Journal of
Organisational Studies and Innovation
Vol. 8, no.3, Autumn, 2021

Strategic Effects of Service Innovation on Financial and Market Performance

Yasemin Kocak Bilgin[1]* and Zafer Adiguzel**
*Dogus University, Istanbul, Turkey **
*Istanbul Medipol University, Istanbul, Turkey ***

Received: July 9, 2020; Revised: Sep 11, 2020; Accepted: March 28, 2021

Abstract: The reason for the emphasis on innovation and strategy was the need for organizations to be successful in performance criteria and growth aspirations against competitors. The fact that the competition continues to increase day by day and the entrance to the market is becoming more difficult in every sector shows the fact that companies need to improve their innovation skills in order to ensure sustainability in national or international activities. In the research, the effects of service innovation activities on financial and market performance, as well as strategic analysis and strategic orientation, are examined in banks which have a significant position in the service sector. The surveys were collected from 358 (white-collar) employees at the expert level, after the research model and the sector to be researched were determined. SPSS 25 and AMOS programs were used in the analysis, and the Sobel Test and Hayes process were used for mediation variable analysis. According to survey data, service innovation has a positive impact on both strategic orientation and strategic analysis, as well as financial and market performance. In addition, it is understood that strategic analysis and the mediation effect of strategic orientation variables exist.
Keywords: *service innovation, strategic orientation, strategic analysis, finance performance, market performance, innovation, company performance.*

Introduction

In a globalizing world, companies use different techniques to gain a competitive advantage (Altındag et al. 2011). Companies in many sectors face intense competition that will make it harder for them to perform more effectively. Consequently, they must provide a competitive advantage in order to perform better than their competitors (Obeidat, 2016). Using technology is essential for organizations in the service sector because technology is an important tool between organizations and customers (Masa'deh, 2013; Tsou et al. 2014). Especially, banks have to invest in technology and offer innovation activities in order to provide the best service to their customers. Technology-oriented companies are making their development sustainable by developing new processes, products and services, and trying to acquire new and advanced technologies to get ahead of competitors (Al-Ansaari et al. 2015). In addition, an organization driven by technology has the opportunity to accumulate a wide range of technological information reposites through past experiences and processes that can be used as an advantage (Zhou, 2010). The organisations' domestic technology policy reflects an innovative attitude and commitment to innovation (Al-Ansari et al. 2013) this explains the

[1] DOI: https://doi.org/10.51659/josi.20.128

importance of technology and innovation in gaining competitive advantage (Dereli, 2015). Companies that want to meet customer needs by developing new processes need to use new and advanced technologies (Al-Ansari et al. 2013). Organizations need to act accurately in order to be successful in markets. In order to do this, they should use available resources and make use of the talents and skills of employees. In this way, they can improve their performance by developing effective strategies against competitors (Abdallah et al. 2014). Indeed, the main point of the strategic management process is to achieve performance results within strategic orientation, resulting in directives that develop and determine the directions of plans that will enable companies to compete over time. An organization without a strategy is an organization without direction. Strategic management within an organization mainly involves the inclusion of new and different factors to respond to market conditions, creating a continuous and proactive environment in market orientation (Bamgbade et al. 2016). According to Keskin (2006), organizations face various challenges in these environments, forcing them to accept innovation as an integral part of the organizational strategy. Such difficulties include innovations that were realized and implemented in a shorter time, companies being late in the integration of the technology, and an inability to obtain desired information (Inauen et al. 2012). The radical innovations faced by organizations in a competitive environment can both cause a loss of competitive advantage and an ineffectiveness in the dynamic capabilities of the organizations (Masa'deh et al. 2015). Within this scope, the relationships between service innovation, strategic orientation, strategic analysis, and finance and market performance are examined.

Literature Review

Service Innovation

Traditionally serving is defined as abstract elements without physical existence, and service is a concept created by the efforts of people and vehicles, providing direct benefits to customers and covering intangible qualities (Huotari & Hamari, 2017). Due to its intangible qualities, service cannot be seen as an object or reproduced (Hsieh, 2018). Additionally, services are economic activities where the primary output is not a product (Mahmoud et al., 2018) but rather service is seen as an activity or process. Furthermore, service is interpreted as heterogeneous concepts: each service is unique and cannot be fully replicated (Formisano et al., 2019). Production and consumption of services are realized simultaneously in cooperation with customers. It is not possible to separate, store, or pre-produce the production and consumption of these services (Vos, 2010). To produce a service is to solve a problem (treatment) that basically does not involve giving a good (Ta & Yang, 2018). Innovation is required in terms of service orientation. Service innovation usually functions as part of a solution or a wider function through new services and integrated product-service packages (Carlborg et al. 2013). The innovation of products or services is not static, on the contrary, it must be constantly developed and incremental and supportive innovations must be made with creative ideas (Vos, 2010). Because meaning of service innovation is to produce solutions to the problems experienced by the customers, to meet the expectations of the customers, and to provide services that make the lives of the customers easier (YuSheng & Ibrahim, 2019). Innovation activities are more intense in large-scale companies that understand the importance of innovation. In many studies that have examined the relationship between firm performance and innovation, it has been observed that innovativeness improves firm performance (KanKam-Kwarteng et al., 2018; Khan & Naeem, 2018; Ibrahim & Yusheng, 2020). So, Service innovation is very important for service companies, and it is necessary for them to gain a competitive advantage (Seta, 2019). Accordingly, the research model coverage of service innovation; the impact on strategic orientation, strategic analysis, finance and market performance.

Strategic Orientation

Today, under intense competition, companies need to develop more flexible innovative strategies to adapt to market dynamism (Lee et al. 2020; Wheelen & Hunger, 2005). This strategy is defined as generating solutions to the problems encountered and increasing performance with the emergence of new talents while these solutions are being produced (Burgelman, 2020). In addition, the strategy is a framework that allows an organization and its executives to identify opportunities to provide customers with valuable products and services and to offer these products/services at higher profits (Al-Ansaari et al. 2015). According to Campbell and Park (2017), strategic orientation is the philosophy of enterprises. It tries to perform better and shows how a job can be done with a range of values and beliefs. According to Jalali (2012), strategic orientation is a way for a company to decide to compete. According to Valos and Bednall (2010), the structure of an organization has important implications for its activities, investments, market relations, and performance. According to Ibrahim et al. (2018), the performances of businesses acting strategically are positively affected. Strategic orientation sits the overall framework for critical activities of enterprises in an intensely competitive environment. It tries to perform better and shows how a job can be done with a range of values and beliefs. According to Jalali (2012), strategic orientation is a way for a company to decide to compete. According to Valos and Bednall (2010), the structure of an organization has important implications for its activities, investments, market relations and performance. The bankruptcy of organizations can occur by causing very high financial losses as a result of wrong strategic decisions. Therefore, strategic orientation is required to develop an effective strategy. Thus, strategic orientation is a set of decisions and actions used in the implementation of plans designed by an organization to achieve its goals. Since performance is at the center of the strategy, defining and measuring has been important for researchers (Venkatraman & Ramanujam, 1986). Measuring performance in the control of management aims to determine the targets, compare the measured targets with the achieved target performances, and eliminate the causes of the differences that arise (Neely, 2007). Within the scope of the research, the hypotheses created with the literature review were examined and tested.

