Facing the new normal by increasing company performance with orientation on innovation, entrepreneurship and creativity

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ABSTRACT

Creative industries are developing rapidly in Bandung, one of which is the culinary industry. Besides fashion, culinary becomes one of the attractions for tourists visiting Bandung. Even though it is proliferating, only a portion of this culinary business can last more than five years. Intense competition is one of the reasons, and now businesses must face economic problems caused by the spread of the SARS CoV 2 virus. Since the beginning of March, the government has closed offices, shopping centers, and schools. Now, after more than two months, businesses must prepare to reopen their businesses in conditions of an outbreak that have not entirely disappeared. One effort that can be done is to maintain company performance. This research studies the improvement of company performance by being oriented to innovation, creativity, and entrepreneurship. The results of the study revealed that product innovation and process innovation could support company performance while innovation could emerge through an entrepreneurial mindset, culture, leadership, and through creativity.

1. Introduction

In Indonesia, Bandung is a city in which the development of the creative industry sector is very rapid. One of the fast-growing creative industries in Bandung is the culinary industry and continues to increase until now. According to data from the Bandung City Culture and Tourism Office, the culinary industry which already had permits in August 2014 numbered 660 restaurants and restaurants. This number consists of three classifications, namely restaurants totaling 301, bars totaling 13, and restaurants totaling 346. Even though culinary businesses are developing rapidly, but many culinary business experts suggest that although the number of culinary business players continues to increase, the existence of these restaurants has continued to change. Around 75% of restaurants and cafes that stand on average, cannot last more than five years, and only 25% can survive (Ciputraentrepreneurship, 2011; Alvarez & Barney, 2002). Chairperson of the Cafes and Restaurants Association of Indonesian Hotels and Restaurants (PHRI), Dedie Soekartin, revealed that as of March 2014, the number of cafes and restaurants registered with PHRI and the Bandung City Culture and Tourism Office was only around 630. In contrast, more than 1000 cafes and restaurants had not registered and licensed (Galih, 2015). This condition shows that there are still many culinary businesses that have not been able to survive and keep ongoing. The problem is now compounded by the emergence of the SARS CoV 2 virus, which causes COVID-19 disease, is spreading rapidly throughout the world. As a result, not only were many lives lost, but many also lost their jobs or businesses. Economic conditions became uncertain; the fear of economic recession haunted many countries, including Indonesia. In Indonesia, various restrictions to prevent the spread of this virus
have caused offices to close their businesses, and shopping centers are close for business, many people have lost their jobs. The economy stalled, so the closure of various business sectors cannot be done for an extended period. If the business sector is opened before there is a vaccine, the virus will still be around us while it takes a long time until the vaccine is found. So, in the end, society must live a new normal life. However, due to damage that has occurred and the fear of contracting the virus, the economy will slow down even though it has been opened, and this condition will disrupt the company's performance. One of the industrial sectors that will be affected is the creative industry. This sector is vital for Indonesia because it contributed as much as 1,105 trillion rupiahs to 2018 gross domestic product (antaranews.com, 2019). This sector also absorbed 18.1 million workers in 2018 (Independent, 2018). Also, the creative industry sector is mostly a small and medium-sized business (SME), making it more vulnerable to situations like this. Today, most of the culinary businesses in Bandung are still operating, although limited because they can only receive delivery messages. Nevertheless, this situation will have an impact on their business performance. With the quite low survivability rate (only 25%) and the SARS CoV 2 virus outbreak reinforces the importance of studying organizational performance in terms of innovation and entrepreneurship. In this challenging situation, we believe that innovation and entrepreneurship become essential. Thus, this research will explore the influence of product innovation, process innovation, and market innovation because those variables have an essential role in determining organizational performance.

