Economic and Social Benefits that can be obtained by a Combination of Innovation and Corporate Entrepreneurship Activities in Turkish Companies

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Abstract

The term “innovation” is known by some companies but corporate entrepreneurship (intrapreneurship) term is very new for the developing countries. Besides knowing these terms in Turkey, quite a few numbers of firms are implementing. There is a huge impact of cultural and educational differences on firms and also employees’ in Turkey compared to developed countries. For this reason, employees are given away from the desire to be creative. In this way they think they will get promoted. But also companies gave their employees’ promotions with this innovation killing attitude with being unaware of bankrupting. However, some companies offer their employees the opportunity to break this trend and gave them opportunity to make innovations and corporate entrepreneurship projects. The aim of this study is to provide an in-depth investigation and comparison between Turkish and global companies in terms of innovation and corporate entrepreneurship effects on growth and profitability. Moreover it will be given important insights about well-known innovation and corporate entrepreneurship methodologies for Turkish companies by taking the example of Brisa Bridgestone Sabanci.

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1. Introduction

The word of innovation is being commonly used in Turkey for especially last two years; but just as other well-known words, it is in use rather unnecessarily, and therefore it loses its actual meaning. In Turkey, there are only a few companies working in depth on this issue. Even these companies try to “innovate” with good intentions; they are putting creativity and entrepreneurship down by generally approaching the matter through research and development (R&D) or 6 Sigma methodologies. Creativity is being overlooked and confused with R&D by measuring the success rate of final product through produced amount or revenue. Many companies are following this path in Turkey and in their opinion they are innovating. Well then, why do we still not have any entrepreneurship valued and sold by billion dollars? Because companies do not consider innovation as a technologic or product based change, and they are not providing any opportunities for ideas that could create new markets or could be a great innovation. Especially, perfectionist culture and managements that paying no attention to innovations in large-scale businesses are standing against trial & error and creative approach which is one of the cruxes of innovation and entrepreneurship. This could drag companies from desired innovative approach and could also lead their business operation coming to an end.

Stock price of the companies with an innovative vision and working through this path is significantly different than those are not innovative (AT Kearney Inovaleague Innovation Report 2014).

The point to take consideration is that there are many companies, especially in Turkey, which are not aware of this differential and improvement. Beyond that, even the companies would be aware of the situation, the employees, specifically top executives, are the biggest obstacles for innovation (Galavan, Murray & Markides 2008). Innovative employees are not welcome in Turkey due cultural values, or being innovative is not allowed by executives who are regarding it as a threat for themselves. This type of executives would rather suspend their employees by defining them as “different” than helping them achieve better (Ağırdir, 2013). Thereby, creative employees, not being able to receive benefits of being different, are resigning from their position or continuing to work unhappily. Since the companies cannot last for 60 years as they did in 1960s (Fig. 2), they need to move forward along with innovative solutions in order to keep their employees and have new business model, services and products.
Thus, turning ideas gathered through innovative processes into correct business models by trial and error method of using entrepreneurship tools (Lean Start-up, Customer Validation, Minimum Viable Product) could create new “unicorns”, companies valued one billion dollar and over, of Turkey. Surely, this process should be repeated continuously as Build – Measure – Learn and Build again (Ries, 2011).

Many asserted innovation and entrepreneurship tools are determined to provide improvement for businesses or entrepreneurship in areas such as finding a new market, new product or develop an innovation project. Blue Ocean, Lean Start-up and etc. could be considered as exemplary. Such applications, providing solutions in specific areas for the problems that Brisa faced during establishing an innovation process in total of three and half years, were insufficient to make the company innovative permanently. Suggested through this reason, “GOOINNovation” innovation and corporate entrepreneurship methodology is an approach regarding to show how to practice innovation and corporate entrepreneurship applications step by step in Turkey and other developing countries. By this approach it is possible to move on turning into an innovative company with permanent solutions such as innovation process and culture, instead of one-time-benefits such as surplus product or developing innovation project. All these steps were attempted on Brisa, and results were observed and necessary changes were made, and final results were tested as positive. Whether large-scale or small-scale, it is a proposition for helping the business to become more innovative and create value by creating new markets.