H1: The service innovation that banks have has a positive effect on the applied strategic orientation

H9: The strategic orientation mediation variable has a positive effect between the service innovation of banks and the financial performance of banks

H10: The strategic orientation mediation variable has a positive effect between the service innovation of banks and the market performance of banks

Strategic Analysis

Strategic analysis includes the overall framework for critical activities (Slater et al. 2006) or critical referrals received by a company (Ejdys, 2015). According to Avci and et. al. (2011), strategic analysis is a way of adapting to a company's environment. In other words, it is expressed as the response given to the competitors as the organization gains competitive advantage and increases performance (Kumar et al. 2012). The strategic analysis of a company cannot be understood without the internal and external environment in which it operates (Tutar et al. 2015). On the strategic structure of a firm, its activities, position in the sector, investment rate, relationship with the market, and sales' rates have a major impact (Al-Ansaari et al. 2015). In this context, it can be said that there is a direct relationship between business strategies, market uncertainty, entrepreneurship, and technology (Tutar et al. 2015). Having a company's strategy, collecting certain resources for organizations and executives, and recognizing opportunities to provide valuable products and services enables organizations to find solutions to problems, create new talents, and improve business performance by giving them the opportunity to reach higher levels (Sarker & Palit, 2015; Al-

Ansaari et al. 2015). Firms that adopt the best strategy are those that adhere to key principles: adapt to their internal and external environment, determine their position in the sector to achieve a sustainable competitive advantage, and rely on their resources, competencies, and abilities to approach an issue (Obeidat, 2016). In this way, the efficiency of organizations begins to increase, and therefore organizations need to give importance to strategic analysis in order to achieve the set goals (Bose, 2020). Clearly, strategic orientation determines the direction a company wants to follow in order to achieve better business performance and to monitor its activities effectively (Otache, 2019). Organizations acting in this way increase their chances of achieving their goals in the market by predicting risks and investing in innovation- thanks to their strategic analysis (Kumar et al. 2012). In addition to implementing strategic orientation, organizations should be encouraged to continue continuous innovation and adapt to different organizational structures for sustainable success (Thoumrungroje & Racela, 2013). Within the scope of the research, the hypotheses created with the literature review were examined and tested.

H3: The service innovation that banks have has a positive effect on strategic analysis

H11: The strategic analysis mediation variable has a positive effect between the service innovation of banks and the financial performance of banks

H12: The strategic analysis mediation variable has a positive effect between the service innovation of banks and the market performance of banks

Finance Performance

According to Jalali (2012), since organizational performance is a multidimensional concept, it is necessary to perform analyses according to certain criteria. Additionally, Richard (2009) defines performance as a concept that aims at achieving the proposed goals in a given period. Improving organizational performance, that is, being financially strong, is considered a fundamental requirement for strategic management in the corporate sense (Tseng et al. 2019). Performance is essentially the ability of an organization to use existing financial resources efficiently to achieve success in estimating the goals set (Bouranta & Psomas, 2017). In order to measure an organization's level of performance, the key features and results for each area of responsibility must be measured (Taouab & Issor, 2019). One of these criteria is the financial performance criterion. Financial performance must be good for stakeholders to be satisfied with their organizations (Xu et al., 2019). The measure of stakeholder satisfaction is that the profitability, growth, and market value of the company is at the expected level (Freeman, 2017). Profitability shows how strong a company is against its competitors. However, if a company is talking about turnover, it is worth thinking rethinking because turnover refers to the sum of income and expenses, whereas profitability shows only the amount obtained after the removal of expenses from the income. If financial performance is managed successfully, increasing the size will ensure that absolute profit and cash management are controlled (Weber, 2017). At the same time, if financial performance is successful, the market value of the company will increase (Mbama & Ezepue, 2018). An organizations' market value refers to the evaluation of both the expectations and the performances expected in the future (Santos & Brito, 2012). Therefore, in terms of research model and literature, instead of company performance, financial performance and relationships between variables are examined. Hypotheses;

H2: The service innovation that banks have has a positive effect on banks' financial performance

H5: The strategic orientation applied by banks has a positive effect on banks' financial performance

H7: The strategic analysis by banks has a positive effect on banks' financial performance

Market Performance

Market performance is defined in relation to market share, sales determinants, revenue premiums, and services of products (Cabrilo & Dahms, 2018). Therefore, the adoption of innovations by companies is one of the factors that increases and improves market performance (Psomas et al., 2018) thereby allowing new customers to be brought into the business. Market performance can also be improved by competing-oriented action (Sikora & Baranowska-Prokop, 2019). Competitor focus is the ability to predict the strengths and weaknesses of current and potential competitors in the short term (Deshpandé & Farley, 2004). In addition, it is effective in the positive development of sales management and an increase in expected market share (Aksoy, 2017). The conditions that determine the importance of market performance can be listed as improving liquidity, raising and mobilizing capital, monitoring managers, and implementing corporate control (Haryanto et al., 2018). Indeed, there are a number of quality criteria that affect market performance: product diversity, high quality or highly known brands, and a high range of brands (Masoud, 2013). When these criteria are met correctly, the expectations and needs of the customers will be met. Understanding and pleasing customers creates a sense of merit for all organizational activities for the institutionalization of this understanding (Pekovic & Rolland, 2016). Managers who have to make adequate and appropriate decisions to survive and grow even more in competitive sectors can achieve their objectives in a short time if they can use market performance effectively (Alallaq et al., 2020). For this reason, the relationship between market performance and variables is examined in terms of research model and literature. Within the scope of the research, the hypotheses created with the literature review were examined and tested.

H4: The service innovation that banks have has a positive effect on banks' market performance

H6: The strategic orientation applied by banks has a positive effect on banks' market performance

H8: The strategic analysis by banks has a positive effect on banks' market performance

Methodology

Within the scope of the research, research was conducted in banks where advanced technologies are used by constantly developing service innovation activities. The reason for selecting white-collar employees at the expert level of the sample audience is because they are involved in strategic decisions and they constitute our sample audience. For this reason, questionnaires were collected from 358 white-collar employees working in banks. After factor analysis and reliability analysis using SPSS 25 Program were performed, correlation analysis and regression analysis followed. Survey: service innovation, mediation variables: Strategic orientation and strategic analysis, dependent variables; it consists of scales related to market performance and financial performance. Service innovation scales by Hu et al. (2009), Hussain et al. (2016), Den Hertog et al. (2010), have been utilized. Strategic orientation scale; Tseng et al. (2019), the scales in his research were analysed after factor and reliability analysis and included in the analysis. The strategic analysis scale was developed by Aydin (2003) and was used to measure the strategic analysis sample population. Market performance scale of Gök and Peker (2017) was also used. Their work in the year Homburg and Pflesser (2000) was utilized at the scale in which financial performance was evaluated.

