



Effect of Innovation on Organizational Performance and Service Quality: An Application in the Five-Star Hotels in Antalya, Turkey

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ABSTRACT

The primary aim of this paper is to analyze the impacts of innovation on organizational performance and service quality, and determine the relationship between these variables in the hotels in Antalya, Turkey. In this study, the relationships between innovation and organizational performance and service quality have been examined and measured. With regard to this issue, two hypotheses have been developed and the accuracy of these hypotheses was investigated. Analysis has been carried out using data which were obtained from the hotels in Antalya by using a questionnaire form. The correlation-type relationships between the variables have been investigated. The findings obtained from this research support the hypotheses asserted that innovation has a positive effect on the organizational performance and service quality. As a result, the findings indicate that there is a correlation between innovation and organizational performance and service quality.

KEYWORDS : Innovation, Organizational Performance, Service Quality.

Introduction

Innovation is the ability of becoming first user of new products, ideas, tools, systems, policies, programs, processes and services. Innovation is one of the most important tools in increasing dynamics of economy, employment and economic growth.

Moreover, innovation is the most important tool which firms use to maintain a competitive advantage. Due to fierce competition in the marketplace and an explosion of technology in the last two decades, innovation and differentiation are considered as requirement for each firm. At the same time, firms need to exploit new opportunities and develop new products and/or services and also markets in order to increase organizational performance and sustain a competitive advantage.

Firms' competitiveness depends on their innovativeness in achieving lower cost and higher quality by meeting customer demands and introducing new products or services. Use of new technology and knowledge increases in firms by means of innovation. New technologies, new products and new services are typically regarded as technological innovations.

Organizational performance and service quality increases in firms that use technology and create innovation. According to this fact, we expect that innovation will affect organizational performance and service quality. If so, to what extent and how? This study explores the relationships between innovation, organizational performance and service quality in the hotel industry in Antalya.

Innovation

A number of studies have found that innovation is the most important tool which enterprises use to maintain a competitive advantage (Chen & Jaw, 2009). The convergence of consumer preferences worldwide and the international diffusion of technology have influenced both the pace and the locus of innovation (Reddy, 1997).

Due to fierce competition in the marketplace, globalization and an explosion of technology in recent years, innovation and differentiation are considered as requirement for every company. At the same time, to achieve market success and sustain a competitive advantage, businesses need to exploit new opportunities, develop new products and/or services and markets (Tajeddini, 2010).

Innovation is defined as "implementing new ideas that create value". This generic description refers to the various types of innovation such as product development, the deployment of new process technologies and management practices. This means the adoption of new products and/or processes to increase competitiveness and overall profitability, based on customer needs and requirements (Leskovar & Bastic, 2007).

Innovation is viewed as an evolutionary process within an organization to adopt any change pertaining to a device, system, process, policy or service that is new to the organization. Innovation capability basically refers to the firm's ability to transform knowledge and ideas continuously into new products, processes and systems for the benefit of firm. Innovation may occur in every aspect of an organization's operations.

Technological and administrative or managerial innovations especially have received a considerable amount of attention because they cover a wide range of changes within the organization. New technologies, new products and new services are typically regarded as technological innovation. In contrast, new procedures, new policies and organizational firms belong to administrative innovation (Yang, Marlow & Lu, 2009).

Innovation capability is regarded as a process involving the interaction of many different resources. Hence, successful innovation relies on firms' resources such as people, equipment, knowledge and money (Yang, Marlow & Lu, 2009).

Burns and Stalker (1971) viewed the management of innovation as a product of the social processes taking place within organizations. The act of innovation is often considered in terms of the generation and commercialization of new ideas of economic or competitive value. According to Boer (2002), continuous innovation is the ongoing interaction between operations, incremental improvements, learning, and radical innovation aimed to combine operational effectiveness and strategic flexibility, exploitation and exploration successfully

Recent developments in society, markets, technology, and industry suggest that leading organizations need to find configurations of processes, procedures, people, technologies and organizational arrangements that allow them to be innovative continuously (Chen & Jaw, 2009).

The Measurement of Innovation

The innovation system in tourism should emphasize the last part of technology - economic network, namely the commercial development - market relation. As elsewhere in the service sector, the innovation system would be the most efficient if it is strategy-based and market/customer-oriented without forgetting the technological possibilities (Sundbo, Sintes & Sørensen, 2007).

