. Transforming the changes that have taken place in the environment and quickly adapting them into commercial benefits, has gained vital importance for businesses to gain competitive advantage and to survive (Drucker, 1985).

To contribute to the studies in the field of innovation and to fill the gaps in the literature, the topic of innovation is being discussed in this study. In particular, the organizational determinants of innovation are mentioned. It is stated that innovation has four different dimensions such as product, process, marketing and organizational, and the study is concentered on organizational innovation. What is the organizational innovation and which factors are influential on innovation in the organizational context are discussed.

In the first part of the study, theoretical information about innovation is given. In the second part, organizational determinants of innovation are emphasized. In the last part, the validity of the theoretical information has been tested. In this context, a research is carried out on textile firms operating in Istanbul. Then the validity of the data obtained is tested.

The results of the research show that there is a strong relationship between innovation and organization. In this context, it can be said that it would lead great damages for companies to ignore innovation in their competition strategies.

The movements of change and interaction that we are constantly exposed to in today's conditions push the organizations towards the structures that are favorable to these conditions (Bessant et al, 2014; Hana, 2013; Reguia, 2014). Moreover, it seems very difficult to survive the cumbersome organizations that are surrounded by solid hierarchies, separated from environmental developments and where the authorities are gathered only at the hands of top manager (Porter, 1985). The flexible organizational structures in which the authorities are distributed to the employees and which can respond instantly to change are more convenient and competitive, instead of such organizations where the decision-making processes are very long and problematic.

Apart from these, another issue that I need to mention is the advantages that strategic partnerships provide to businesses. Sharing the potential risks that are possible to encounter, exchanging information and experience etc. encourage businesses to face with change phenomenon and make significant contributions to their competitiveness.

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Internet

- 1- <http://www.businessdictionary.com/definition/disruptive-innovation.html> (23.04.2018)



APPENDIX

QUESTIONNAIRE

Dear Sir/Madam,

I am doing research on innovation in the Management and Organization Department of Yıldırım Beyazıt University. I investigate the impact of the organizational determinants of innovation in competition strategies of enterprises. In order to obtain empirical data, filling the following questionnaire will make an important contribution. The information to introduce you and your company will not be included in the study.

Best regards

Contact
Kadir ONCEL
kadironcl@outlook.com
Yıldırım Beyazıt University

QUESTIONS

- 1 Gender of Respondents
Female Male
- 2 Education of Respondents
Undergraduate Graduate Postgraduate
- 3 Experience of Respondents
0-4 5-9 10-14 15-19 >19
- 4 Age of Respondents
18-27 28-37 38-47 >47
- 5 Position of the Respondents
Senior Management Middle Management Sub Management Employee
- 6 How many people work at your institution?
1-19 20-49 50-99 100-249 >249
- 7 Do you agree that the decision-making authority is disseminated to the subordinates of your institution?
Strongly agree Agree No opinion Disagree Strongly disagree

- 8 While the employees you work with face a problem in their area; do you agree that they have the power to make decisions to solve it?
Strongly agree Agree No opinion Disagree Strongly disagree
- 9 Do you agree that the authority that you have, is supporting your desire to change and innovate?
Strongly agree Agree No opinion Disagree Strongly disagree
- 10 In the institution you work in, do you agree that the ease of reaching the authorities support your desire to change and innovate?
Strongly agree Agree No opinion Disagree Strongly disagree
- 11 Do you agree that the decision making process is fast and smooth in your institution?
Strongly agree Agree No opinion Disagree Strongly disagree
- 12 Do you agree that your institution support risk taking and change?
Strongly agree Agree No opinion Disagree Strongly disagree
- 13 Do you agree that the existing patterns of behavior and responsibilities within the institution are determined by too many written rules?
Strongly agree Agree No opinion Disagree Strongly disagree
- 14 Do you agree that the attitudes of managers in your organization towards their subordinates are too official?
Strongly agree Agree No opinion Disagree Strongly disagree
- 15 Do you agree there is a relationship between the degree of standardization in relation to the business and innovation?
Strongly agree Agree No opinion Disagree Strongly disagree
- 16 Do agree that procedures and working instructions prevent you from thinking creatively?
Strongly agree Agree No opinion Disagree Strongly disagree
- 17 Do you agree that the written rules hinder your desire to change and innovate?
Strongly agree Agree No opinion Disagree Strongly disagree
- 18 Do you agree that your business have a flexible and harmonious structure in the face of change and innovation?
Strongly agree Agree No opinion Disagree Strongly disagree
- 19 Do you agree that the amount of hierarchical steps keep you from creative thinking?
Strongly agree Agree No opinion Disagree Strongly disagree

- 20 Can you easily reach top managers who are in the power of decision making?
Always Often Sometimes Seldom Never
- 21 Do you agree that there is a relationship between the ease of reaching top managers and innovation and change?
Strongly agree Agree No opinion Disagree Strongly disagree
- 22 Do you agree that there is a hard relationship between hierarchical levels in your organization?
Strongly agree Agree No opinion Disagree Strongly disagree
- 23 Can your innovative ideas easily get through hierarchy?
Always Often Sometimes Seldom Never
- 24 Do you agree that the organizational size of your institution prevent innovation activities from being passed on?
Strongly agree Agree No opinion Disagree Strongly disagree
- 25 Do you agree that there is enough resources allocated to R & D activities at your institution?
Strongly agree Agree No opinion Disagree Strongly disagree
- 26 Do you agree that the size of resources allocated to R & D increase your innovative activities?
Strongly agree Agree No opinion Disagree Strongly disagree
- 27 Do you agree that a separate unit for innovation (R&D) is effective in the emergence of innovative activities?
Strongly agree Agree No opinion Disagree Strongly disagree
- 28 Do your strategic partnerships lead innovative activities in your business?
So much Much Average Few Too few
- 29 What is the share of your strategic partnerships in innovative activities that have taken place in your business?
So much Much Average Few Too few
- 30 Do you provide information and experience from your strategic partners?
So much Much Average Few Too few
- 31 Is this information and experience that you have obtained influence innovation?
So much Much Average Few Too few

- 32 Do sharing the risks on change and innovation with your strategic partners and obtaining information from them, make it easier to realize your innovative activities?
 So much Much Average Few Too few
- 33 What is the participation rate of employees to the decision making mechanism in your organization?
 So much Much Average Few Too few
- 34 Does the participation to the decision making mechanism support your desire to change and innovate?
 So much Much Average Few Too few
- 35 What is the role of middle-low level employees in innovative activities that take place in your business?
 So much Much Average Few Too few
- 36 To what extent, are your innovative activities be rewarded by your organization?
 So much Much Average Few Too few
- 37 Do your managers tolerate you when you want to try new ways of doing things?
 So much Much Average Few Too few
- 38 Are your creative ideas being implemented by your organization?
 Always Often Sometimes Seldom Never

Thank you for participating in our survey.