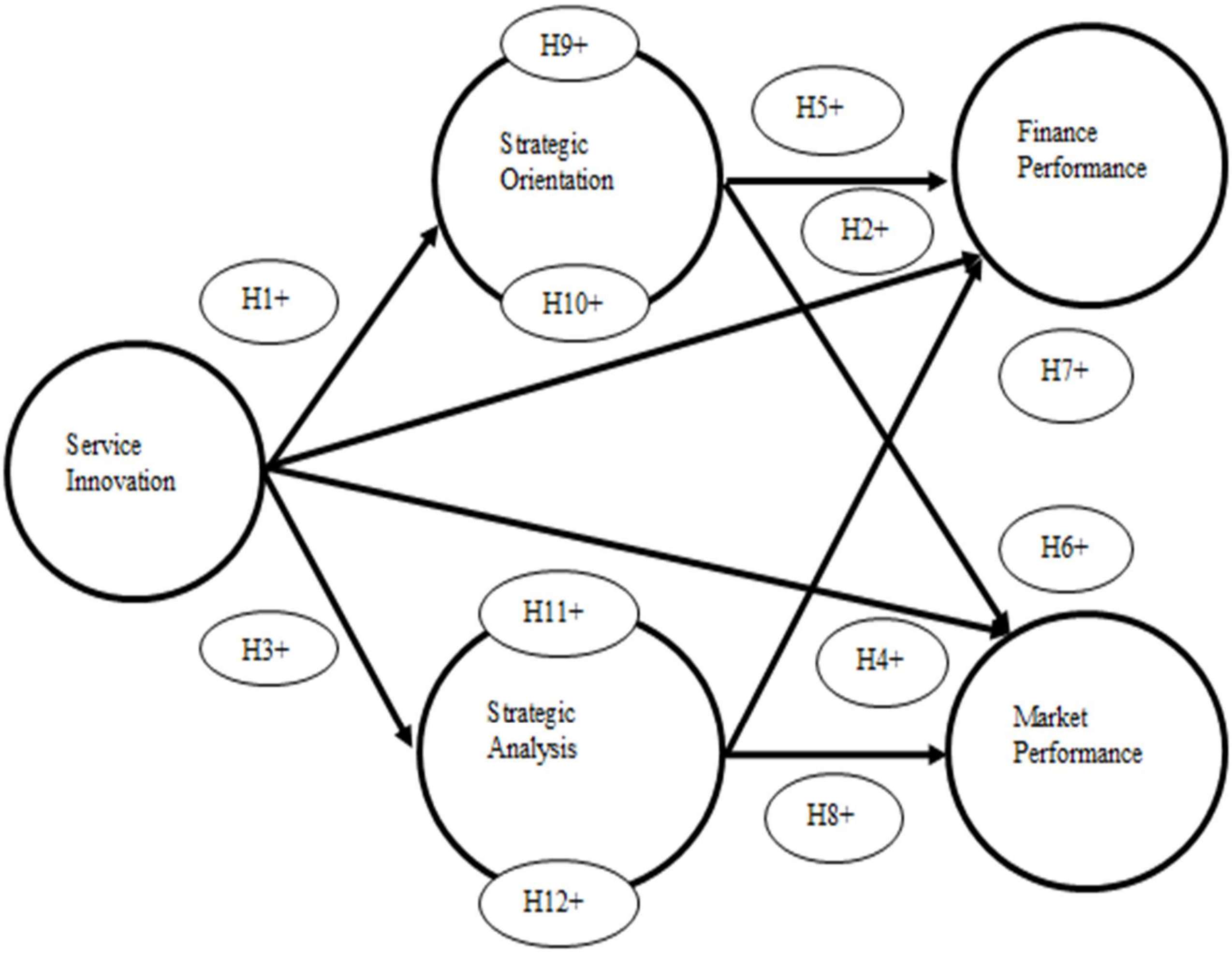
Findings

White-collar employees of 358 experts, working in different departments of the banks that have a significant position in the service sector, answered the survey in accordance with the criteria. Specifically, the breakdown: 218 male and 140 female white-collar employees answered the questionnaire; 30% of the participants were in the 27-35 age group; 50% were in the 35-40 age group; 20% were over the age of 41; 80% of the respondents were university graduates; 15% have master's degree and 5% have doctorate degrees. When the realization level of the targets was determined by the employees the following results were is tabulated: 29 employees were able to reach their targets at a very low level, 52 employees reached their targets at a low level, 130 employees reached their targets at a medium level, 106 employees reached their targets at a high level, and 41 employees reached their targets at a very high level.

Research Framework

In order to test the hypotheses in the research model, which was created to examine the relationships between the variables within the scope of the research framework, the sample group of white-collar employees who are at the expert level in banks constitutes the sample. Since a quantitative method was determined due to the analysis of the data, the data were analyzed with statistical concepts (Thomas et al. 2015).

Figure 1: Research Model



Analyses

Factor analysis was carried out using a survey that was conducted to perform the analyzes. The KMO test and Bartlett check are required to determine the suitability of the data. The data are suitable for factor analysis since they have a significance level of KMO=0.881, Bartlett=0.000 (for $p \leq 0.05$). In the questionnaire, 36 questions (5-point likert) were asked. 14 questions were removed from the scale as it reduced the reliability. The remaining 22 questions were divided into 5 factors. The loads of factor loads, as well as the scales subjected to factor analysis, are shown in Table 1.