Organizational innovation capability can be measured by two categories, i.e. innovation intensity and innovation advantage. Innovation intensity measures the extent of the company's innovation output in the form of innovative products, process, organizational and marketing innovations. Innovation advantage measures the extent of advantages achieved by the company's innovations.

The measure includes financial and market advantages. Internal organizational capabilities can be measured by three categories, that is, innovation-oriented culture, entrepreneurship and market orientation. Organizational culture is very supportive of creativity and innovation (Leskovar & Bastic, 2010).

In this study, five possible variables have been determined to measure innovation. These five measures are number of innovations introduced to market, availability of formal procedures supporting the creativity and innovation, encouragement of staff to be creative and innovative, diverse uses of information and communication, availability of technologies mostly with web-based service-provision, and implementing new ideas, services or processes.

Organizational Performance

Performance can be defined as the ability of an object to produce results in a dimension determined a priori in relation to a target. Thus it is necessary to have, first, an object whose performance is to be considered; second, a dimension in which one is interested; third, and a set target for the result. The presence of these three elements ensures that "performance" as defined above does exist (Laitinen, 2002).

The one area of agreement in the management literature is that organizational performance is multi-dimensional, with no single criterion being adequate. Walker and Ruckert (1987) suggest that the relevance and importance of performance dimensions vary across stakeholder groups (for example, investors, employees, customers) and depend on whether the focus is on the short term or the long term. They highlight three performance dimensions considered to be of most interest to corporate and business unit managers. The first is effectiveness, in terms of a business's product and programs relative to competitors. This can be measured by indicators such as sales growth. The second is efficiency which is concerned with the outcome of business programs relative to the inputs employed to implement them. Profitability is a key measure of this dimension. The third dimension is adaptability in terms of how the business responds to changing conditions and opportunities in the environment. Indicators of adaptability are likely to be more strategic in nature such as responses to competitors and the degree to which the firm has capitalized on new product/market opportunities (Styles, 1998).

Organizational performance is based on self-assessments of the organization's profitability and sales growth relative to close competitors, and the level of innovation in the organization. Innovation reflects the ability to be a first user of new ideas, devices, systems, policies, programs, processes, products, and services (Andersen, 2001).

The goal of the measurements is to evaluate the achieved performance, which means that the actual performance is compared with performance targets. After a further analysis or diagnosis that explains how the actual performance has been established, one can start up appropriate actions for performance improvements (Stoop & Bertrand, 1997).

According to Sadikoglu and Zehir (2010) employee performance partially mediates the relationships between TQM practices and innovation performance, as well as that between TQM practices and organizational performance, and that innovation performance partially

mediates the relationship between TQM practices and organizational performance (Sadikoglu & Zehir, 2012).

The Measurement of Organizational Performance

The traditional dimensions and measures which are used in managerial decision-making to measure the performance of a company are financial. Many of the arguments in favor of non-financial measures have originated from the critics of these financial measures. Today's global competition requires that non-financial measures - on quality, investment levels, productivity, flexibility, deliverability, and employees - also be used in the evaluation of a company's manufacturing performance (Laitinen, 2002).

The most important performance measures deal with customer satisfaction and financial matters. Thus, it can be concluded that the financial measures are not sufficient for decision purposes in modern firms, and the set of relevant performance measures should include both financial and non-financial measures (Laitinen, 2002).

Fitzgerald et al. (1991) developed the Performance Measurement System for Service Industries (PMSSI) from their readings of the relevant literature and their observations in 11 large UK service businesses. They point out that, according to many authors from different disciplines, performance measurement often focuses narrowly on easily quantifiable aspects such as cost and productivity whilst neglecting other criteria that are important to competitive success, and that their own ideas are synthesized into the six main performance dimensions (factors) of the PMSSI. These performance factors are competitive performance, financial performance, quality of service, flexibility, resource utilization and innovation. The criteria on the dimensions incorporate financial and non-financial as well as internal and external measures of performance (Laitinen, 2002).

Eight performance indicators commonly used to measure customer service performance (service quality, customer satisfaction, customer loyalty) and financial performance (profit rate, market share, sales' growth rate, return on investment and reduced operation cost) (Yang, Marlow & Lu, 2009).

