THE EFFECT OF CORPORATE REPUTATION AND SUSTAINABLE INNOVATION STRATEGY ON BUSINESS PERFORMANCE IN AUTOMOTIVE COMPANIES

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ABSTRACT

This study aims to determine the effect of company reputation and sustainable innovation strategies on business performance in automotive industry companies in Jakarta. Data obtained by distributing questionnaires to 270 respondents. From 270 data collected, all of them can be analyzed. To analyze data using structural equation modeling (SEM) analysis tools. The results of this study prove that business performance is influenced positively and significantly by the company’s reputation and innovation strategy. Business performance is most strongly influenced by the innovation strategy. The limitation of this study was only in Jakarta and four car brands. Further research can be developed with different industries and is expected to add variables that can affect business performance in automotive companies such as customer satisfaction, customer trust and customer relationship management and organizational learning.

Keywords: Corporate Reputation, Innovation Strategy, and Business Performance.
INTRODUCTION

Research Background
Along with the rapid development of the economy, the demands of globalization are increasingly fast in the industry engaged in the automotive business increasingly competitive. According to Zhao et al., (2015) there was an economic transformation from a traditional based economy to a digital based economy that was influenced by social, economic, political, technological, demographic and cultural factors. Innovations in technology are a source of long-term productivity and competitive business growth (Tsu et al., 2014; Ramli, 2010; Mariam, 2016).

Companies need a strategy so that innovation and employee performance can run in a sustainable manner so that it can improve business performance so that it can compete (Valle, et al., 2010; Ramli, 2017b; Puteri & Ramli, 2017). Industry engaged in the automotive business strives to provide better service from day to day, so as to obtain a good company reputation so as to improve company performance (Ramli, 2012b; Ramli, 2013). According to (Rostek, 2012), companies need to know the quality of services that have been provided to consumers to face competitive competition (Ramli, 2012a). Service quality is the key to attracting and maintaining customer loyalty so that the company's reputation increases so that performance becomes better (Bailey, 2005; Ramli, 2016a; Ramli & Sjahruddin, 2015; Ramli, 2016b).

The phenomenon of the sustainable innovation strategy and the company's reputation have attracted the attention of researchers. Previous researcher (Hilman & Kaliappen, 2015; Ramli, 2017a) innovation and performance strategies in hospitality companies, Torres et el., 2016 concerning organizational learning and innovation as a source of strategic fit.

The second research is (Kim and Penning, 2009) technological developments make companies have to adapt to an uncertain environment by adopting innovative and strategic renewal actions in mature market. The third research is organizational innovation as an enabler of technological innovation capabilities and firm performance (Camison et el., 2014, Mariam & Ramli, 2017).
This research will fill the gap of previous researchers by testing the effect of company reputation and sustainable innovation strategies on business performance in automotive companies in Indonesia.

**Research Problem Formulation**

Based on these considerations, this research can be formulated as follows:

1. Is there an effect of the company’s reputation on business performance?
2. Is there an influence of sustainable innovation strategies on business performance?

**Purpose and Use of Research**

**Research purposes**

Based on the formulation of the problem above, the objectives of this study are:

1. Effect of company reputation on business performance.
2. The influence of sustainable innovation strategies on business performance.

**Benefits of research**

1. For companies: developing the automotive industry in Indonesia in an effort to perfect the process of the competitive automotive industry and be able to integrate with the ASEAN free market through sustainable innovation strategies and a good company reputation.
2. This research is useful for academics in developing strategic and marketing knowledge.

**LITERATURE REVIEW**

**Company Reputation**

The reputation of a customer-based company developed by (Walsh et al., 2009) is a customer orientation, good employer, reliable and financially strong company, product and service quality and social and environmental responsibility. The company’s reputation as a quality associated with the name of the company will improve company performance (Aaker et al., 1990). According to (Bailey, 2005) the company’s reputation is the company’s stakeholders who will be able to improve the performance of the company.
reputation is the most important asset and has no value in company performance (Nguyen et al., 2001) the company’s reputation can maintain relationships with customers so that company performance will be better.

