

TRADITION TO INNOVATION: SİMİT SARAYI CASE

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Abstract

The aim of this study is to investigate how a Turkish fast-food chain namely “Simit Sarayı” applies innovative entrepreneurship. Simit Sarayı was founded in 2002 and is the first local chain store in a “bakery-café” format serving traditional "simit" and baked goods at modern and enjoyable settings. Until that time, simit used to be eaten standing up and then, with a new business model, it was transformed into a product eaten by sitting down. Simit Sarayı showed significant business growth in passing eleven years by serving over 400.000 people, more than one hundred types of products in a day with 226 stores and 4000 employees in Turkey and seven other countries. According to OECD Oslo Manual (2005), there are four types of innovations. They are; product innovation, process innovation, marketing innovation, organizational innovation. Simit Sarayı applies all of those four innovation types. In this study, applications of innovation types by Simit Sarayı are investigated. By way of that, theory and real life applications are compared and conclusions for both academicians and practitioners are given.

Key words: Innovation, entrepreneurship, innovative entrepreneurship, simit sarayı.

JEL Code: L26, O31, L66

Introduction

The concept of entrepreneurship has a long history in the business sector. A major theme has been the creation of value through innovation (Schumpeter, 1951). Entrepreneur business owner is a person who seek to generate value through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. Entrepreneurial actions are “Fundamental behavior of firms by which they move into new markets, seize new customers and/or combine (existing) resources in new ways and grow”. The combination of entrepreneurship and innovation results in innovative entrepreneurship: new firms based on new innovative ideas (Ahmad & Seymour, 2007).

In the current increasingly globalizing market, for the competitive advantage, innovation is crucially important. Although; tradition and innovation terms are seen as controversy, innovation should be also applied for food market and traditional food products (European Commission, 2007)

In this study, the most popular traditional food firm of Simit Sarayı in Turkey will be under examination according to innovation activities that they use. Also it was aimed to discover the integration of traditional simit to today's consumption behaviors.

The history of simit goes way back to the early times of the Ottoman Empire. Traditionally, with its affordable price, filling sensation and its availability in everywhere, simit was a true people's food; it was baked at the city bakeries, and it was delivered all over the town by simit vendors. With the increase of fast-food trend that increased in the 90s, traditional food simit started a struggle for its existence. And with the foundation of Simit Sarayı in 2002, destiny of simit has started to change (www.simitsarayi.com).

In the first part of this study; the background of entrepreneurship, innovation and innovative entrepreneurship are discussed. The second part consists the research methodology and in the third part, the history and the operations of Simit Sarayı are given. Finally in the last part the findings of the study and conclusions are discussed.

1. Literature Review

In this part, a short literature review about the concepts of entrepreneurship, innovation and innovational entrepreneurship is given

1.1 The Concept of Entrepreneurship

The idea of one's doing her/his own business in simple context, has always been perceived as attractive not only by the academicians but also by researchers, economists, psychologists and people in many other disciplines. More clearly, many people are concerned with either being an entrepreneur or understanding who entrepreneurs are and what they do; in order to witness their charming but challenging world.

In the economic theory, Richard Cantillon (1931), first used the term "Entrepreneur". According to Cantillon, the entrepreneur is a "Specialist in taking risk". Schumpeter (1934) had given brand new life to the entrepreneur as "An innovator who develops innovative technologies".

More than half century later Gartner (1985) defined entrepreneurship as "The creation of new venture". Hisrich and Peters (2002) define entrepreneurship as "The process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence". This definition gives importance to four aspects of being an entrepreneur. These are; the creation of something new with value to the entrepreneur and to the society, spending time and effort, risk taking and financial returns if they succeed. Related with those four aspects the importance of entrepreneurship become wider.

After the recognition of the importance of entrepreneurship for economies and societies, the terms that are related to entrepreneurship have began to be studied accurately. In a dynamic and continuously changing external environment, entrepreneurship and the terms of "Innovation" became the holistic terms. The entrepreneurial behavior and innovation are vibrant and complementary processes, vital to the success and sustainability of an organization (Zhao, 2005).

Innovation is central to entrepreneurship and much of entrepreneurship theory indicates this centrality, as suggested in the seminal work of Schumpeter (1951). The Schumpeterian entrepreneur is an innovator, which makes him/her an active agent of economic development. This integration and emphasizes between entrepreneurship and innovation bring in a new concept to literature, that is called "Innovative entrepreneurship".

1.2 The Concept of Innovation and Innovative Entrepreneurship

Since the industrial revolution, innovation has been at the core of economic development and growth. New technologies, new products and new production processes are the industrial revolution's defining characteristics (Shearmur, 2012).

Increasingly the world economy is shaped and improved by individual and organizational innovations. The world is placing an increasing emphasis on understanding and promoting innovation. It can easily be discovered that various people have defined innovation and innovative behavior differently.