2. Literature Review

2.1 Innovation

Even innovation has many definitions; Edward B. Roberts has mentioned an easily understandable version in 1988. It is essential for us to not being confused of invention and innovation on this approach.

Innovation = Invention x Commercialization (Roberts, 1988).

We suggested the formulate below by some additions to this definition;

Innovation = ((Invention or Idea) x Entrepreneurship) + (Entrepreneur + Passion)

Here, only a work including all this components above could be defined as innovation. Generally, the products, technical output or inventions as we define, are considered as innovation; or improvements under R&D are classified as innovation. Yet, it is meaningless as long as a value was created through innovation which means until an entrepreneurship added to invention and integrated with entrepreneur / opinion holder’s passion it remains meaningless. For example, even though Karl Benz invented the first automobile, it is commonly assumed that Henry Ford invented first automobile. Because Ford provided innovation for the cars by developing assembly line and he created Ford Model-T which is assumed as first automobile by everyone. Unfortunately, businesses in Turkey consider R&D or improving as similar to innovation and they insist on their misunderstanding. Therefore, actions should be taken in order to define innovation same by everyone. This could only be done by businesses prioritizing and paying more attention to innovation.
Types of innovation are included in almost all the sources. Even these are universal consents; they also put innovation’s creative part down by standardizing it. If we talk about innovation types, there are two essential innovation types for Turkey. These are; Reverse innovation, and Ego Innovation.

2.1.1 Reverse Innovation

It is Vijay Govindarajan’s approach and an innovation type detailed in his book (Reverse Innovation (Govindarajan, 2012). Innovative products, services and etc. are usually located in developed countries and used by developing countries. Reverse innovation defines opposite of this; it defines transfer of the products and services developed in developing countries to developed countries, and these products and services usually provides solutions for the problems caused by absence or heavy demand (Govindarajan, 2012). For example, a prosthetic leg cost around $15,000 in USA, while a recycled from plastic yogurt holders prosthetic leg which developed in India costs only $35. And this exactly the type of innovation that Turkey needs. When we check our annual exporting graphs, it can easily be seen that TL amount per Ton is way below of developed countries. And unfortunately, this is caused by our production of low added-value products which stands for none innovative products.

2.1.2 Ego Innovation

It is an innovation type that should be accomplished by people with high self-confidence, imperfect knowledge and experience, living in Turkey. It defines the person’s ability on innovating his/her ego. There are many people with ego innovation around the world. We watch these people to evolve from entrepreneurs to large-scale business owners. For example, Elon Musk invested his financial gains from PayPal to several areas (Paoline, 2012). He made a name by game changing, unique ideas such as Space X (Space travel) and Tesla (Electric Car). He is known with his Ego innovation by his creation of Tesla brand (a company which produces and sales electric cars only) which has better performance and longer distance coverage than many car companies. Tesla, with a revenue of three billion 198 million dollars in 2014, has spent 400 million dollars on tech and product development. It publicized its patents as an act of ego innovation. This will widen electric car market and will indirectly help Tesla to expand, but it will also contribute to planet and community.

2.2 Corporate Entrepreneurship (Intrapreneurship)

It is necessary to define entrepreneurship, as mentioned on definition of innovation, through the companies intending to innovate, as corporate entrepreneur or intrapreneurship. Here is the explanation of corporate entrepreneurship with formulae;

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\text{Corporate Entrepreneurship} = (\text{Invention or Idea} \times \text{Entrepreneurship}) + (\text{Corporate Entrepreneur} \times \text{Passion}) + (\text{Corporate} \times \text{Opportunity})
\]

Significant inputs in definition of innovation are corporate and opportunity. First of all, it is necessary to have companies that; values innovation and entrepreneurship, includes these terms in their strategies, are willing to build a team, spend money and provide enterprising opportunities to corporate entrepreneurs. Even though technology focused companies around the world follow this vision, unfortunately there are only a few companies sharing the same vision in Turkey.

