Chapter 17

Can an Innovation Oriented Vision Statement Really Trigger Innovation in Small and Medium Sized Enterprises? Evidence from Turkey

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ABSTRACT

In literature, it is claimed by some studies that the content of a vision statement can be a tool to reach some desired individual and organizational level results. The importance of various types of innovation for organizations has been supported by many empirical studies. Therefore, this study investigates the effect of a vision statement’s content on the amount of innovation in Turkish small and medium sized enterprises. With this aim, first this chapter briefly reviews the literature on vision statements and innovation, followed by the methodology and findings. The chapter ends with future directions and conclusions, which include the originalities and limitations of this study.

INTRODUCTION

Nowadays, almost all organizations operate in turbulent environments. Therefore, different types of innovation have become vital for them to survive. Many studies have been conducted to understand the effects of contextual factors such as size (Blau & McKinley, 1979) and structural factors such as complexity, formalization and centralization (Damanpour, 1996; Pierce & Delbecq, 1977) on innovation. Although innovation is a concept which is generally correlated with large-sized organizations, it is accepted to a large extent that innovation is also quite considerable for “Small and Medium Sized Enterprises (SMEs)”.

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On the other hand, another important concept for organizations seems to be vision statements. There are some studies in the literature which focus on the consequences of vision statements of organizations at an individual level such as more highly motivated employees (Kantabutra, 2010) and at an organizational level such as increased profits (Baum, Locke, & Kirkpatrick, 1998). However, although there is extensive literature on the antecedents and consequences of vision statements, as far as we know, the effect of vision statements on organizational innovation has not been examined to date.

Therefore, it is hypothesized in this study that innovation oriented vision statements of organizations will affect their innovation performance. With this aim, first, we will present brief literature reviews on organizational innovation and vision statements, then, we will mention the research to test our hypothesis. In the fourth part of the study, the findings are presented and finally, future research directions and conclusions which include the limitations and originalities of this study.

BACKGROUND

Organizational Innovation

Organizational innovation (OI) has a broad literature. However, there are contrasting findings about the antecedents and consequences of OI. One possible reason for that can be the different understandings of researchers with respect to the conceptualization of OI (Bingham, 1978; Downs & Mohr, 1976). Therefore, clarification of the main concepts as far as possible is important. According to one view, innovation is a complex phenomenon which involves diffusion and translation of knowledge in a way of new or modified products or services, or the development of new production or processing techniques (Escribano, Fosfuri, & Tribó, 2009; Galende, 2006). In addition, Mansfield (1963) describes innovation as the first use of a product, service, process or idea. In a similar vein, according to the Turkish Patent Institute (TPI), innovation is an invention which is not included in extant conditions of a technique. The extant condition of a technique is connected to whether or not there is verbal or written accessible information about the technique all around the world before patent application. In addition, to describe a technique as an innovation, it must have certain characteristics. For example, it must be applicable to industry.

An OI can be made in various fields of organizations such as in products, services, technical and managerial processes (Damanpour & Evan, 1984; Wagner & Hansen, 2005; Zmud, 1982). Product and service innovations are related to the presentation of new products or services to those concerned (Zmud, 1982). Technical (technological or process) innovation means adding new elements to the processes in which products or services are produced. These innovations may give rise to some improvements in the efficiency of production of particular goods (Vaona & Pianta, 2008). Finally, managerial (or business system) ones are innovations which are made in the authority and responsibility structure of the organization, rewards systems, methods of resource allocations and employee recruitment (Damanpour & Evan, 1984; Evan, 1966; Wagner & Hansen, 2005). Sometimes innovations can be harmful for organizations and therefore organizations want to forget embedded knowledge or new products (Fernandez & Sune, 2009; Martin de Holan & Phillips, 2004a, 2004b). However, innovation is generally crucial for organizations since it can create some benefits. For instance, constant innovation can create competitive advantage (Cooper & Kleinschmidt, 1991) and higher level customer satisfaction (Wagner & Hansen, 2005). The findings of a study indicated that green product and process innovations are positively correlated with competitive advantage (Chen, Lai, & Wen, 2006). In a similar vein, research on Italian SMEs found that product and particularly process innovations