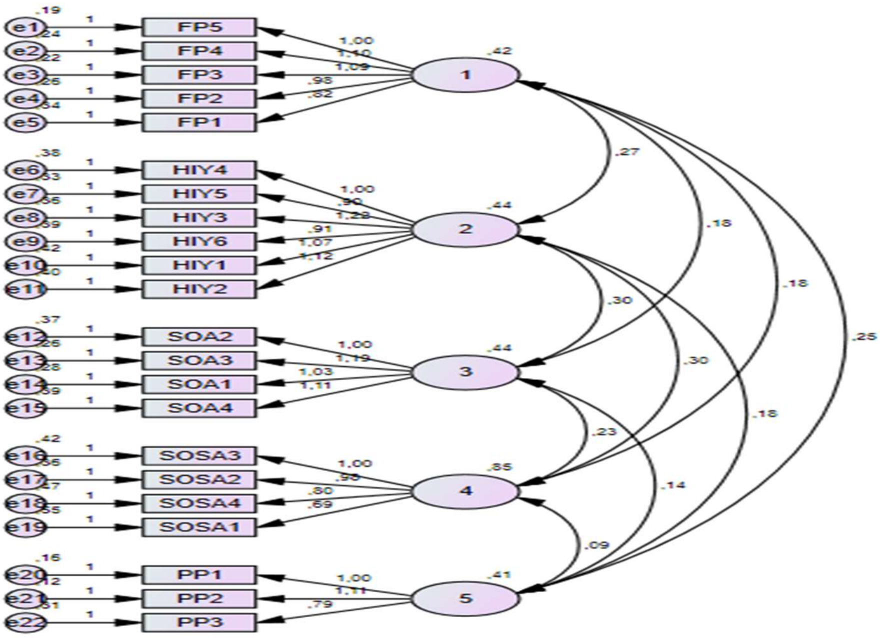
Table 1: Rotated Component Matrix[a]

Rotated Component Matrix[a]					
	Component				
	1	2	3	4	5
FP5. Revenue Of Our Company.	0.818				
FP4. Our company's investment return rate.	0.817				
FP3. Shareholder satisfaction related to our company's financial performance.	0.775				
FP2. Our company's profitability level.	0.679				
FP1. Our company's market share ratio.	0.652				
HIY4. The services we offer to customers offer a radical innovation, compared to competing banks.		0.785			
HIY5. The services we offer to customers are quite creative compared to competing banks.		0.779			
HIY3. According to competing banks, we are being very quickly in the promotion of the services we offer to customers.		0.649			
HIY6. The services we offer to customers are original compared to competing banks.		0.642			
HIY1. We are in a better position than competitors in the target market in product/service promotion.		0.612			
HIY2. We have an innovative idea for promoting products/services in the target market.		0.542			
SOA2. When faced with an important decision, we make decisions by applying analysis methods.			0.798		
SOA3. We use multiple planning techniques.			0.794		
SOA1. Our information system makes decision-making easier.			0.789		
SOA4. We use the information obtained from the market in the most efficient way to make strategic analysis.			0.775		
SOSA3. Generally, we follow a price policy below the competition.				0.858	
SOSA2. We usually do low pricing to increase our market share.				0.848	
SOSA4. We maintain our market share compared to competitors.				0.767	
SOSA1. In general, we can compromise our profitability to gain market share as compared to competing banks.				0.707	
PP1. Our customers' satisfaction levels with our company.					0.839
PP2. Our customers' loyalty levels to our company.					0.791
PP3. Product (service) quality level in our company.					0.785

HIY: Service Innovation, SOSA: Strategic Orientation, SOA: Strategic Analysis, FP: Financial Performance, PP: Market Performance

Confirmatory Factor Analysis; Scales representing the variables measured in a quantitative research are used to define and make statistical analyzes (Keith & Reynolds, 2018).

Figure 2: Confirmatory Factor Analysis



HIY: Service Innovation, SOSA: Strategic Orientation, SOA: Strategic Analysis, FP: Finance Performance, PP: Market Performance

The reason for performing the confirmatory factor analysis in SPSS AMOS is that it shows that the analyzes can be continued if the values meet the criteria (İlhan & Çetin, 2014). Model Fit: X2 / df = 3.140 <5, 0.85<GFI = 0.882, 0.90<IFI = 0.911, 0.90<NFI = 0.913, 0.90<CFI = 0.910, RMSEA = 0.066<0.080.

As a result of the literature survey, the reliability of the questionnaire prepared in accordance with the purpose and model of the research was tested. "Cronbach alpha coefficient (α) method (which was developed by Cronbach (1951) and evaluated the internal consistency of the scale) was used. As the Cronbach alpha coefficient approaches 1, it can be said that the intrinsic harmony between the questions on the scale is high (Vaske, 2019).

Table 2: Reliability

Variables	**Questions**	**Cronbach Alpha (α) Values**
Service Innovation	6	0.880
Strategic Orientation	4	0.843
Strategic Analysis	4	0.863
Finance Performance	5	0.890
Market Performance	3	0.848

After factor and reliability analysis, correlation analysis was performed in order to analyze the interrelationship aspects between the variables in the research. Table 3 shows the correlation analysis.

Table 3: Correlations

Correlations						
		Service Innovation	Strategic Orientation	Strategic Analysis	Finance Performance	Market Performance
Service Innovation	Pearson Correlation	1				
Strategic Orientation	Pearson Correlation	.436**	1			
Strategic Analysis	Pearson Correlation	.602**	.353**	1		
Finance Performance	Pearson Correlation	.548**	.284**	.360**	1	
Market Performance	Pearson Correlation	.340**	.136*	.233**	.543**	1
**. 0.01 level (2-tailed).						
*. 0.05 level (2-tailed).						

After the correlation analysis, regression analysis was performed and it was examined whether the hypotheses were supported or not. First of all, hypotheses H1-H8 were examined and shown in Table 4. According to the results of the regression analysis, the H1-H8 hypotheses are supported.

Table 4: Hypotheses Results

H1: *The service innovation that banks have has a positive effect on the applied strategic orientation*	**0.436*** **	***P <0.001***	**Supported**
H2: *The service innovation that banks have has a positive effect on banks' financial performance*	**0.548*** **	***P <0.001***	**Supported**
H3: *The service innovation that banks have has a positive effect on strategic analysis*	**0.602*** **	***P <0.001***	**Supported**
H4: *The service innovation that banks have has a positive effect on banks' market performance*	**0.340*** **	***P <0.001***	**Supported**
H5: *The strategic orientation applied by banks has a positive effect on banks' financial performance*	**0.284*** **	***P <0.001***	**Supported**
H6: *The strategic orientation applied by banks has a positive effect on banks' market performance*	**0.196*** **	***P <0.001***	**Supported**
H7: *The strategic analysis by banks has a positive effect on banks' financial performance*	**0.360*** **	***P <0.001***	**Supported**
H8: *The strategic analysis by banks has a positive effect on banks' market performance*	**0.233*** **	***P <0.001***	**Supported**

In the analysis of the mediator variable effect, firstly the Sobel (1982) test and then the Hayes (2017) analysis were used. In the development of the Sobel (1982) test, first Aroian (1944/1947) and then Goodman (1960) formed the basis of the Sobel test in their research.