2.3 Blue Ocean

Blue Ocean methodology defines that traditional competition is not enough on profitable growth for the companies and current market is too crowded for competing. It also mentions the limitation of supply and demand equilibrium and the necessity of creating new markets caused by fruitlessness of companies. Therefore, it underlines the necessity of creating a type of value innovation.

This approach mentions two types of oceans. The term blue ocean refers to non-existed industries in our day. The other ocean, red ocean, refers the existing industries of our day. Currently, methodology suggests to create blue
ocean that has no rules, and with unknown limits, in place of red ocean that is peaked, and has intense competition and fruitlessness (Chan Kim, Mauborgne, 2005). It is suggested to use some techniques while creating Blue Oceans. These are The Strategy Canvas, The Four Actions Framework and many more.

For example, the strategy canvas is both a diagnostic and an action framework for building a blue ocean strategy. The horizontal axis captures the range of factors that the industry competes on and invests in, while the vertical axis captures the offering level that buyers receive across all of these key competing factors (Chan Kim, Mauborgne, 2005).

Or The Four Actions Framework is used to reconstruct buyer value elements in crafting a new value curve. To break the trade-off between differentiation and low cost and to create a new value curve, the framework poses four key questions, shown in the diagram, to challenge an industry’s strategic logic (Chan Kim, Mauborgne, 2005).

The books; Business Model Generation written by Alexander in 2009, The Lean Start-up written by Eric Ries in 2011, The Startup Owner's Manual written by Steve Blank in 2012, and again Running Lean written by Ash Maurya in 2012 were accepted as references on Lean Start-up, Business Model Canvas, Lean Model Canvas and Customer Validation topics. As much as it seems like they were written for start-up companies, it also drew attention of bigger companies, such as GE, with their provided possibilities on practicing new ideas by increasing efficiency and reducing costs. All these methodologies are not included in Blue Ocean or other innovation systems suggestions. Eric Ries, providing companies to practice more and cheaper, and such people have not included their start-up methodologies in Blue Ocean; and this encourages the idea of innovation being expensive and too complicated. Yet, innovation actually proves through these methodologies that how easy it is by using trial and error system. Blue Ocean Book was written long before these methodologies were invented.
2.4 GOOINNovation

Methodologies and entrepreneur tools, which were taught us by aforementioned books, will be examined within big-scaled and mid-scaled corporates, and they will be handled in order of corporate entrepreneurship. These methodologies were not in use by white shoe firms until Eric Ries and Steve Blank brought them to our lives, and innovation continued to consist of R&D in Turkey. We had more agile and efficient process compared to preparing business plan after release of MVP, Business Model Canvas, Lean Model Canvas and Customer Validation. If we shortly mention methodologies; MVP is a lot cheaper trial product that is produced during new product design and it is almost similar to final product. Business Model Canvas or Lean Model Canvas are tools providing lesser time and money loss by establishing business model instead of preparing a business plan, and practicing the business model on actual customers. Usually market researches are provided prior to release of a new product, but the vulnerable side of market researches is that customers express their opinion about product by a statement. The Customer Validation model suggests us to find, understand customer and even sell our products to them before establishing the business, and it advises us to establish the business afterwards. And suggested corporate entrepreneurship methodology, GOOINNovation, presents these methodologies in accordance with expectations of bigger companies.

This suggested methodology, named as GOOINNovation, presents companies how to be more innovative and agile at the same time, and make greater profits by practicing projects cheaper in seven step by adding entrepreneurship tools.