The European Union (European Commission, 2007) defines innovation as "The introduction of the change in workforce talent, working conditions, managerial and organizational jobs". Also, it's about renewal and growth in product and service range emphasized the purposeful part of innovation

The innovation fulfills a specific need, achieves some end or solves some problems. Innovation is the realization of a creative idea being applied to an existing problem. This application may be either of a new idea or the adoption of an existing idea (Mayfield, 2011).

In OECD Oslo Manual (2005), innovation is defined as "The implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations".

As seen from the definition above, there are four types of innovations. Those are product innovations, process innovations, marketing innovations and organizational innovations. Their definitions are as follows (OECD, 2005):

- * A product innovation is, "Introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics".

- * Innovation is generally defined not only as the conceptualization of a new product or service (or a greatly improved product or service), but also as the successful bringing of the new product or service to the market. A process innovation is, "Implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software".

- * A marketing innovation is, "Implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing".

- * An organizational innovation is, "Implementation of a new organizational method in the firm's business practices, workplace organization or external relations".

Innovations in traditional food firms mainly seen in the product and process innovations. Product innovations activities seen as packaging innovations and changes in product composition, product size and form or new ways of using the product. Process innovations' feasible applications are improving the production process in order to assure quality and traceability. However, the implementation of market and organizational innovations can be valuable for traditional food products, their potential is not yet realized or recognized by all chain members in the traditional food sectors (Gellynck & Kühne, 2008).

2. Research Methodology

Case study is the selected research strategy. Case studies can be explanatory, exploratory or descriptive (Yin, 2003). This study is a descriptive one, and that kind of studies aim to "Portray an accurate profile of persons, events or situations" (Saunders et.al, 2003).

Case studies have advantages when researchers are looking for the answers of "How" and "Why" (Yin, 2003). So, the research question for this study is "How innovational entrepreneurship is applied by Simit Sarayı?" Data collection methods for the study are secondary data (i.e. web page of the company, newspaper articles) and the questions that were answered by Simit Sarayı Staff using E-mail.

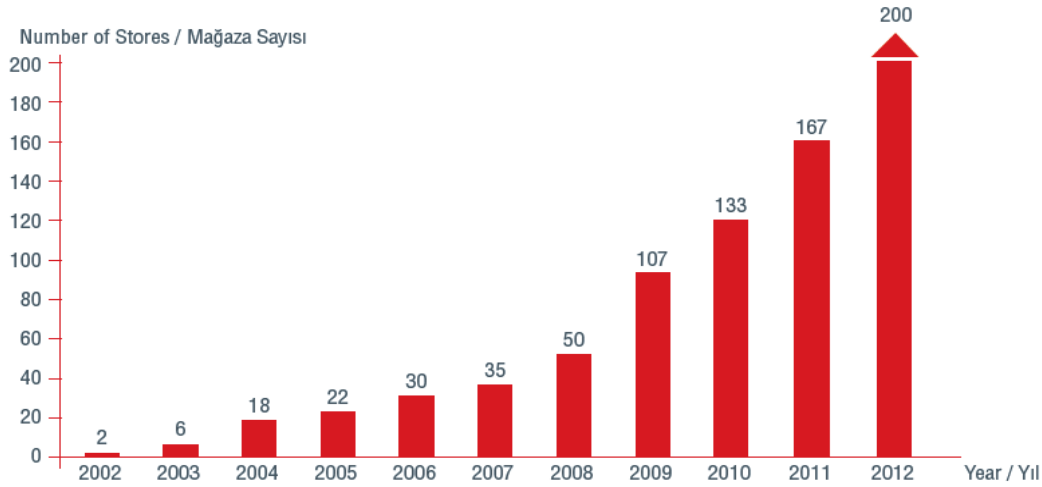
3. The Case of Simit Sarayı

The information below was derived from company's web page (www.simitsarayi.com), and answers of Simit Sarayı Staff to Authors' questions:

Simit Sarayı was launched in 2002 with the opening of first store in Mecidiyeköy, Istanbul. In 2003 there were 25 Simit Sarayı stores in Istanbul. In 2005, first simit production facility in the world was established by the scientific support of TÜBİTAK (The Scientific and Technological Research Council of Turkey). Facility was built over 7000 square meters closed area and has highest food production standart. Franchising system started beginning from year 2007 and SAP (Systems, Applications, Programs Software) was implemented in 2009.

Simit Sarayı is serving to approximately 400.000 people a day with over one hundred types of products prepared at integrated production facility, there are 226 stores and 4000 employees supported by 35 trucks cooling fleet. Number of stores by years are presented in Figure.1.

Fig. 1: Number of Stores by Years



Source: www.simitsarayi.com/simitsarayi_sunum.zip

Simit Sarayı serves also in 7 other countries (Germany, Netherlands, Cyprus, Greece, Belgium, Egypt and Saudi Arabia). First European country that Simit Sarayı has a store is Netherlands (2010). By the end of 2013, in Netherlands there is going to be 15 Simit Sarayı stores.