2. Literature Study and Methodology

In a software industry in India, Godhwani (2008) found that entrepreneurs have succeeded in identifying entrepreneurial opportunities. Entrepreneurs who have an entrepreneurial mindset will recognize opportunities that might arise or be around their organizations. The introduction of opportunities raises awareness that enables an entrepreneur to be able to identify when a product or service with a new design can satisfy or even exceed customer desires. The entrepreneurial mindset will be able to increase the flexibility of organizational strategy (Mosakowski, 2002). With an entrepreneurial mindset, organizations are expected to be more flexible in making changes to their production processes, in this case, includes how the organization has a series of processes, techniques, and knowledge that are useful in producing goods and services (Jalonen & Lehtonen, 2011). Changes in process innovation in organizations can be done even more than just replacing technology or production machinery with something new. However, process changes can also include how new business models are implemented (Valikangas & Gibbert, 2005). Organizations with individuals who have an entrepreneurial mindset will be able to identify choices in uncertain and fragmented conditions. These alternatives are then processed by individuals who have an entrepreneurial mindset to produce concrete logical alternatives. An entrepreneurial mindset makes an entrepreneur expected to have the ability to recognize entrepreneurial opportunities. Wherewith its ability to recognize opportunities, entrepreneurs can find out new needs that can be implemented in production (Casson, 1982). Likewise, the entrepreneurial mindset causes entrepreneurs to have superior abilities in defining when a new product or service is possible, or a product can provide satisfaction beyond consumer expectations (Kirzner, 1997). This situation means that at a particular time, the organization or entrepreneur is expected to be able to define new markets or new market gaps that may be opportunities for the organization to achieve prosperity. By developing an entrepreneurial culture in an organization, it will continuously create cultural patterns of organizational members who want to develop their creativity and innovate continuously. Entrepreneurial culture is a culture that can accommodate and facilitate entrepreneurial activities in a market (Dimitratos & Plakoyiannaki, 2003). With an entrepreneurial culture, entrepreneurs will be stimulated to continue to develop their entrepreneurial instincts. Culture creates a value system that is believed by members of the organization. The value system keeps the members of the organization constantly patterned to create a new product (Cheng, 2007). Therefore, it can be understood that the culture of entrepreneurship is a factor that supports product innovation in the organization.

Research conducted by Godhwani (2008) indicates that entrepreneurial culture influences organizations in achieving innovation (including process innovation). Dimitratos & Plakoyiannaki (2003) suggested that entrepreneurial culture is a culture that can accommodate and facilitate entrepreneurial activities in a market. Entrepreneurial culture, as proposed by Dimitratos and Plakoyiannaki (2003), if done effectively, will affect the mindset of business behavior. So that in the end, all members of the organization will understand real issues that are issues that indicate at what point the level of competition is owned by the organization. One form of entrepreneurial culture is the development of a value system within the organization to continually make changes continuously so that it can seize new opportunities. The value system will encourage all members of the organization to continuously look for various markets or new gaps that will later become a strength for the organization. The discovery of new markets is a driving factor for the organization with achieving its well-being. Entrepreneurial leadership is an ability to influence all members of an organization to manage all organizational resources strategically both with the search for opportunities and in order to create competitive advantage (Covin & Slevin, 2002); (Ireland & Hitt, 1999). Thus, the leader will determine the creation of innovation processes and performance improvement. It must be reiterated that building resources and capabilities with a focus on the uniqueness of human capital and social capital factors are the essence of strategic leadership in the 21st century (Hitt M., Ireland, Camp, & Sexton, 2002). Statement of Hitt et al., this causes the organization must continuously be able to develop its entrepreneurial abilities such as agility, creativity, and ability in managing strategic resources. Agility is needed in a market whose characteristics are rapidly changing and have a very high degree of dependence. An organization that can survive is an organization that has an agile leader in implementing its strategy. Leaders who have the agility will understand when the organization must innovate processes (Kraus et al., 2005; Tang, 1998).
Entrepreneurial leadership creates ideal scenarios that they use to assemble and mobilize a "supporting cast" of participants who become committed to the vision and the discovery of strategic value creation by influencing market orientation decisions and thus enhancing firm performance. (Nangpiire & Bangniyel, 2019). So entrepreneurial leadership will be able to understand which market gaps are opportunities for organizations with the process of achieving prosperity. The process of introducing new markets is a market innovation that can be a force for an organization to achieve superior performance. There is a stable relationship between creativity and innovation (Wah, 2004). Creativity is one of the antecedents of innovation. Creativity is an initiative to a product that is useful, true, appropriate, and valuable to a task that is heuristic, that is something that is a guide, guidance, or complete guide that will lead us to understand, learn, or discover something new (Hadiyati, 2012). While Amabile (2013) describes a theory that can capture creativity and innovation in organizations, process innovation includes a condition when an organization accommodates and uses modern technology or systems that can increase the effectiveness and efficiency of the organization. When organizations are faced with very pressing conditions, creativity is needed to create various process innovations. Baumol (1993) states that an entrepreneur is an innovator who can see signs of emerging opportunities compared to other individuals. Opportunity is a process of identifying new markets that an organization might be able to do so that the organization becomes the main actor in a competition. Zahra (1991) and Zahra & Coven (1995) suggest that innovation has a positive impact on organizational performance. Innovation is a business that offers various improvements in products, markets, and processes to be more competitive (Kusumawardhani, McCarthy, & Perera, 2012). In the mature industry phase it can be said that the level of organizational competition is determined by the process innovation undertaken by the organization, which in the end the learning process through process innovation will be able to improve organizational performance (Ettlie & Reza, 1992); (Rhee, Park, & Lee, 2011). Altmann (1983) states that organizational failure most often occurs in the early phase of organizational age. Therefore, it can be identified that in the formation of performance measurement models in organizations, the age variable, and organizational size become the main non-financial variables that are important (Argenti, 1976). While the financial variables that will be used are the variables finance that can describe the benefits (profitability) and increase or growth (enhancement), and financial-pressure variables pressure (Abouzeedan A., 2001). From the reasons stated above, competition in the market struggle is one of the innovation factors that can improve performance (Cook, 1998).