![Fig. 5. GOOINNovation Innovative Corporate Entrepreneurship Methodology](image)

Methodology should be applied step by step. In order to start next step the previous step should be completed. The steps of GOOINNovation methodology:
i. Establishing an innovation strategy in accordance with company’s desired vision, and gaining support of company executives by working along with company’s strategies. Thereby, company will be supported by executives and obstacles by top executives that were mentioned at the beginning of the article will be passed and they will be included in innovation process.

ii. Innovation ambassadors are chosen by the support of top executives, they would be trained and they would become biggest leverage on expanding innovation culture. They take an essential role on acceptance of innovation in organization. There must be an innovation leader to lead this team.

iii. After the creation of top executives and culture, all these components should jointly establish an innovation and corporate entrepreneurship process. Thereby, along this workflow, the issues of rewarding mechanisms and who should move within this flow and etc. should be set. If the company is planning to establish a mid-term or long-term innovation and corporate entrepreneurship methodology, it should design an SaaS (Software as a Service) or another innovation portal that will be held in its own servers. Thereby company memory would continuously develop and it will highly benefit for all the other processes.

iv. People are now thinking ideas, and they are going through rewarding and choice stages by entering them into system; but an idea is worthless until it is executed. Therefore, ideas are developed by using entrepreneur tools in order to convert them into business model. These methodologies are the tools we mentioned before such as MVP, Customer Validation and Lean Model Canvas. Ideas are preceded through business model (not business plan) and prototype stages by these tools. If this idea - practiced by entrepreneur methodologies – creates the expected impact on customer, it can be thought as a start-up now.

v. Now the organization, which a white shoe firm was managing as a start-up, evaluated on its growth potential in Incubation Center, and after the additional investments and tests, business model is finalized. But, without breaking Build-> Measure->Learn->Build… cycle, new feature set updates and etc. should be continued.

vi. This is the step where we practice growth studies of our project that was tested previous methodology steps and approved by customers. Growth hacking includes practices performed in order to increase internet projects through highly analyzed, radical methods. Growth Hacking provides online marketing, but its most remarkable differences from online marketers are their ability of analyzing, testing and measuring all useful metrics. SEO, Google Analytics and other analyzing methods, content marketing, A/B test, viral marketing and social media marketing are the most commonly used terms on growth hacking. The knowledge, started as an idea and continues as an actual company, is also an input for our repeat strategy and finding an idea process; it should also be open for the use of non-profits.

vii. After all these steps, bigger companies should share their gains with universities and they should put effort on helping students to join workforce and become desired employees. The greatest tool here is including students for open innovation process in accordance with company’s strategies and expectations by using open innovation tools. This process should provide workforce to; develop to join white shoe firm’s organization, join to inner processes as a new idea and business model, and maybe even develop as a start-up for incubation center.

White shoe firms in Turkey will be able to have great social and economic benefits in this seven steps by developing world-scale innovations. We will see an example of companies applying these methodologies in Turkey and world.
3. Methodology

3.1. Research Goal

Using GOOINNovation methodology helps companies to see the bigger picture and manage the details. All steps mentioned above are connected with each other. Therefore missing a step will cause a dysfunction on the system regularity. For example, skipping culture step and moving onto system and process step after the strategy step, - Turkish companies are preferring not to invest on systems, instead they prefer to appoint fifth person with a tendency on innovation – targets determined by top executives are not reflected on company culture and therefore they cannot be executed.

Another example, without the fourth step entrepreneurship, even there would be success on system and process wise, it is impossible to continue before accomplishing the ideas through entrepreneur methodologies and trial and error systems. New ideas can be found, but these ideas cannot be reached to customers by integrating with a business branch, business model, or new markets. Even they could reach, as Steve Blank mentioned in his book (Blank & Dorf 2012), it put the product on market without ensuring of its customer (without a customer validation) and it might have cost millions of dollars of R&D. In order to avoid all of these, it is necessary to apply entrepreneurship methodologies for the corporate.

University collaboration and open innovation part is especially important. Companies, with a desire of innovation and moving forward, should always invest on future’s potential employees, students. Bigger companies will be successful in correlation with experience, and they become more dominant in the market. But, it can only be a continuous success, if the information is shared students with a potential of being a future employee, and when shareholders and students ideas were collected through open innovation.