Table 5: Sobel Test

Analysis of H9 Hypothesis							
Variables			**Input:**		**Test statistic:**	**Std. Error:**	**p-value:**
IV	service innovation	a	0.515	Sobel:	4.79919427	0.02629087	0.00000159
MV	strategic orientation	b	0.245	Aroian:	4.77656832	0.02641541	0.00000178
		Sa	0.061	Goodman:	4.82214483	0.02616574	0.00000142
DV	finance performance	Sb	0.042				
Analysis of H10 Hypothesis							
IV	service innovation	a	0.515	Sobel:	4.03049791	0.02696069	0.00005566
MV	strategic orientation	b	0.211	Aroian:	4.00884426	0.02710632	0.00006102
		Sa	0.061	Goodman:	4.05250629	0.02681427	0.00005067
DV	market performance	Sb	0.046				
Analysis of H11 Hypothesis							
IV	service innovation	a	0.636	Sobel:	4.30094719	0.03563773	0.00001701
MV	strategic analysis	b	0.241	Aroian:	4.29003047	0.03572842	0.00001786
		Sa	0.048	Goodman:	4.31194768	0.03554681	0.00001618
DV	finance performance	Sb	0.053				
Analysis of H12 Hypothesis							
IV	service innovation	a	0.636	Sobel:	3.87385156	0.03923847	0.00010713
MV	strategic analysis	b	0.239	Aroian:	3.86380118	0.03934053	0.00011164
		Sa	0.048	Goodman:	3.88398079	0.03913614	0.00010276
DV	market performance	Sb	0.059				
In the Sobel test, the mediation variable effect is accepted if the p value is less than <0.05. According to the results, the H9-H12 hypotheses are accepted, that is, they are supported.							

After the Sobel (1982) test, Hayes (2017) analysis was also performed. The mediator variable effect can be analyzed with the analysis method Hayes (2017) developed by adding it to the SPSS program. Table 6 shows the analysis results.

Table 6: Hayes Process Analysis

Hayes Process: The strategic orientation mediation variable has a positive effect between the service innovation of banks and the financial performance of banks	*Hayes Process: The strategic orientation mediation variable has a positive effect between the service innovation of banks and the market performance of banks*
Model: 4	Model: 4
Y: Finance Performance (DV)	Y: Market Performance (DV)
X: Service Innovation (IV)	X: Service Innovation (IV)
M: Strategic Orientation (MV)	M: Strategic Orientation (MV)
Sample	Sample
Size: 353	Size: 353
Indirect effect(s) of X on Y:	Indirect effect(s) of X on Y:
BootLLCI BootULCI	BootLLCI BootULCI
Strategico ,0319 ,0837	Strategico ,0552 ,0472
Partially standardized indirect effect(s) of X on Y:	Partially standardized indirect effect(s) of X on Y:
BootLLCI BootULCI	BootLLCI BootULCI
Strategico ,0472 ,1250	Strategico ,0817 ,0704
Completely standardized indirect effect(s) of X on Y:	Completely standardized indirect effect(s) of X on Y:
BootLLCI BootULCI	BootLLCI BootULCI
Strategico ,0339 ,0909	Strategico ,0597 ,0515
Hayes Process: The strategic analysis mediation variable effect between the service innovation of banks and the financial performance of banks	*Hayes Process: The strategic analysis mediation variable has a positive effect between the service innovation of banks and the market performance of banks*
Model: 4	Model: 4
Y: Finance Performance (DV)	Y: Market Performance (DV)
X: Service Innovation (IV)	X: Service Innovation (IV)
M: Strategic Analysis (MV)	M: Strategic Analysis (MV)
Sample	Sample
Size: 353	Size: 353
Indirect effect(s) of X on Y:	Indirect effect(s) of X on Y:
BootLLCI BootULCI	BootLLCI BootULCI
Strategican ,0672 ,1208	Strategican ,0606 ,1163
Partially standardized indirect effect(s) of X on Y:	Partially standardized indirect effect(s) of X on Y:
BootLLCI BootULCI	BootLLCI BootULCI
Strategican ,1011 ,1771	Strategican ,0891 ,1722
Completely standardized indirect effect(s) of X on Y:	Completely standardized indirect effect(s) of X on Y:
BootLLCI BootULCI	BootLLCI BootULCI
Strategican ,0732 ,1291	Strategican ,0649 ,1272

Table 7 shows whether the H9-H12 hypotheses are supported as a result of the analyzes of the mediating variable effect hypotheses.

Table 7: Mediation Variable Effect Hypothesis Results

H9: *The strategic orientation mediation variable has a positive effect between the service innovation of banks and the financial performance of banks*	**Supported**	***P <0.001***
H10: *The strategic orientation mediation variable has a positive effect between the service innovation of banks and the market performance of banks*	**Supported**	***P <0.001***
H11*: The strategic analysis mediation variable has a positive effect between the service innovation of banks and the financial performance of banks*	**Supported**	***P <0.001***
H12*: The strategic analysis mediation variable has a positive effect between the service innovation of banks and the market performance of banks*	**Supported**	***P <0.001***

In the research model in which strategic orientation and strategic analysis mediation variable effect is measured, mediation variable effect has emerged as a result of analyses and H9, H10, H11, as well as support for the H12 hypothesis.

Discussion

The potential success of a company largely depends on the performance of effectively implementing strategies to achieve organizational goals (Obeidat, 2016). Within this scope, the importance of strategic orientation and strategic analysis has been investigated. The more important it is to innovate in order to be successful in the competitive environment, the more important it is in strategic actions. Kasemsap (2017) and Puspita et al. (2020), in their research, stated that strategic orientation has a positive effect on performance. However, there are important studies examining what the concept of performance means. Performance represents another important component of creative work as expressing, shaping, and executing ideas (Jong & Hartog, 2007). Performance requires judgment and interpretation because it is dynamic. For this reason, even if the organization has a good performance, the evaluation of organizational performance can be interpreted differently depending on the individuals (Taouab & Issor, 2019). When describing performance, two considerations are taken into account: the time frame and the reference point. When evaluated in terms of time period, it may be possible to distinguish between the performance realized in the past and the expected performance in the future (Santos & Brito, 2012). The concept of performance in research is examined in terms of finance and market. The variables that affect finance and market performance are service innovation, strategic analysis and strategic orientation. The concept of being able to comment on the past and the future is possible to examine these variables. For example, with past innovations and strategic moves implemented, it is possible to evaluate the results instantaneously. Since the issue of time refers to the duration of the three intervals (short, medium or long-term) the results obtained in the past can have an impact on future decisions. It should also be noted that in the performance evaluation, the status of competitors, and the industry average, the realization rate of the target set and past performance are taken into consideration as important reference criteria. When the research analyses data from experts working in the banking sector is considered, we can see how important service innovation, strategic orientation, and strategic analysis are in performance criteria. The most important consideration of performance criteria is the extent of the progress that has occurred retrospectively. Targets and comparisons of past performance affect productivity and the organisation's evolution (Carneiro et al., 2007). As a result of the research analysis, it is understood that strategic analysis and strategic orientation have positive effects on the firm's financial and market performance. Khan and Naeem (2018), KanKam-Kwarteng et al. (2018), and KanKam-Kwarteng et al. (2019) stated that service innovation has a positive effect on performance. Certainly, the presence of successful companies is an important factor for the development of a country. In a competitive business environment, organizations must work in performance conditions in order to survive because organizational performance is a very broad concept and its meaning varies according to the researcher's point of view and needs (Masa'deh et al. 2015). For this reason, the banking sector was examined within the scope of the research, and the effects of strategic orientation and strategic analysis on performance, along with service innovations in the banking sector, were examined. The concept of performance is important for all types of businesses as well as for banks because the better the organizational performance, the more chances there are to win more customers. In specific, organizational performance refers to how an organisation uses concrete and intangible resources to achieve its objectives, in addition to the outcome of an organisation's work process and activities (Obeidat, 2016). According to Taouab and Issor (2019), a number of financial and non-financial indicators that provide information about the level of goals and results are called organizational performance. When the research is considered, both financially and market-wise, it can be assumed that the banking sector is successful. In addition, this success can show the level of satisfaction of the employees in terms of performance criteria.

