THE EFFECT OF INNOVATION TO ORGANIZATION PERFORMANCE AT CULINARY INDUSTRY ON BRAGA DISTRICT

Laura Lahindah

Harapan Bangsa Business School Bandung Indonesia

laura@ithb.ac.id

Ady Widya Mitra

Equine Global Corp. Jakarta Indonesia

ady_widya@yahoo.com

Abstract

Culinary industry contributed around 25% to gross regional product domestic (GDP) in 2013. This condition proved that culinary having been become an identity and brand of the city, that we should keep preserve and evolve to improve Indonesia tourism. Braga is one of the heritage street in Bandung city, built with colonial architecture design. Braga has become a special place in people's own, to be a place for hanging out, the place for taking the picture, enjoying the old-building, and most of all culinary experience. This research conduct to 34 culinary along Braga street. Data show that 58% of the culinary industry in Braga district shows the percentage increase in profit year on year by more than 2.5%. That fact shows the good organizational performance of the culinary industry in Braga district. To achieve a good performance in the culinary industry, innovation playing important roles. This research analyzes the effect of innovation on organization performance. By using WarpPLS 3.0 with Structural Equation Model-Partial Least Square (SEM-PLS) method, we found that innovation simultaneously has an impact to organization performance in Braga district. But as partially innovation variables have not significantly effect to organization performance.

Keywords: culinary, innovation, performance organization.

JEL Classification: L25, L66

BACKGROUND

Culinary is one of the industry sectors that accounted for the biggest income for Indonesia. Culinary industry growth creating a major role in the national economy of the country. In 2013 the culinary sector giving around 25% contribution to the Indonesia Gross Regional domestic product (GDP). Culinary sector reached 25% or Rp 52.25 trillion from Rp 206 trillion of Indonesia GDP (Kompas.com, 2014).

Culinary is one of the creative economy sector (besides fashion, television, media, etc.) that should be developed as a superior product to become a tourism attraction as an identity of the city. In West Java the overall contribution of creative sector reached 40% of the total GDP of Rp 1,070 that is around Rp. 18 trillion. And the culinary industry is the biggest contributor is Rp 40 trillion, or 10% of the contribution (Pusat Data dan Analisa Pembangunan Jawa Barat, 2014).

To achieve a good performance in the culinary industry, innovation playing important roles. The roles of innovation in the industrial sectors closely related to the growth and development of world trends, changes in consumer behavior, purchase ability, and consumer educational background. Culinary industry dealing with the dynamic world market. Where they challenged to survive, grow and develop. Sometimes culinary also face contradictive conditions, the first condition shows that innovation can make them successfully achieve value, but in another side, innovation could bring a disaster even make a company nearly bankrupt. That conditions entirely was heavily influenced by the innovations they do.

According to the Mayor of Bandung Ridwan Kamil, Bandung visited by more than 6 million foreign tourists, and the numbers increase every year (Prasetyo, 2014). Bandung did have a proven attraction after elected to be the fourth city in Asia to be best foreign tourists after Bangkok, Seoul and Mumbai, whereas in the world ranked 21st (Metrotvnews.com, 2015). Bandung has an innovative culinary that became a tourist main attraction. Bandung is famous for its innovative food and beverages, because of its innovation on product innovation, process innovation, market innovation, to the raw material.

Based on the results of observation during the study, 58% of the culinary industry in Braga district Bandung shows the percentage increase in profit year on year by more than 2.5%. This increasing shows that the good performance of the organization of the culinary

industry in Braga district. This research tries to find how the performance of the culinary industry in Braga district increase. Four antecedent are used in this analysis. That are product innovation, process innovation, market innovation and raw material innovation

INNOVATION

Innovation emphasizing in some different aspects of the term. The first definition was coined by Schumpeter (1934). Schumpeter (1934) stresses the novelty aspect of innovations. Innovation is reflected in novel outputs: a new good or a new quality of a good, a new production method, a new market, a new supply source. It can be summarized as: 'doing things differently'. Innovation isn't always about the leadership undertaken by someone who brings a change in an organization or individual, innovation is also a challenge that should be done when there is an opportunity.