3.2. Analyses and Results

Richard Clough has explained why GE was acting like a start-up in his article on Bloomberg Business (Clough, 2014). How did GE actualize this behavior by using this exact methodology? GE’s strategy includes seven steps methodology: “We are repositioning GE to be the world’s best infrastructure and technology company, with a smaller financial services division. Our focus is on driving infrastructure leadership, investing in innovation and achieving a culture of simplification to better serve our customers around the world.” Changing its strategy on this purpose shows how much it cares about culture, leadership, and innovation. In addition to all of this, GE provided its largest training move in 112 years of company’s lifetime by training 40,000 employees on Lean Start-up methodology. These increased GE’s success, and turned them into one of the best technology companies in the world. Under GE FastWorks, the group constantly takes ideas to customers throughout the development process to learn what will sell and what won’t. Thereby, it systematically develops ideas; and uses entrepreneurship methodologies and invests, in order to convert them into an enterprise. We can see Nokia as an example for not using these methodologies. Once it was world’s largest mobile phone producer and retailer, and now it had a great crush because of overlooking to innovation and corporate entrepreneurship. Also Apple is changing music, movie, computer and etc. products market by establishing business methodologies on innovative and corporate entrepreneur systems.

Brisa in Turkey, on the other hand, is using Lean Start-up, Lean Model Canvas, MVP, Customer Validation since 2011 even though it is later than GE, and actualizing new projects and ideas through these methodologies. It spent time and money on creating innovation strategy, Brisa innovation team and Brisa innovation management committee. After all of these, established innovation portal achieved big success beyond its sector by its innovation projects; and it proved its competence on innovation both in Turkey and Europe by receiving many innovation awards in Turkey (Inovalig, ISO innovation awards) as well as receiving National Champion award from Europe Business Awards. According these results, Brisa is accepted as most innovative company of Sabanci Holding, and it also shares its gained experience by academic world through joint college classes.
4. Conclusion

When we think about that GOOINNovation seven step methodology is in use by only ISO 100 companies, it is clear that they can save billion dollars more and we can increase our revenue per ton by using GE’s innovative corporate entrepreneur methodologies. This will not only effect companies but all Turkish economy, and it will increase country’s income level and reduce unemployment rate as well.

Brisa worked on strategy a lot as a first step; thereby innovation strategy, suitable with company’s vision and mission, was applied. Other companies could not get a confirmation from top executives or top executives did not believe in innovation. Training can solve this problem, awareness can be provided inside the company and among top executives. At the same time, Culture step was practiced by Innovation Leader in Brisa, therefore having an owner on project (the person works as only Innovation and Corporate Entrepreneur expert in Sabanci Holding) means advancing and appropriation on the project. Other companies’ mistake was forcing to have innovation upon their existed workload. Process and systems are vital parts of innovation process, because keeping ideas and information systematically will provide easier access, and it will also benefit company memory. Information is collected systematically for two years by Brisa Innovation portal. Mostly, mid-level executive, with a little knowledge about websites etc., can understand the benefit of these systems. Corporate entrepreneur is one of Brisa’s strongly believed in terms. There is not any training and informing work on corporate entrepreneur, just like GE, Brisa it helped Brisa to convert ideas into business model. With the help of 3 years innovation and corporate entrepreneurship approaches, Brisa generated more profit and revenue (Brisa Annual Report, 2014). Brisa developed new services such as door to door mobile tire service which is www.lastik.com.tr, Turkey’s only one social traveling application Tripin (www.tripin.com.tr), and interactive catalogue for dealers that is i-Cat (www.icat.brisa.com.tr).

Beyond these, white shoe firms and big-scale businesses should develop relations with universities therefore we can have a better quality workforce and have better efficiency by creating new projects. Thereby, GOOINNovation model will not be only helping to applying companies, it will also help and develop whole ecosystem it is located.

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