In this study, four variables have been determined to measure organizational performance. These four measures are taking advantages over competitors by entering new markets, increasing market share, increasing return on investment, higher ratio profit/employee than industry average.

Service Quality

There is a lack of consensus about the construct of service quality. The most common approach is that of the disconfirmation paradigm which asserts that quality can be defined as the gap between customers' expectations and perceptions (Briggs, Sutherland & Drummond, 2006). Owing to the intangible, heterogeneous and inseparable nature of services, service quality has been defined as "the consumer's judgment about a product's overall excellence or superiority" or "the consumer's overall impression of the relative inferiority/superiority of the organization and its services". Many models have been developed to measure customer perceptions of service quality (Martinez, 2010).

Service quality is a focused evaluation that reflects the customer's perception of elements of service such as interaction quality, physical environment quality and outcome quality. These elements are in turn evaluated based on specific service quality dimensions; reliability, assurance, responsiveness, empathy and tangibles (Zehir, Sahin, Kitapci & Ozsahin, 2011).

Table 1. Performance Measurement System for Service Industry (Fitzgerald, et al., 1991).

Dimensions of Performance		Types of Measure
Results	Competitiveness	Relative market share and position
		Sales growth
		Measures of customer-basis
	Financial Performance	Profitability
		Liquidity
		Capital structure

Determinants	Quality of Service	Reliability
		Responsiveness
		Aesthetics/Appearance
		Cleanliness/Tidiness
		Comfort
		Friendliness
		Communication
		Courtesy
		Competence
		Access
	Flexibility	Volume flexibility
		Delivery speed flexibility
		Specification flexibility
	Resource Utilization	Productivity
		Efficiency
	Innovation	Performance of the innovation process
		Performance of the individual innovations

From the perspective of customer perceptions, this concept is the result of comparing customer expectations and perceptions. For Gro'nroos, "the perceived quality of a given service will be the result of an evaluation process, where the consumer compares his expectations with his perception of the service received; in other words, he places the perceived-service and the expected-service opposite one another". Since customers evaluate the quality of a service, numerous contributions in the literature have attempted to establish which criteria or factors they consider when evaluating service quality or its dimensions. A pioneering study by Gro'nroos (1984) proposes three dimensions: technical quality, functional quality and image (Sa' Ez, Fuentes & Montes, 2007).

There is consensus that the quality of the service encounter is critical to business success or failure and that service quality is rarely concerned with a single aspect of service but with the whole service package.

Indeed service quality in a tourism context has been viewed mostly as the quality of the opportunities available at a destination and is considered to be related to a tourist's quality of experience (Briggs, Sutherland & Drummond, 2006).

The hotel sector faces manufacturing problems in providing high quality products and service delivery problems in providing high quality services. The delivery of hotel services involves high contact encounters with significant interaction among customers, staff and facilities. Variability is inherent (and in some cases desirable) in service delivery. The challenge for management is to balance the need for routine and standardization with the need to treat customers as individuals. Excellent companies know that positive employee attitudes promotes stronger customer loyalty, thus companies must attract the best employees with a long-term career focus (Briggs, Sutherland & Drummond, 2006).

Natural surroundings and infrastructures that provide activities to bring the tourist into contact with nature are important elements in choosing a destination, but there are others. Return visits and generation of income also depend on the how tourists value quality during their stay. Receiving excellent service reinforces the loyalty of current customers and increases the prospect of attracting new ones as well as generating more income. Loyalty to a destination can be strongly related to the quality of services offered, where they enable the tourist to enjoy participating in surroundings or the tasks, customs, and lifestyle of local inhabitants (Sa' Ez, Fuentes & Montes, 2007).

The Measurement of Service Quality

Garvin identifies eight determinants as performance, features, reliability, conformance, durability, serviceability, aesthetics and perceived quality. Parasuraman et al. identified ten which were subsequently collapsed into five as tangibles, reliability, responsiveness, assurance and empathy. There are several factors to evaluate the quality of tourism services. These factors such as waiting time for a service, processing time and availability of tourist amenities for comfort and convenience are measures of the service level components. Service quality is an overall evaluation of the destination and satisfaction is

concerned with the overall evaluation of the experience at the destination (Briggs, Sutherland & Drummond, 2006).