Hurley and Hult (1998) state that innovation is a mechanism of enterprises to adapt to the dynamic environment. Therefore, the company should be able to create new thoughts, new ideas by offering innovative products and services that can increase customer satisfaction. To be able to successfully survive in the long term, companies must be able to adapt, to satisfy or creating new markets, not only to satisfy a market that is already exists. Research proves that organizations that conduct strategic planning, has better performance than not. The selection of an appropriate strategy, between the environment organization with strategy, structure, and the process will bring a positive impact on the company's performance, especially in the midst of an increasingly dynamic market changes (Wheelen & Hunger, 2012).

Vries, Bekkers, & Tummers (2014) define innovation, as a result-oriented thinking to improve quality, with four (4) main elements, are:

1. The Innovation of process (process innovation), which focuses on improving the quality and efficiency of the internal and external processes in the company. Include how organizations make changes to the production process such as the use of automatic machines.

2. Product or service Innovation is the ability of the Organization to improve product design, features, and specifications according to the wishes of consumers or

improve the value of products and services by creating arrange of new products or services.

3. Market innovation, to develop new forms and processes in the Organization to gain new market share.

4. Supply source innovation, using a new raw material, or a new source of raw materials providers to improve the quality of products or services, as well as to improve the efficiency and effectiveness of the work.

Vries, Bekkers, & Tummers (2014), state that innovation as a new element in the form of knowledge, ability, governance of the Organization, or in the management systems, which improve or enhance the State of the past, in order to achieve the quality or better results.

ORGANIZATION PERFORMANCE

Helfert (2012) made the point that performance is the outcome or the overall success rate for a specific period of time in carrying out the task, compared to the target, the standard of work, or the given initial and target have been mutually agreed. The performance was not fully seen as a display of an accomplishment that is successful, it could be seen from some or in accordance with aspects of the review. Sriwati (2012) argues that performance is a general term used to indicate the part or all of the actions or activities of the Organization in a certain period, so that performance measurement into an act of measurement that can be exercised against a range of activities at the company.

In measure company performance, Kusumawati (2010) stated there are two approaches namely objective and subjective approaches. The objective is a type of approach by using the data objectively, namely in the form of financial accounting data, whereas the subjective approach is an approach to measure the performance of the company based on the perceptions of managers on performance of the company.

According to Abouzeedan (2011) in measuring organizational performance, can be used in two (2) parameters, namely:

1. Non-Financial Variables

    Non-Financial Variables is a parameter of the performance measurement by looking at non-financial data, due to variables such as financial ratios fails to provide the appropriate assessment to measure the performance of the Organization, especially in the sector of small and medium enterprises. Then the age, and the size of the Organization, as well as the amount of assets can be used as a foundation to measure organizational performance. This opinion is supported by Abouzeedan (2011) that an asset can be a good indicator for measuring organization. Keasey and Watson using age as a non-financial variables, because sometimes the large amount of assets can be changed due to a change of strategy to increase profits by narrowing the focus of the market, but improving profits (Abouzeedan, 2011).

2. Financial Variables

    Financial variables using financial data to measure the performance of the Organization, by comparing the financial performance per period of time. Financial or financial variables can certainly be shown how organizational performance, with respect to profits, assets, and cash flow statement, and balance sheet position as a comparison of the financial performance of the organization.

Abouzeedan (2011) often got challenges in measuring the performance of the organization. Because in practice to assess or measure organizational performance, particularly on small and medium enterprises, which do not have a profit leap, or other required financial variables used as parameters to measure the performance levels of an organization, likewise:

1. Model of performance measurement, quantitative or qualitative measurement model is expected to be a model of optimal organizational performance measurement.

2. In measuring performance, non-financial parameters (age, size of the organizations, brands, and more) is expected to be the size of the organization.

3. Diversity in organizations (business sector, size, age, culture) hope can became

part of the variable measurement organization. While attention to organizations that are still in the stage of ripening (new) not yet created stability, and tend to be dynamic, to follow trends and changes, than organizations that have matured (old).

4. The information is limited, in either side of the performance of employees, goods turnover, expected to facilitated performance measurement model.

5. Performance measurement method used to focus more on the quantitative results of the calculation based on statistical data, can now be done with more optimal organizational overview analyzes based on consideration of other factors, which are not statistically real or not can be calculated mathematically. So the measurement of organizational performance is expected to include a variety of factors, which are more up to date information regarding the organization confirms.