**H1:** There is an influence of the company’s reputation on business performance.

**Sustainable Innovation Strategy**

Innovation strategies according to (Jacob et al., 2005) are innovation strategies in business, customer and product innovation perspective strategies. The sustainable innovation strategy encourages in improving company performance. Companies must develop a strategy of innovation both formal and comprehensive. According to (Marquardt, 1996) an indicator of the innovation process is a commitment to change with indicators of continuous business process improvement and productivity with indicators of increasing productivity. De Saussa, (2006) continuous innovation with learning can stimulate higher quality and sustainable innovation. The strategy of continuous innovation is human resources and knowledge such as fuel from all engines in improving company performance. **H2:** There is an influence of sustainable innovation strategies on business performance.

**Business Performance**

Business unit performance is the result or achievement that is influenced by operational activities in utilizing the resources owned by the business unit and will accumulatively become business performance. Non-financial business performance is an indicator of service and Arifin’s image, (2015). Achievement of goals is associated with firm performance related to competitive advantage (Ismail et al., 2010). Sustainable competitive advantage has been carried out by (King, 2007) in the strategy management literature on business performance.
RESEARCH METHODS

The research aims to examine the effect of company reputation and sustainable innovation strategies on business performance. Data collection was carried out using the questionnaire method. This research is disseminating to several dealer offices of each car brand (Toyota, Daihatsu, Isuzu and Honda) in Jakarta. Questionnaires were distributed by going to these companies and then taken back at another time. Variables are measured using a Likert scale.

The population in this study were Toyota dealers amounted to 55, Daihatsu dealers numbered 55, Isuzu dealers numbered 30 and Honda dealers numbered 40 so the total total amounted to 170. The sample size played a role in estimating and interpreting the results of the study. In determining the number of samples using the provisions proposed by (Hair et al., 2010). Number of indicators 54 x 5 = 270.

Measurement of variables in this study is to measure the attitudes, perceptions and opinions of respondents by delivering statements that are felt, seen and known by answering through a scale with a set score. The data analysis of this research is structural equation modeling or SEM software LISREL version 8.80.
RESULTS AND DISCUSSION

This chapter explains the results of data collection through distributing questionnaires for Toyota dealers, Daihatzu dealers, Isuzu dealers and Honda dealers to managers in Jakarta. In general, respondents' perceptions in general of each variable, namely the company's reputation, innovation strategy and business performance, all on average are above 4.00, which means very good. The results of testing the validity of the questions on the questionnaire for each variable with $r > 0.3$ (Sugiono, 2007) showed a greater correlation value. Reliability test with Cronbach's Alpha $> 0.7$ (Arikunto, 2002) means that the instrument can be said to be reliable. The results of testing the reliability of the research variables namely the company's reputation is 0.883, the innovation strategy is 0.886 and business performance is 0.900, all said to be reliable.

CONCLUSION

Based on the results of research and analysis conducted, the following conclusions are obtained: business performance is affected positively and significantly by the company's reputation. The company's reputation for business performance has a $t$-value of 6.12. Business performance is also positively and significantly influenced by sustainable innovation strategies. The strategy of continuous innovation on business performance has a $t$-value of 5.00.

Theoretical implications in this study are the models in this study can provide alternatives that enrich the literature about the effect of the company's reputation and sustainable innovation strategies on business performance. This research is expected to enrich the theory by integrating variables that have been developed by previous researchers, where the literature and reference sources come from other countries and other industries.

Managerial implications in this research are to enhance the company's reputation at Toyota dealers, Daihatzu dealers, Isuzu dealers and Honda dealers need to increase social responsibility to the surrounding community, because this indicator is still felt to be not optimal. Increasing the role of strategic innovation can be done by: first is the unit manager inspires employees to be motivated to work hard. Second is ongoing performance. Third is
transmitting positive and strong work spirit. Four is designing work methods with more speed with better quality. Fifth is the ease of service processes. The sixth is to provide service innovation in service on internal and external.

The limitations of this research are only four automotive companies in Indonesia, and researchers limit the variables studied only to the company’s reputation and strategic innovation on business performance. This research was only conducted in Jakarta while the automotive industry in Indonesia is spread throughout the region.

Suggestions for next research is that this study found that the contribution of the company's reputation variable and innovation strategy. Next research are expected to affect the performance of companies in automotive companies are customer satisfaction, customer trust and customer relationship management and organizational learning.

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