Tourist satisfaction is crucial in the sense that it affects expectations and intentions for the next destination purchasing decision. Thus, tourist destination considers customer satisfaction as one of the most important sources of their competitive advantage. Some authors suggest that service quality is a vital antecedent of customer satisfaction and concretely, some relevant aspects of quality perception as promptness of service and on-time programming. Several activities related to tourism service like transport infrastructure have to be provided in an efficient way to guarantee a high level of tourism service quality. For transport services, reliability becomes the core of service quality (Cejas, 2006).

The tourism industry uses service quality measurement models frequently, particularly the SERVQUAL scale and variations on it. Most studies of accommodation services have focused on hotels without particular reference to rural environments. Various authors have applied the SERVQUAL instrument to hotels with little modification. Their results confirm the latter's five dimensions. The most important one is reliability, followed by assurance, responsiveness, tangibles, and empathy (Sa' Ez, Fuentes & Montes, 2007).

Tsaur, Chiu and Huang establish eight dimensions as responsiveness, tangibles, meal service, location, reliability, empathy, reputation, and business service to measure service quality in international hotels, ranking responsiveness and tangibles most significant and meal service least. Ekinci and Riley propose 35 items divided into seven dimensions as decoration, cleanliness, staff behavior and attitude, output quality, accessibility, timeliness, and reliability. After applying a Q analysis and the Guttman procedure, only decoration, staff behavior, and output quality are valid. Erto and Vanacore present a probabilistic approach to evaluating hotel service quality. Thus, no consensus exists on evaluation and measurement of service quality dimensions in the hospitality industry (Sa' Ez, Fuentes & Montes, 2007).

The literature overview provides information on dimensions used in previous studies and in research on other types of accommodation, such as hotels. The dimensions initially considered reflects several aspects: tangible elements (physical facilities, decoration, cleanliness of facilities and personnel), reliability (including accuracy of prices and advertising), professionalism (competence), credibility (accommodation image), responsiveness (includes timeliness), courtesy, security (including physical safety), accessibility (including location), communication, understanding, and complementary offer (complementary services integrated into the rural environment) (Sa' Ez, Fuentes & Montes, 2007).

For the guest perception, the most relevant attributes are identified. Guest perception is decomposed into premises, services and additional services. Premises consist of attributes describing the hotel's location and buildings (landscape and environment). Environment describes the hotel's surroundings (architecture, order and cleanliness, access to the hotel, and availability of parking spaces) while the inside of the hotel building is embedded in the attribute hotel (equipment, homeliness, cleanliness, and spaciousness). The services are divided into food service (taste, look, variegation, and quality of service), drinks (diversity of drinks offered, serving quality, and their tradition) and attitude of personnel (personnel to customer, personnel to personnel, and cleanliness of the personnel). The attribute additional services describe the availability of additional services provided on the hotel (such as sports, animation, and souvenir sales). The attribute repeat visits represent important information: whether the guest is willing to visit the hotel again (Rozman, Potocnik, Pazez, Borec & Majkovic, 2009).

The first service quality model was proposed by Gr'nroos. The author adapts the disconfirmation paradigm from customer satisfaction literature in order to propose that the quality of the service is dependent on expected service and perceived service. Expected service quality is formed by variables such as word of mouth, corporate image, advertising, pricing or personal factors whereas perceived quality is the result of consumer's view of a bundle of service dimensions, some of which are technical and some of which are functional in nature. Technical quality refers to the outcome of the service performance or what the customer receives in the service encounter. Functional quality relates to the subjective perception of how the service is delivered

and defines customers' perceptions of the interactions that take place during service delivery. Grönroos also claims that under certain conditions corporate image can act as another service quality dimension, although, in reality, it is a variable that moderates the relationships between quality dimensions (technical and functional) and perceived quality (Martinez, 2010).

Most recently, Brady and Cronin suggested a hierarchical and multi-dimensional model. These authors combined the traditional approach of service quality (i.e., the Tri-component model of service quality) with the multilevel conceptualization of service quality. They described a third-order factor model in which service quality is formed by three primary dimensions such as interaction quality, physical environment quality and outcome quality.

Each of these dimensions is formed by three corresponding sub dimensions such as attitude, behavior and experience (interaction quality); ambient conditions, design and social factors (physical environment quality); waiting time, tangibles and valence (outcome quality) (Martinez, 2010).