THE EFFECT OF INNOVATIONS TO ORGANIZATIONAL PERFORMANCE

Innovation can serve as one of the strategies to achieve competitive advantage. The main objective of innovation is to meet the market demand so that product innovation is one that can be used as a competitive advantage for the company (Supranoto, 2009). Innovation is a factor that adds value to the organization. Innovation can be done through strategy, behavior, as well as motivation and encouragement in performing various actions. Customers generally want innovative products in accordance with their need. For the company, its success in innovating means that company a step further than its competitors. It is demanding the company's cleverness in recognizing customer tastes so that innovation ultimately does indeed correspond to the wishes of its customers. Thus innovation must be well planned and done carefully.

Research by Supranoto (2009) found that innovation is an important factor to achieve competitive advantage. For the company, the success in creating competitive advantage is believed to be one of the ways to improve its performance. Furthermore, this research will examine the factors of innovation, as a factor that effects though organization to improve its performance. Four hypothesis are conduct to clarify the condition as below:

H₁: Product innovation have positive effect on performance of the Organization

H₂: Process innovation have positive effect on performance of the Organization

H₃: Market innovation have positive effect on performance of the Organization

H₄: Supply source innovation have positive effect on performance of the Organization

RESEARCH METHOD

This research will study how innovation effects the performance organization, how an organization can run properly, structured, and has the atmosphere of a positive environment, thereby encouraging the creation of innovation able to help organizations survive the challenges and grow over time. In support of the creation of the innovation, the role of a leader could not be separated, as the leader of a major milestone is to be observant in looking at opportunities, and make improvements, so that the organization can remain compete and grow.

Objects that become research is a culinary industry in Braga district, Bandung, by conducting a survey for data retrieval. Data on the Department of culture and tourism of Bandung city culinary venture grouping into three classification i.e. business restaurant, bar and cafe. Where the classification is drawn up on the basis of Regulation No. 797 of Bandung City Mayor in 2005 – about the categorization effort means tourism. This research focuses on innovation or done to increase or result in organizational performance. The techniques of observation, documentation, interviews and questionnaires will be conducted on the perpetrators of the originator or entrepreneur who doing innovation within the Organization (owner or manager).

This research uses the descriptive and verification method of approach to the survey, with data collection through questionnaire (question form), interview, observation, and documentation. Where descriptive format aimed at explaining, summarizing the various conditions, circumstances, also there are variables, while verification is the research aimed to verify the truth of the results of previous research. The survey approach is a method of research that aims to get a conclusion that can describe and explain an idea against the results of the verification of the sample being studied. Based on the results of the mapping, there are

80 culinary industry (restaurants, bars, cafés, and a bakery) in the village of Braga. And found 34 questionnaires valid to analyses.

DATA ANALYSING

In this study the data collected from the survey results, interviews, documentation, and observations will be analyzed by multiple linear regression with the SEM-PLS, using the WarpPLS 3.0 program. To test product innovation, process innovation, market innovation, and supply source innovation as independent variable and organization performance as a dependent variable. Also finding the result of model fit, a standard of errors, composite reliability, cronbach's alpha and effect size.

The value of fit is a result of the calculations to analyze the average path's (APC), the average R-squared (ARS), and average variance inflation (AVIF). The value of p for APC and ARS should be smaller than 0.05 significant meaning. In addition, the AVIF as an indicator of multi-linearity should be less than 5. The output shows the results of the goodness of fit criteria model is: APC at 0.212, with p-value 0.008, ARS at 0.435, with p-value 0.254, and AVIF at 1.763. From these data were obtained that the APC and the ARS have values of p greater than 0.001 but AVIF values meet the criteria with 1.763 (less than 5). Interpretation of the indicator model fit depending on the purpose of the analysis of SEM. If the goal is only hypothesis testing relations between latent variables, then the indicator model fit became less important. However, when our goals determine the best model of several models then the goodness of fit to be very important (Sholihin & Ratmono, 2013).

Standard errors are required if you want to test the influence of mediation for a linear relationship. While the effect size is the absolute value of the contribution of each variable per-indicator on the latent value of R-squared variable criterion. Each variable have standard of errors, which result is 0.323 (product innovation); 0.238 (process innovation); 0.264 (market innovation); 0.287 (supply source innovation) each toward performance organization.