Conclusion

Consumers want organizations to provide services that meet their expectations. For this to happen successfully, organizations must understand the needs of consumers, manage the process effectively, and improve quality while adding value. As the level of satisfaction increases in return for the service, both continuity and the value created by the organization will increase (Barney & Clark, 2007). When the results of the research are examined, successful service innovation has a positive impact on both the financial performance and the market performance of the organization: success in financial performance, increases in revenue and profitability, success in market performance; and customer satisfaction and market share. Of course, employees have an important effect on the success of service innovation. The most important role of these is in the management of human resources because the success of innovation in activities and the successful adaptation of strategic decisions is the effectiveness of human resources. The more investments made in human resources, the greater will be the desire to engage in more creative and innovative activities as the satisfaction levels of the employees increases. Clearly, defined job descriptions, an investment in education, and career plans and bonuses are important factors for employees to feel valuable (Harter et al. 2002). When the analysis of the data obtained from the employees is interpreted in the banks where the research is conducted, the contributions of employees who are skilled in innovation and strategy (to the performance of the company) are positive. In particular, innovation needs to create appreciable satisfaction as banks with a dynamic structure need to continuously provide new services, in specific, those services that are easy, useful, and understandable for customers. We can also emphasize that the concept of strategy comes to the fore in order to be different when we think that other banks are constantly offering new services. With innovation to be implemented in services, strategic analysis and strategic orientation have an important function in the success of innovation. While all banks are recognizing innovation, the importance of strategic infrastructure is emerging in providing customers with a better and more diversified innovation. We can assume that organizations that have succeeded in innovation, strategic analysis, and strategic orientation contrary to competitors are successful in terms of performance. Future studies should also be aimed at taking into account different companies in different sectors, especially by making comparative analysis using studies conducted in different countries and contributing to the literature.

References

Abdallah, A.B., Obeidat, B.Y. & Aqqad, N.O. (2014). The impact of supply chain management practices on supply chain performance in Jordan: The moderating effect of competitive intensity. *International Business Research*, *7*(3), 13-27.

Aksoy, H. (2017). How do innovation culture, marketing innovation and product innovation affect the market performance of small and medium-sized enterprises (SMEs). *Technology in Society*, *51*, 133-141.

Alallaq, H. A. E., Kareem, J. M., & Ali, A. R. N. (2020). Marketing performance requirements and its role in enhancing competitive advantage. *Journal of Talent Development and Excellence*, *12*(2), 4106-4115.

Al-Ansaari, Y., Bederr, H. & Chen, C. (2015). Strategic orientation and business performance: An empirical study in the UAE context. *Management Decision*, *53*(10), 2287-2302.

Al-Ansari, Y., Altalib, M. & Sardoh, M. (2013). Technology orientation, innovation and business performance: A study of Dubai SMEs. *The International Technology Management Review*, *3*(1), 1-11.

Altindag, E., Zehir, C. & Acar, A.Z. (2011). Strategic orientations and their effects on firm performance in turkish family owned firms. *Eurasian Business Review*, *1*(1), 18-36.

Aroian, L.A. (1944/1947). The probability function of the product of two normally distributed variables. *Annals of Mathematical Statistics*, *18*, 265-271.

Avci, U., Madanoglu, M. & Okumus, F. (2011). Strategic orientation and performance of tourism firms: Evidence from a developing country. *Tourism Management*, *32*(1), 147-157.

Aydin, S. (2003). *Firmalarda stratejik analiz: Medikal sektörde bir uygulama (Yayınlanmış Yüksek Lisans Tezi)*, Gebze Yüksek Teknoloji Enstitüsü.

Bamgbade, J. A., Kamaruddeen, A. M., & Nawi, M. N. M. (2016). Contractors' environmental sustainability: the roles of innovativeness and market orientation. *International Journal of Supply Chain Management, 5*(3), 185-191.

Barney, J. B., & Clark, D. N. (2007). *Resource-based theory: Creating and sustaining competitive advantage*. Oxford University Press on Demand.

Bose, I. (2020). Strategic Competitive analysis of a banking organization in UAE: A study on Dubai Islamic Bank, UAE. *The USV Annals of Economics and Public Administration*, *20* (1 (31), 90-104.

Bouranta, N., & Psomas, E. (2017). A comparative analysis of competitive priorities and business performance between manufacturing and service firms. *International Journal of Productivity and Performance Management*, *66*(7), 914-931. https://doi.org/10.1108/IJPPM-03-2016-0059

Burgelman, R. A. (2020). *Strategy is destiny: How strategy-making shapes a company's future*. Free Press.

Cabrilo, S., & Dahms, S. (2018). How strategic knowledge management drives intellectual capital to superior innovation and market performance. *Journal of knowledge management*, *22*(3), 621-648. https://doi.org/10.1108/JKM-07-2017-0309

Campbell, J. M., & Park, J. (2017). Extending the resource-based view: Effects of strategic orientation toward community on small business performance. *Journal of Retailing and Consumer Services*, *34*, 302-308.

Carlborg, P., Kindström, D. & Kowalkowski, C. (2014). The evolution of service innovation research: a critical review and synthesis. *The Service Industries Journal*, *34*(5), 373-398.

Carneiro, J.M., Silva, J.D., Rocha, A.D. & Dib, L.D.R. (2007). Building a better measure of business performance. *RAC-Eletrônica*, *1*(2), 114-135.

Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *psychometrika*, *16*(3), 297-334.

Den Hertog, P., Van der Aa, W. & De Jong, M. W. (2010). Capabilities for managing service innovation: towards a conceptual framework. *Journal of service Management*, *21*(4), 490-514.

Dereli, D. D. (2015). Innovation management in global competition and competitive advantage. *Procedia-Social and behavioral sciences*, *195*, 1365-1370.