In this study, the object of the research is the culinary subsector creative industry in the city of Bandung. The survey will be conducted with data collection. Before the outbreak, the culinary subsector in the city of Bandung consists of 660 businesses registered with the Bandung City Culture and Tourism Office. Interview and questionnaire techniques will be conducted on the entrepreneur or the main object of the originator of innovation (i.e., owner or manager). This research will be carried out in the culinary subsector creative industry in the city of Bandung, which is in the medium business category. The sampling method is a simple random sampling method. 180 respondent data collected through surveys will be analyzed using Structural Equation Modeling (SEM) Analysis. Structural Equation Modeling (SEM) analysis to test hypotheses concerning the relationship between latent variables in the research model using WarpPLS.

### 3. Result and Discussion

The loading factor measures the indicator's validity and decided to cut three indicators that are not proper for the next step. All the latent variable has been chosen as a proper construct. This model conducts the effect and relationship of them to support the structural model. Entrepreneurial Mindset (PPK) has 15 indicators and reduce to 12 indicators, which reflect the second-order latent variable by the loading factor more than 0.4 and p-value above 0.05. Entrepreneurial Culture (BK) has 13 indicators and reduces to 12 indicators, which reflect the second-order latent variable by the loading factor more than 0.4 and p-value above 0.05. Entrepreneurial Leadership (KK) has 12 indicators and reduce to 10 indicators, which reflect the second-
order latent variable by the loading factor more than 0.4 and p-value above 0.05. Creativity (K) has 14 indicators and reduces to 9 indicators, which reflect the second-order latent variable by the loading factor more than 0.4 and p-value above 0.05. Organization Performance (Ki) has three indicators and reduce to 2 indicators, which reflect the second-order latent variable by the loading factor more than 0.4 and the p-value above 0.05. All the indicators are reliably shown by the number of Composite Reliability (CR) and Cronbach's alpha (CA) above 0.7.

Table 1
Convergent Validity and Reliability

| Variable                  | Average Variance Extracted (AVE) | Composite Reliability (CR) | Cronbach's alpha (CA) | Conclusion |
|---------------------------|----------------------------------|----------------------------|-----------------------|------------|
| Entrepreneurial Mindset (PPK) | 0.339                            | 0.858                      | 0.818                 | Good       |
| Entrepreneurial Culture (BK)  | 0.396                            | 0.883                      | 0.855                 | Good       |
| Entrepreneurial Leadership (KK) | 0.380                            | 0.856                      | 0.814                 | Good       |
| Creativity (K)            | 0.385                            | 0.847                      | 0.797                 | Good       |
| Product Innovation (IP)   | 0.451                            | 0.802                      | 0.692                 | Good       |
| Process Innovation (IPS)  | 0.480                            | 0.863                      | 0.480                 | Good       |
| Market Innovation (IPS)   | 0.780                            | 0.951                      | 0.859                 | Good       |
| Organization Performance (Ki) | 0.871                            | 0.931                      | 0.852                 | Good       |

AVE > 0.5 or Square Correlation → Good Convergent Validity, CR; CA> 0.07→Good Reliability (Sholihin & Ratmono, 2013). Discriminant validity used to measure how the construct one another; the good construct will have the square root of AVE higher than the numbers below and the left (Sholihin & Ratmono, 2013).