Standard errors for path coefficients

	iProduk	iProses	iPasar	iBahan	Kinerja
iProduk					
iProses					
iPasar					
iBahan					
Kinerja	0.323	0.238	0.264	0.287	

Figure 1. Standard Errors

Effect size can be categorized into three categories; weak (< 0.02), moderate (0.15), and strong (> 0.35). The results of the estimation of the effect size shows that product innovation (iProduk) has an effect size influence on the performance of medium (0.163), in the innovation process (iProses) has an effect size influence on performance are (0.097), on innovation markets (iPasar) has an effect size effect on performance is very weak (0.010), and on the innovations of raw materials (iBahan) has an effect size influence on performance are (0.166).

Effect sizes for path coefficients

	iProduk	iProses	iPasar	iBahan	Kinerja
iProduk					
iProses					
iPasar					
iBahan					
Kinerja	0.163	0.097	0.010	0.166	

Figure 2. Effect Sizes for Path Coefficients

Product innovation effects organizational performance in the culinary industry in Braga district, Bandung of 16.3%. Lack of product innovation can lead to the low performance of the Organization, but at a certain point product innovation conducted when excessive making organizational performance to decline.

Innovation processes have 9.7% effect to organizational performance in the culinary industry in Braga district, Bandung. Innovation process such as process improvement work, the use of the machine (to increase the speed, efficiency and effectiveness of work), using

technology to improve work process get faster and easier, or the use of technology to facilitate organizations achieve customer satisfaction, in addition, can also facilitate employees in improving service quality to satisfy consumers and will be followed by the improvement of organizational performance.

Market innovation has an impact on the performance of the Organization in the culinary industry at Braga district, Bandung, by 1%. Organizations that increase tendency has increased its market share on the performance of the organization. However, it was found that the culinary industry in Braga district, Bandung, apparently tend to be static, never open a new branch, the new restaurant and a variety of new methods of innovation markets. That's why market innovation has The smallest effect to the performance organization.

Supply source innovation has an impact on the performance of the Organization in the culinary industry in Braga district, Bandung, by 16.6%. It can be concluded that the General (the starting point) the organization does not want to do the speculation with the use of raw materials is not qualified because basically the Organization has been using high quality raw materials. However, with the innovation of raw materials, such as the use of liquid nitrogen to make ice cream, or on the culinary industry bread which adds to a list of bread them with healthier whole grain breads and high fiber, and low in calories, are able to improve the product variant owned and characterizes itself, which can improve the consumer's interest to come or try. However, at some point, the raw material of innovation too much can also effect the performance of the organization. It is based on the culinary industry, raw material stands to have vulnerable a limited lifetime. In the culinary industry, if too much stock of unused raw material will cause the stock to be corrupted and instead will be a financial burden, so as to decrease the performance of the organization.

Composite reliability is use to know the reliability of the variables used, while cronbach's alpha is use to know the validity of the variable. The result of composite reliability of each variables are, 0.807; 0.911; 0.888; 1. And the result for cronbach's alpha are; 0.635; 0.883; 0.809; 1. From the data that shown, this research has a valid and reliable variable.

Figures 3 showed product innovation, process innovation, market innovation and supply Sources Innovation simultaneously effect the performance of the Organization in the

culinary industry in Braga district, Bandung as 44%. These findings indicate that there are other variables that effect the performance of the Organization of the culinary industry in Braga district Bandung.
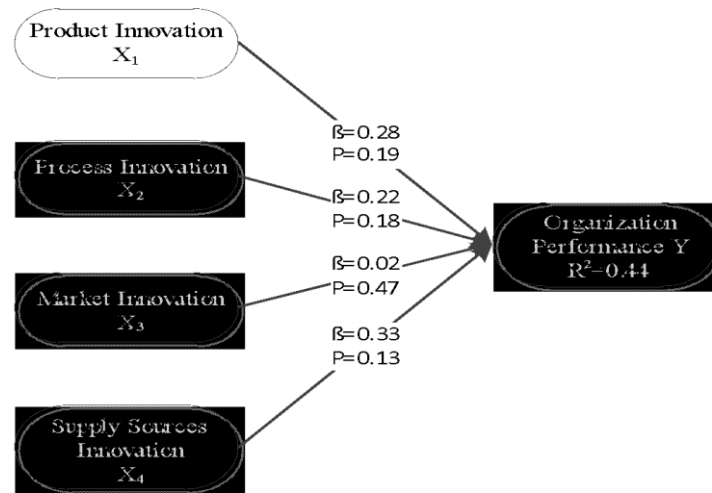