In the study, five variables have been determined to measure service quality. These measures are application of service quality management system, providing cleanliness, safe accommodation for customers, staffs' treatment to customers, providing quality-cooking and safety measures.

The Effect of Innovation on Organizational Performance and Service Quality

Tourism firms' competitiveness depends on their innovativeness in achieving lower costs and higher quality outputs that meet the demand requirements of potential customers, and which introduce new products (e.g., improved services and products, individualization, environmental issues and ICT interaction) (Sundbo, Sintes & Sørensen, 2007).

When controlling for various organizational cultures (i.e., market, adhocracy, clan, and hierarchy), Deshpande et al. (1993) concluded that customer orientation and innovativeness are key determinants for business performance. Moreover, hotels have to be innovative in achieving lower costs and higher quality outputs (Tajeddini, 2010). Innovation capability was found to relate positively to firms' customer service performance in terms of operational service quality and value adding performance (Yang, Marlow & Lu, 2009).

The most important reason for locating innovation activities in tourism firms is to train their staff. Dispersed innovation activities of firms require excellent communication and other infrastructural facilities. The firms seeking to attract innovation investments should establish such infrastructural facilities on a priority basis (Jolly & Dimanche, 2009). Innovations and new ideas may be dependent on the willingness of the staff to make positive changes and innovations in the organization (Leskovar & Bastic, 2007).

The innovation is a changed behavior, but the new behavior could not be carried out without new technology. An example is the change in the behavior of a hotel receptionist who starts treating the customers individually (remembering their wishes concerning rooms, their careers, etc.). This innovation will increase customer satisfaction and thus the willingness to pay a higher price, and return at a later date. This is a case of behavioral change on behalf of the receptionist. However, since receptionists change and cannot remember the personal data for thousands of customers, the new behavior is based on a common PC-system where the personal key in the information about the customer as soon as they get it. Innovation in tourism can thus, neither be reduced to the introduction of Information Technology or other technology, nor can technology be excluded (Sundbo, Sintes & Sørensen, 2007).

The introduction of new technologies (especially information and communication) has significantly reduced the costs and increased the service quality and productivity by decreasing faults. Technology benefits the firms improves the performance of the firms by introducing new products/services and processes, and improves the efficiency of the firms' operations and the customers' access to products better for their needs at a lower price (Sharmistha, 2001).

Technologies are expected to benefit the firms in three ways: (i) by adapting products and processes to the changing conditions, it improves the efficiency of the firms' operations and the customers' access to products that are better suited to their needs, perhaps at a lower price; (ii) by assisting the firms in introducing a new product/service, technologies may help improve the performance of the firms; and (iii) technologies derive benefits as well as contributes to the progression of the capabilities of innovation (Schulze & Ursprung, 1999). Investment in technology for tourism activities can lead to several benefits. These benefits are to expand business (for example, increasing sales, broadening market reach especially foreign markets; improving service quality; providing one-to-one interaction); to improve productivity and efficiency (for example, reducing transaction costs, reducing communication costs, reducing distribution costs) (Jolly & Dimanche, 2009).

The Scope and Model of the Research

The contribution of this research should be discussed with respect to the progress made in methodological and empirical knowledge about the impact of innovation on organizational performance and service quality of firms in the tourism sector of Antalya.

In this study, innovation as an independent variable, organizational performance and service quality as dependent variables are chosen. Here, the relationships between dependent and independent variables (positive or negative) have been investigated and measured. With regard to this issue 2 hypotheses have been developed and the accuracy of these hypotheses was investigated. The correlation type relationships between variables have been investigated.

Innovation supplies a growth in trade and consequently, provides new opportunities for hotels in tourism. The changing structure of markets, demands of customers and technology have forced hotels to rethink their processes to improve service quality. In light of all, it can be proposed that;

Hypothesis 1: Innovation has a positive effect on organizational performance.

Hypothesis 2: Innovation has a positive effect on service quality.

The change of variables have been studied and looked for the correlation-type relationships between them. A symbolic model has been used as research model in Figure 1.