Table 2
Discriminant Validity Table

|       | PPK (0.582) | BK (0.629) | KK (0.616) | K (0.621) | IP (0.672) | IPR (0.883) | IPS (0.883) | Ki (0.933) |
|-------|-------------|------------|------------|-----------|------------|-------------|-------------|-----------|
| PPK   | 0.600       | 0.545      | 0.488      | 0.519     | 0.476      | 0.463       | 0.214       |
| BK    | 0.600       | 0.545      | 0.488      | 0.519     | 0.476      | 0.463       | 0.214       |
| KK    | 0.545       | 0.694      | 0.529      | 0.479     | 0.379      | 0.454       | 0.156       |
| K     | 0.488       | 0.537      | 0.529      | 0.479     | 0.379      | 0.454       | 0.156       |
| IP    | 0.519       | 0.414      | 0.414      | 0.479     | (0.672)    | 0.379       | 0.454       |
| IPR   | 0.476       | 0.569      | 0.443      | 0.409     | 0.379      | (0.883)     | 0.492       |
| IPS   | 0.463       | 0.560      | 0.427      | 0.342     | 0.454      | 0.883       | 0.043       |
| Ki    | 0.214       | (0.629)    | 0.173      | 0.219     | 0.156      | (0.883)     | (0.043)     |

Table 2 indices that all the latent variables apparent and have good discriminant validity. Data analysis conducted with some pre-processing steps. Data have a normal distribution pattern, valid and reliable. Research model show 15 hypotheses, eight latent variables, and 60 indicators. The research model split into two modeling steps, measurement model and structural model. Using SEM-PLS, modeling process shows that all the structure is valid and reliable. All the indicators construct as reflective variables, and the latent variables construct with a formative pattern. By Warp-PLS 3.0 data analysis and the figure indicated the model fit and proper to analyze. The model shows that the Average Path Coefficient (APC) and Average R-Square (ARS) have p-value numbers below 0.05. Average Inflation Factors (AVIF) of this model show the number 1.710, that below 5. These indices that the model is fit.

Significance test using P-Value, the results can be seen in the following table 3. There is some Hypothesis that are not significant and must be rejected, namely H4, H6, H9, H12, H15. Therefore from 15 hypotheses, ten hypotheses are significant, and five hypotheses are not significant. Then, the effect sizes for each path coefficient are categorized as weak if the effect size is below 0.02, medium if between 0.02 to 0.15, strong if between 0.15 to 0.35 (Kock, 2013); (Hair, Hult, Ringle, & Sartstedt, 2013). Table 2 shows the effect size sorted from the highest to the lowest.
Based on the significance test results using P-Value, there are indeed not significant hypotheses. However, not significance does not always mean that there is no effect between the variables, because there may be random errors that affect the results, or the sample size is not large enough. Effect size can help with this problem by providing additional information, and if the effect size is strong, then there is a possibility that the relationship between variables does exist. Therefore, from the results in table 1 and table 2, then the hypothesis that most likely has no influence is H9, H12, and H15. Thus, Organizational Performance is not influenced by Market Innovation, and Market Innovation is not influenced by both Creativity and Entrepreneurial Leadership. Organizational performance is only influenced by Product innovations and Process Innovations. If related to the observed object, namely the industry in Bandung, indeed, all this time, the innovations carried out by culinary entrepreneurs are innovations in products such as offering creative new menus, or process innovations such as new ways of serving.

4. Conclusion

Creative industries have an essential role in the Indonesian economy. One part of this industry is the culinary business, which is currently proliferating in various cities in Indonesia, one of which is Bandung. However, of the many culinary businesses that emerged in Bandung, only 25% were able to survive. Especially with the SARS CoV 2 virus outbreak, doing research related to organizational performance in the culinary field becomes increasingly essential. This study examines variables that affect organizational performance in terms of innovation and entrepreneurship. The results of this study indicate that organizational performance is only influenced by product innovation and process innovation. Product and process innovation is affected by the Entrepreneurial Mindset, Entrepreneurial Culture, Entrepreneurial Leadership, and Creativity. While Market Innovation does not affect Organizational Performance, this is due to the observed culinary business, rarely doing market innovation. This result happens most likely because the culinary business relies heavily on word of mouth marketing. After all, the success key in this business is word of mouth; this is in line with Basri (2016) research. Thus, there is not much innovation in the market innovation. The research reveals that to improve Company Performance, companies may increase Product Innovations and Process Innovations. Both of these innovations can be enhanced by focusing on developing an Entrepreneurial Mindset, Entrepreneurial Culture, Entrepreneurial Leadership, and Creativity. For Entrepreneurial Mindset, Entrepreneurial Leadership and creativity can be improved through a variety of training following these objectives. As for culture, there needs to be measurements and project cultural changes if needed so that it can foster an entrepreneurial culture within the organization. The main limitation of our study is that some of the effect sizes of the path are low. There are need additional research to understand the relationship and create the suggestion for the culinary industry in Bandung city. Some essential variables that can't include in this research should be addressed in the next research to get a general conclusion.

For future research, there are many other business fields in the creative industry that should be explored, for example, fashion. This research model can be tested in different business areas earlier by adding other variables that are appropriate for the business.

References

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