Figure 3. Research Model

CONCLUSION

Based on the data analysis found that 3 hypothesis reject and 1 hypothesis accept. But as a simultaneously innovation can determine organization performance as 44%. This fact show that innovation is the important variable to increase organization performance while another variable should find to strong Braga culinary district. Hence to understand the condition this fact is very interesting to research more. Moreover, this result shows the specific situation of culinary industries Braga. Product innovation and supply source innovation give the bigger effect to organization performance while process innovation and market innovation give smaller effect than another antecedent. This result shows that some strategy and policy should developed for Braga District. Strategy to increase innovation and collaboration with regulator also need to improve this industry. Our focus to increasing innovation can begin from the product and supply source as continuously improvement. Process innovation could be done with adopt new technology and service. Then market innovation can be done with expand market to some segment.

REFERENCES

Abouzeedan, A. (2011). *SME performance and Its Relationship to Innovation.* Sweden: Linkoping University.

Hurley, R., & Hult, G. (1998). Innovation, Market Orientation and Organizational Learning: An Integration And empirical Examination. *Journal of Marketing*, 42-54.

Kompas.com. (2014, 9 29). *bisniskeuangan.kompas.com*. Retrieved 1 24, 2015, from kompas.com:
http://bisniskeuangan.kompas.com/read/2014/09/29/211600926/Posisi.Industri.Kuliner.Cukup.Strategis.bagi.Perekonomian.RI

Kusumawati, R. (2010). Pengaruh Karakteristik Pimpinan dan Inovasi Produk Baru Terhadap Kinerja Perusahaan untuk Mencapai Keunggulan Berkelanjutan. *Jurnal Ekonomi dan Bisnis*.

Metrotvnews.com. (2015, January 8). *http://ekonomi.metrotvnews.com*. Retrieved January 25, 2015, from http://metrotvnews.com:
http://ekonomi.metrotvnews.com/read/2015/01/08/342315/ridwan-kamil-bandung-favorit-keempat-wisata-asia

Prasetyo, B. (2014, Mei 21). *tribunnews.com/regional*. Retrieved January 24, 2015, from www.tribunnews.com: http://www.tribunnews.com/regional/2014/05/21/setiap-tahun-6-juta-wisatawan-mancanegara-datang-ke-bandung

Pusat Data dan Analisa Pembangunan Jawa Barat. (2014, February 25). *pusdalibang.jabarprov.go.id*. Retrieved from Pusat Data dan Analisa Pembangunan Jawa Barat Website: pusdalibang.jabarprov.go.id/pusdalibang/beritastatistik-r48.html

Schumpeter, J. (1934). *The theory of economic development.* Cambridge, Massachusetts: Harvard University Press.

Sholihin, M., & Ratmono, D. (2013). *Analisis SEM-PLS dengan WarpPLS 3.0 - Untuk Hubungan Nonlinier dalam Penelitian Sosial dan Bisnis.* Yogyakarta: Penerbit Andi.

Sriwati, D. (2012). *Pengaruh Pemberian Dana Bergulir terhadap Kinerja UKM, PT. Perkebunan Negara III (PERSERO) Kota Medan.* Medan: Universitas Terbuka.

Supranoto, M. (2009). *Strategi Menciptakan Keunggulan Bersaing Produk melalui Orientasi Pasar, Inovasi, dan Orientasi Kewirausahaan dalam Rangka Meningkatkan Kinerja Pemasaran.* Semarang: Universitas Diponegoro.

Vries, H. d., Bekkers, V., & Tummers, L. (2014). *Innovation in the Public Sector: A Systematic Review and Future Research Agenda.* Rotterdam: European Union Seventh Framework Programme.

Wheelen, T. L., & Hunger, J. D. (2012). *Strategic Management and Business Policy 13th Edition.* New Jersey: Pearson Education, Inc.