Deshpandé, R. & Farley, J. U. (2004). Organizational culture, market orientation, innovativeness, and firm performance: an international research odyssey. *International Journal of Research in Marketing*, *21*(1), 3-22.

Ejdys, J. (2015). Market orientation vs. inovativeness of SMEs of Podlaskie province. *Verslas: teorija ir praktika*, *16*(4), 353-361.

Formisano, V., Cavacece, Y., Fedele, M., Tartaglione, A. M., & Douglas, A. (2019). Service Innovation for Customer Engagement in the Italian Banking Sector: A Case Study. *In Predicting Trends and Building Strategies for Consumer Engagement in Retail Environments (pp. 62-87)*. IGI Global.

Freeman, R. E. (2017). Five Challenges to Stakeholder Theory: A Report on Research in Progress', *Stakeholder Management (Business and Society 360, Volume 1)*. Emerald Publishing Limited, 1-20. https://doi.org/10.1108/S2514-175920170000001

Gök, O., & Peker, S. (2017). Understanding the links among innovation performance, market performance and financial performance. *Review of Managerial Science*, *11*(3), 605-631.

Goodman, L.A. (1960). On the exact variance of products. *Journal of the American Statistical Association*, *55*, 708-713.

Harter, J.K., Schmidt, F.L. & Hayes, T. (2002). Business-Unit-Level Relationship Between Employee Satisfaction: A Meta-Analysis. *Journal of Applied Psychology*, *87*(2), 268-279. doi: 10.1037//0021-9010.87.2.268.

Haryanto, J. O., Moutinho, L., Aldas-Manzano, J., & Hadiansah, I. (2018). Understanding a better future: antecedents of market performance. *Marketing Intelligence & Planning*, *36*(5), 543-557. https://doi.org/10.1108/MIP-12-2017-0345

Hayes, A. F. (2017). *Introduction to mediation, moderation, and conditional process analysis: A regression-based approach*. Guilford publications.

Homburg, C., & Pflesser, C. (2000). A multiple-layer model of market-oriented organizational culture: Measurement issues and performance outcomes. *Journal of marketing research*, *37*(4), 449-462.

Hsieh, C. M. (2018). A multilevel analysis of the service marketing triangle in theme parks. *Journal of Travel & Tourism Marketing*, *35*(2), 130-147.

Hu, M.L.M., Horng, J.S. & Sun, Y.H.C. (2009). Hospitality teams: Knowledge sharing and service innovation performance. *Tourism management*, *30*(1), 41-50.

Huotari, K., & Hamari, J. (2017). A definition for gamification: anchoring gamification in the service marketing literature. *Electronic Markets*, *27*(1), 21-31.

Hussain, K., Konar, R. & Ali, F. (2016). Measuring service innovation performance through team culture and knowledge sharing behaviour in hotel services: a PLS approach. *Procedia-Social and Behavioral Sciences*, *224*, 35-43.

Ibrahim, M., & Yusheng, K. (2020). Service Innovation and Organisational Performance: Mediating Role of Customer Satisfaction. International Journal of Management & Entrepreneurship Research, *2*(3), 97-108.

Ibrahim, S. B., Abker, A. Y., & Eltayeb, T. K. (2018). The mediating role of service innovation in the relationship between strategic orientation and Operational flexibility in Sudanese service firms. *Asian Journal of Management*, *9*(4), 1221-1229.

İlhan, M., & Çetin, B. (2014). LISREL ve AMOS programları kullanılarak gerçekleştirilen yapısal eşitlik modeli (yem) analizlerine ilişkin sonuçların karşılaştırılması. *Eğitimde ve Psikolojide Ölçme ve Değerlendirme Dergisi*, *5*(2), 26-42.

Inauen, M. & Schenker-Wicki, A. (2012). Fostering Radical Innovations with Open Innovation. *European Journal of Innovation Management*, *15*, 212-231. http://dx.doi.org/10.1108/14601061211220986.

Jalali, S.H. (2012). The Explanation of Relationship Between Strategic Orientation and Export Performance. *The Journal of Commerce*, *4*(1), 40-46.

Jong, J.P.J. & Hartog, D.N. (2007). How Leaders Influence Employees' Innovative Behaviour. *European Journal of Innovation Management*, *10*(1), 41-64. DOI 10.1108/14601060710720546.

Kankam-Kwarteng, C., Donkor, J., & Acheampong, S. (2019). Measuring performance of SMEs service firms: customer orientation and service innovation approach. *Journal of Management Research*, *19*(2), 103-119.

KanKam-Kwarteng, C., Gatsi, J. G., Donkor, J., & Acheampong, S. (2018). Service Innovation and Firm Performance of SMEs auto service: the mediating role of Pricing Capability. Archives of Business Research, *6*(8), 39-50.

Kasemsap, K. (2017). Strategic innovation management: An integrative framework and causal model of knowledge management, strategic orientation, organizational innovation, and organizational performance. In Organizational culture and behavior: Concepts, methodologies, tools, and applications (pp. 86-101). *IGI Global*.

Keith, T. Z., & Reynolds, M. R. (2018). *Using confirmatory factor analysis to aid in understanding the constructs measured by intelligence tests*. In D. P. Flanagan & E. M. McDonough (Eds.), *Contemporary intellectual assessment: Theories, tests, and issues (p. 853–900)*. The Guilford Press.

Keskin, H. (2006). Market orientation, learning orientation, and innovation capabilities in SMEs: An extended model. *European Journal of innovation management*, *9*(4), 396-417. https://doi.org/10.1108/14601060610707849

Khan, B. A., & Naeem, H. (2018). Measuring the impact of soft and hard quality practices on service innovation and organisational performance. *Total Quality Management & Business Excellence*, *29*(11-12), 1402-1426.

Kumar, K., Boesso, G., Favotto, F. & Menini, A. (2012). Strategic Orientation, Innovation Patterns and Performances of SMEs and Large Companies. *Journal of Small Business and Enterprise Development*, 19, 132-145. http://dx.doi.org/10.1108/14626001211196442.

Lee, J., Park, J. S., & Lee, J. (2020). The impact of multimarket competition on innovation strategy: Evidence from the korean mobile game industry. *Journal of Open Innovation: Technology, Market, and Complexity*, *6*(1), 1-15.

Mahmoud, M. A., Hinson, R. E., & Anim, P. A. (2018). Service innovation and customer satisfaction: the role of customer value creation. *European Journal of Innovation Management*, *21*(3), 402-422. https://doi.org/10.1108/EJIM-09-2017-0117

Masa'deh, R. (2013). The Impact of Information Technology Infrastructure Flexibility on Firm Performance: An Empirical Study of Jordanian Public Shareholding Firms. *Jordan Journal of Business Administration*, *9*, 204-224. http://dx.doi.org/10.12816/0002054.