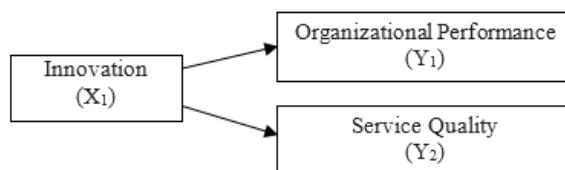


Figure 1. Impacts of Innovation on Organizational Performance and Service Quality

Data Collection and Sample

This paper aims to determine the impacts of innovation. The data is analyzed empirically whether innovation impacts the hotels by developing their organizational performance and service quality or not. Analysis has been carried out using data obtained by means of a questionnaire form from the hotels in Antalya. A questionnaire survey was carried out in Antalya, Turkey. The questionnaires were applied to 53 firms.

The number of tourism licensed establishments with 5 stars is 169 (population) in Antalya. The rate of randomly selected sampling is 31.4 % (53/169). Among them, however, only 1 questionnaire couldn't be used for the analysis because of incomplete reply from a respondent. Among the 53 responses, 21 were from Antalya and the rest 31 were from Belek. Calculations were based upon 52 hotels on tourism sector. In the study, respondents were asked to rate on five-point Likert scales ("certainly disagree/certainly agree").

Analyses and Findings

Data collected from questionnaires were entered into the computer and analyzed with SPSS 15.0 software. In the investigation of relationship between variables to determine whether there was a relation-

ship or not, the direction and degree of relationship were taken into account. Factor analysis, reliability analysis, correlation analysis and regression analysis for hypothesis tests were conducted respectively. Hypotheses were tested in accordance with the results emerged from regression analysis. Analysis and the results are explained below.

In this study, hotels operating in tourism sector in Antalya were cho-

Table 2. Frequency Tables

Job Title	f	%	Tot. Num. of Bed	f	%	Number of Staff	f	%	Age of Firm (year)	f	%	
Top Man.	35	67.3	<300	0	0	60-120	4	7.7	0-5	15	28.8	
Mid Man.	9	17.3	300≤X<600	9	17.3	121-180	8	15.4	5-10	15	28.8	
Low Man.	8	15.4	600≤X<900	15	28.9	181-240	10	19.2	10-15	7	13.5	
≥1200 14			900≤X<1200	14	26.9	>240	30	57.7	15-20	11	21.2	
			26.9			> 20	4	7.7				

Factor and Reliability Analysis

In factor analysis, the dependent and independent variables were considered separately and variables were analyzed in this way. Factor loadings for the innovation, organizational performance and service quality are given in Table 3.

Table 3. Factor Loadings for Innovation

Dependent / Independent Variables	Questions	Component	Alpha Coefficient (α)
Innovation (X1)	B.1	.604	.787
	B.4	.630	
	B.5	.506	
Organizational Performance (Y1)	D.1	.658	.874
	D.2	.821	
	D.3	.785	
	D.4	.656	
Service Quality (Y2)	C.1	.833	.676
	C.3	.703	
	C.4	.666	
	C.5	.849	
Rotated Component Matrix Solution (Extraction) Method: Principal Component Analysis			

The alpha reliability coefficients for variables are given in Table 3. In all questions about innovation, organizational performance and service quality, the reliability (alpha coefficient) is 74.7 %. Alpha coefficients obtained were accepted because it was higher than 0.50 defined by Bagozzi and Yi (1988) in literature. As a result, reliability values for variables were higher than the value defined and accepted by international literature.

Correlation, Regression Analysis and Hypotheses Tests

The values for Pearson correlation coefficients are shown in Table 4. In the correlation table, one to one relationships between independent variable and dependent variables are given.

Table 4. The Values of Correlation and Regression Analysis

Variables	X1	Y1	Y2
X1 Innovation	1.000		
Y1 Organizational performance	.572**	1.000	
Y2 Service quality	.484**	.128	1.000
Pearson correlation and significance **. Correlation is significant at the 0.01 level (2-tailed)			
Independent Variable	Beta (β)	Sig. (p)	
Innovation (X1)	.572**	.000	
R2 = .327 F= 24.306 p= .000 **. Correlation is significant at the 0.01 level (2-tailed) *. Correlation is significant at the 0.05 level (2-tailed)			
Dependent variable "organizational performance"			
Independent Variable	Beta (β)	Sig. (p)	
Innovation (X1)	.484**	.000	
R2 = .234 F= 15.275			

sen as the research population. Five-star hotels in Antalya were taken as the sample of research (31.4 % of population). Questionnaires were subjected to respondents by interviewing face to face. Of the respondents, 67.3 % were top level managers (vice president, managers), 17.3 % were mid-level managers (assistant of manager), and 15.4 % were low level managers (chiefs). According to descriptive statistics analysis, some information is given with frequencies in Table 2.