At Simit Sarayı, along with classical simit, also some variants of simit are served such as simit filled with kaşar cheese, with sudjuk, sudjuk-kaşar and kaşar-olives combinations. Within the menu there are also some exclusive Turkish pastries and baked goods.

All of the products are prepared under hygienic conditions at Simit Sarayı facility and produced under the supervision of food engineers, coated with one hundred percent Turkish sesame, delivered to the retail stores, removed from their sealed packaging, baked at the store and served to the customers.

Simit Sarayı with the support of an university, located in Istanbul, has founded “Simit Sarayı Academy” and has launched an education campaign for all its employees. All the trainings provided have been gathered under one roof at Simit Sarayı Academy in order to support the development of the employees, assist them with career planning, support advancements of employees to higher level positions and provide trainings to develop future company leaders within the staff.

Simit Sarayı analyses customer habits and expectations regularly with the support of expert research companies. Research and Development (R&D) activities are very important and R&D Department spend %3 of total budget. Serious amount of money is spent for reacting to fast and continuously changing requirements and demands of the market.

Simit Sarayı customers are young people, working people, students, simit lovers and people who obey to traditional tastes. In long term, Simit Sarayı aims to see all Turkish and world citizens as its customers.

4. Findings

According to Mayfield (2011), an innovation should fulfill a specific need. In this case, people's need to eat fast, hygienic, cheap and delicious food is provided by Simit Sarayı. In doing this, Simit Sarayı applies all four types of innovations (i.e. product, process, marketing and organizational). The answer of how Simit Sarayı applies innovational entrepreneurship is given below:

4.1 Product Innovations

Product innovations include changes in product characteristics and Simit Sarayı produces some variants of traditional simit. Combinations of simit with Turkish traditional tastes like sudjuk, kaşar cheese and olive, change the characteristics of basic product simit. This is a good example for product innovation application.

4.2 Process Innovations

Process innovation intends to change the production or delivery methods. In case of Simit Sarayı; simit is eaten by sitting down in comfortable places instead up standing up, production is realized under hygienic conditions in a facility which is unique in the world, products are delivered to retail stores by refrigerated trucks and baked at the stores before being served to the customers. By way of doing that, a high food quality standard is achieved in every store around the world. Refrigerated 35 trucks (Cold chain fleet) are tracked by the support of Turkcell (Leading GSM operator in Turkey). This makes logistics planning easier and solving transportation related problems quicker. Also, Simit Sarayı is one of the leading companies in Turkey that use SAP applications. With the support of Information Technology (IT), it is easier to conduct operational and strategic level management.

4.3 Marketing Innovations

Marketing innovations are generally new methods related to 4P's of marketing (i.e. product, placement, promotion, pricing). Simit Sarayı changes product characteristics as an evaluation and marketing research about customer preferences. Franchising is a placement method used by Simit Sarayı widely. Pricing strategy of Simit Sarayı is summarized as "No surprise, always reasonable price". So, people always have an idea about the prices in Simit Sarayı. Reasonable pricing with traditional delicious food makes Simit Sarayı a perfect option for many people.

4.4 Organizational Innovations

Organizational innovations are related with methods, routines and procedures of the work. Simit Sarayı Academy aims to train Simit Sarayı employees and support their career development. This is a distinguished application in Turkey. Simit Sarayı production facility was established with the scientific support of TÜBİTAK. Producing all food in hygienic conditions in one place and delivering them by cold chain fleet before baking is a challenging business practice in that area. Instead of detailed definitions of work (i.e. formalization) that kind of application is much more guarantee for the standard food quality. Both TÜBİTAK scientific support and marketing research of expert companies are good examples of external relations related to organizational innovations. Also, partnership with German LSG Skycheffs is new era as a strategic alliance.

Conclusion

In this study, it is aimed to investigate innovational entrepreneurship applications of Simit Sarayı, which is a fast growing bakery-café chain in Turkey and abroad. In this case it is seen that, Simit Sarayı has created "something new" that has a value to the entrepreneur and to the society. This "something new" is four types of innovation on traditional food simit. The examples of making new product combinations, improving production process, finding new marketing ways and different methods and procedures of the work applied in Simit Sarayı are presented in previous part.

Simit Sarayı applies innovational entrepreneurship successfully and as a result becomes an important domestic fast-food chain of Turkey aiming to be a worldwide company in the future.

Although innovation is generally seen as the application of technological firms, this study shows that innovation is not only limited to companies that produce technology. As seen in this case, even a traditional food can be the subject of innovational entrepreneurship. The important point is to look at the picture from a different perspective of innovation. Also innovation should not be viewed as an independent event. The managers, entrepreneurs and also employees should consider many dimensions such as cultural, organizational and financial factors and have deeper knowledge about applications and results of the innovative activities. By doing this, innovative entrepreneurship can be achieved in all four types of innovation areas as in Simit Sarayı case.

Future research should focus more on the innovative applications in other sectors and in other countries to achieve more representative description and to enrich the literature.

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