Masa'deh, R., Obeidat, B., Zyod, D. & Gharaibeh, A. (2015). The Associations among Transformational Leadership, Transactional Leadership, Knowledge Sharing, Job Performance, and Firm Performance: A Theoretical Model. *Journal of Social Sciences*, *4*, 848-866.

Masoud, N.M.H. (2013). The Impact of Stock Market Performance upon Economic Growth. *International Journal of Economics and Financial Issues*, *3*(4), 788-798.

Mbama, C. I., & Ezepue, P. O. (2018). Digital banking, customer experience and bank financial performance. *International Journal of Bank Marketing*, *36*(2), 230-255. https://doi.org/10.1108/IJBM-11-2016-0181

Neely, A. (2007). Measuring performance: the operations management perspective. *Business performance measurement. Unifying theory and integrating practice, 2nd Edition, Cambridge University Press, Cambridge*, 64-81.

Obeidat, B.S. (2016). The Effect of Strategic Orientation on Organizational Performance: The Mediating Role of Innovation. *International Journal Communications, Network and System Sciences*, *9*, 478-505.

Otache, I. (2019). The mediating effect of teamwork on the relationship between strategic orientation and performance of Nigerian banks. *European Business Review*, *31*(5), 744-760. https://doi.org/10.1108/EBR-10-2017-0183

Pekovic, S., & Rolland, S. (2016). Customer orientation and firm's business performance. *European Journal of Marketing*, *50*(12), 2162-2191. https://doi.org/10.1108/EJM-08-2015-0584

Psomas, E., Kafetzopoulos, D., & Gotzamani, K. (2018). Determinants of company innovation and market performance. *The TQM Journal*, *30*(1), 54-73. https://doi.org/10.1108/TQM-07-2017-0074

Puspita, L. E., Christiananta, B., & Ellitan, L. (2020). The effect of strategic orientation, supply chain capability, innovation capability, on competitive advantage, and performance of furniture retails. *International Journal of Scientific & Technology Research*, *9*(3), 4521-4529.

Richard, P. J., Devinney, T. M., Yip, G. S., & Johnson, G. (2009). Measuring Organizational Performance: Towards Methodological Best Practice. *Journal of Management*, *35*, 718-804. http://dx.doi.org/10.1177/0149206308330560.

Santos, J.B. & Brito, L.A.L. (2012). Toward a Subjective Measurement Model for Firm Performance. *Brazilian Administration Review*, *9*(6), 95-117.

Sarker, S. & Palit, M. (2015). Strategic Orientation and Performance of Small and Medium Enterprises in Bangladesh. *International Journal of Entrepreneurship and Small Business*, *24*, 572-586. http://dx.doi.org/10.1504/IJESB.2015.068643.

Seta, T. (2019). *The effect of service innovation on customer satisfaction* (Doctoral dissertation, İstanbul Bilgi Üniversitesi).

Sikora, T., & Baranowska-Prokop, E. (2019, June). Relationship Between Competitive Strategies of Small and Medium-Sized Polish International New Ventures and Their Market Performance: Cluster Analysis Approach. In International Conference on Applied Economics (pp. 355-371). *Springer, Cham*.

Sobel, M.E. (1982). Asymptotic intervals for indirect effects in structural equations models. In S. Leinhart (Ed.), *Sociological methodology* (290-312). San Francisco: Jossey-Bass.

Ta, D. T., & Yang, C. H. (2018). Exploring the impacts of service innovation on customer satisfaction in the telecom industry: A perspective from interactive and supportive service innovations. *International Journal of Innovation Management*, *22*(07), 1-30.

Taouab, O. & Issor, Z. (2019). Firm Performance: Definition and Measurement Models. *European Scientific Journal January*, *15*(1), 93-106.

Thomas, J. R., Nelson, J. K., & Silverman, S. J. (2015). Research methods in physical activity. *Human kinetics*.

Thoumrungroje, A. & Racela, O. (2013) The Contingent Role of Customer Orientation and Entrepreneurial Orientation on Product Innovation and Performance. *Journal of Strategic Marketing*, *21*, 140-159. http://dx.doi.org/10.1080/0965254X.2012.742129.

Tseng, C.H., Chang, K.H. & Chen, H.W. (2019). Strategic Orientation, Environmental Innovation Capability, and Environmental Sustainability Performance: The Case of Taiwanese Suppliers. *Sustainability*, *11*(4), 1-19. doi:10.3390/su11041127.

Tsou, H.T., Chen, J.S. & Liao, W.H. (2014). Market and Technology Orientations for Service Delivery Innovation: The Link of Innovative Competence. *Journal of Business & Industrial Marketing*, *29*, 499-513. http://dx.doi.org/10.1108/JBIM-09-2011-0128.

Tutar, H., Nart, S. & Bingöl, D. (2015). The Effects of Strategic Orientations on Innovation Capabilities and Market Performance: The Case of ASEM. *Procedia - Social and Behavioral Sciences*, *207*, 709-719.

Valos, M.J. & Bednall, D.H. (2010). The Alignment of Market Research with Business Strategy and CRM. *Journal of Strategic Marketing*, *18*, 187-199. http://dx.doi.org/10.1080/09652540903537022.

Vaske, J. J. (2019). *Survey research and analysis*. Sagamore-Venture. 1807 North Federal Drive, Urbana, IL 61801.

Venkatraman, N., & Ramanujam, V. (1986). Measurement of business performance in strategy research: A comparison of approaches. *Academy of management review*, *11*(4), 801-814.

Vos, A.H. (2010). *Service Innovation: Managing Innovation from Idea Generation to Innovative Offer. University of Twente, Faculty of Management and Governance, Master thesis*, Business Administration, Service Management Track, Netherlands.

Weber, O. (2017). Corporate sustainability and financial performance of Chinese banks. Sustainability *Accounting, Management and Policy Journal*, *8*(3), 358-385. https://doi.org/10.1108/SAMPJ-09-2016-0066

Wheelen, T. & Hunger, D.J. (2005). Strategic Management and Business Policy, *Pearson Prentice Hall, New Jersey*.

Xu, J., Wei, J., & Lu, L. (2019). Strategic stakeholder management, environmental corporate social responsibility engagement, and financial performance of stigmatized firms derived from Chinese special environmental policy. *Business Strategy and the Environment*, *28*(6), 1027-1044.

YuSheng, K., & Ibrahim, M. (2019). Service innovation, service delivery and customer satisfaction and loyalty in the banking sector of Ghana. *International Journal of Bank Marketing*, *37*(5), 1215-1233. https://doi.org/10.1108/IJBM-06-2018-0142

Zhou, K.Z. & Li, C. B. (2010). How Strategic Orientations Influence the Building of Dynamic Capability in Emerging Economies. *Journal of Business Research*, *63*, 224-231. http://dx.doi.org/10.1016/j.jbusres.2009.03.003