p=.000
** Correlation is significant at the 0.01 level (2-tailed)
* Correlation is significant at the 0.05 level (2-tailed)
Dependent variable "service quality"

In the analysis, "Organizational performance" was taken as a dependent variable as shown in Table 4. Regression analysis was conducted by choosing "Innovation" as an independent variable. In this regression model, R² = 0.327, p = 0.000 and F = 24.306 values were obtained. The results indicate that there exists a significant relationship between "Innovation" and "Organizational performance".

In second regression model, "Service quality" was taken as a dependent variable as shown in Table 4. Regression analysis was conducted by choosing "Innovation" as an independent variable. In this regression analysis, R² = 0.234, p = 0.000 and F = 15.275 values were obtained. These values explain a significant relationship between "Innovation" and "Service quality".

The results of regression analyses belonging to innovation, organizational performance and service quality are shown schematically in a collective manner in Figure 2 below. The relationships accepted are shown by arrows with thick lines.

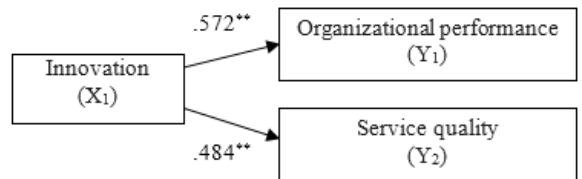


Figure 2. Impacts of Innovation on Organizational Performance and Service Quality

Discussion

Analyses and results show the implications of innovation and the relationships between organizational performance and service quality. The results regarding the hypotheses are shown in Table 5. With regard to the results; Beta (β), Significance (p) and Accepted/Rejected status have been shown.

According to these results; hypotheses were accepted because of the significance at the 0.01 level. As a result, these findings support the Hypothesis 1 (H₁) and Hypothesis 2 (H₂) that innovation has a positive effect on organizational performance and service quality of hotels in tourism sector.

Table 5. The Results Belonging to Hypotheses

No	Hypotheses	(β)	(p)	A/R
H1	Innovation has a positive effect on organizational performance	.572**	.000	A
H2	Innovation has a positive effect on service quality	.484**	.000	A

The impacts of innovation on organizational performance and service quality were directly asked to respondents. When the answers given

by respondents were analyzed by t test, it was found out that respondents had an attitude at a significant level. Accordingly, common attitudes of respondents are on the direction that there is an impact of innovation on organizational performance.

Moreover, they reported that innovation also impacts the service quality. The respondents' opinion that innovation affects the service quality is stronger (4.37) than the other. That opinion is contrary to the results that the effect of innovation on the organizational performance is stronger than the effect of innovation on service quality which seems in the correlation analysis.

Table 6. T Test and Mean.

Variables	Sig. (2-tailed)	Mean	t
The effect of innovation on organizational performance	0.000	4.10	38.99
The effect of innovation on service quality	0.000	4.37	48.28

The contribution of this research should be discussed with respect to the progress made in methodological and empirical knowledge about the impact of innovation on organizational performance and service quality of firms on tourism sector in Antalya. This study investigates the relationships of innovation, organizational performance and service quality. The paper reports an empirical test of a model that innovation impacts the organizational performance and service quality at a significant level. The model is tested on the basis of samples collected from hotels founded in two distinct tourism regions, Belek and Antalya.

The results obtained from regression analysis indicate that there exists a significant relationship between innovation and organizational performance. Moreover, this study also indicates that there are significant positive relations between innovation and service quality. However, the effect of innovation on organizational performance is higher than the effect of innovation on service quality. These findings provide some evidence that innovation impacts and enhance the organizational performance by entering new markets, increasing market share, increasing return on investment, higher ratio profit/employee than industry average. They also provide that innovation impacts and enhance the service quality by providing cleanliness, safe accommodation for customers, staffs' treatment to customers, providing quality cooking, and safety measures.

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