

The Influence of Innovation on Business Performance Mediated by the Entrepreneurial Spirit of PT Pegadaian (Persero) Agents

Joko Prasetyo

Doctoral Program Management students
Universitas Sriwijaya
Palembang, INDONESIA
prasetyoj835@gmail.com

Syamsurijal A. Kadir, Zakaria Wahab, Muchsin Saggaff Shihab

Faculty of Economic, Universitas Sriwijaya
Palembang, INDONESIA

Abstract

Several studies state that Innovation has a significant effect on company performance. Innovation can also increase the competence of an entrepreneurial spirit. PT Pegadaian (Persero), as a company engaged in finance, has many agents as marketers. The success of an agent in managing his business depends on the creativity and entrepreneurial spirit of the owner. The purpose of this study was to see the impact of Innovation on entrepreneurial spirit and its implications for business performance. The survey was conducted on 215 PT Pegadaian (Persero) agents spread across South Sumatra Province, Indonesia. This research design uses a quantitative approach with structural equation models (SEM) analysis techniques. Data analysis was performed with the help of the LISREL program. The results of the study indicate that Innovation has a dominant effect on entrepreneurial spirit. It also has a positive and significant effect on business performance. The entrepreneurial spirit is a good mediator for the relationship between Innovation and business performance because the size of the indirect effect is stronger than the direct effect. Innovations that are developed in enhancing the entrepreneurial spirit are not only technological Innovation but can also be management innovation. Meanwhile, product innovation is difficult to develop in business management by PT Pegadaian (Persero) agents because the product has been determined. This research provides managerial implications for service business managers, that management innovation can always be done because it will be followed by technological Innovation which will ultimately lead to an entrepreneurial spirit. The high competition among similar companies encourages management to continue to innovate both management, technology, and products.

Keywords

business performance, entrepreneurial spirit, Innovation, product innovation, technological Innovation.

1. Introduction

Various factors can influence the success of a company, and these factors differ from one country to another. These differences can be caused by economic conditions, geographic location or location, culture, and industrial measurements (Hult et al., 2003; Sarkar et al., 2001; Knight, 2000). Several studies have found that many factors can cause a company to fail to achieve success (Hill, 2001; Zahra, 1995). So far there is no comprehensive theoretical framework that can explain the factors that affect company performance. Besides, previous research has often used rational theory. Several studies have found that corporate entrepreneurship is an important factor in achieving corporate success (Wiklund & Shepherd, 2004; Zahra, 1995).

There have been many studies on entrepreneurial perspectives in companies. However, corporate entrepreneurship associated with marketing and environmental uncertainty is limited. Therefore, this study links corporate entrepreneurship with marketing activities as recommended by Covin and Slevin (1991) and environmental uncertainty. Various previous studies have concluded that corporate entrepreneurship is a factor associated with corporate success (Zahra, 1995; Sarkar et al., 2001; Lumpkin & Dess, 2001). Entrepreneurial organizations have three main characteristics, namely Innovation, proactivity, and risk-taking (Covin & Slevin, 1991). Innovation is a

manifestation of the organization's commitment to be involved while supporting new ideas, innovations, experimental practices, and creative processes that will ultimately produce new goods, services, or technological processes (Lumpkin & Dess, 2001).

Previous research has suggested that high-level and proactive Innovation can improve organizational performance (Lumpkin & Dess, 2001), the desire to innovate to meet customer needs in the market, be willing to take risks to try to create new goods and not necessarily bring profit, service, and do more. Proactive than competitors to take advantage of opportunities that arise (Covin & Slevin, 1991; Knight, 2000). The innovation dimension reflects trends associated with supporting new ideas, experiments, and creative methods (Lumpkin & Dess, 2001). The Innovation of goods to be marketed means were reflecting that the innovation dimension can be used by companies to seek new opportunities. This research was conducted to analyze the impact of Innovation on entrepreneurial spirit and its implications for business performance.

2. Literature Review

2.1 innovation

Innovation is one of the choices for corporations to face market competition and sustainable management. Freeman (2004) considers Innovation as an effort by companies through the use of technology and information to develop, produce and market new products for the industry. In other words, Innovation is the modification or discovery of ideas for continuous improvement and development to meet customer needs. In short, Innovation is the success of implementing creative ideas in an organization.

Innovation is a way to continue to build and develop an organization that can be achieved through the introduction of new technologies, new applications in products and services, developing new markets, and introducing new forms of organization (Widodo, 2012). Innovation can relate to goods, services, or ideas that are new to someone. Innovation can take the form of a company mechanism to adapt to a dynamic environment. Innovation is the process of converting knowledge into value through the application of new or improved products, processes, and systems.

According to Okpara (2007), Innovation is defined as adding something new to an existing product or process. Innovation is the successful exploitation of new ideas. Okpara (2007) further explains that Innovation is a process by which entrepreneurs convert market opportunities into workable, profitable, and marketable ideas. Innovation is an application of something creative that has a significant impact on an organization or society. Innovation is the process of bringing the best ideas into reality, being innovative. Innovation is the creation of new values, and Innovation is a process that combines ideas and knowledge into new values.

2.2 Entrepreneurial Spirit

Entrepreneurship is a mental attitude and soul eel that is always active in trying to advance the work of their devotees to increase income in their business activities. The essence of entrepreneurship is the ability to create something new and different through creative thinking and acting innovatively to create opportunities in facing life's challenges. Research on the effect of entrepreneurial orientation on marketing performance has been carried out, but there are still inconsistencies. Bird (1995) describes the dimensions of competence into beliefs, motives, social roles, knowledge, self-image, skills, and traits. The dimensions of competence are familial, ethical, learning, personal, conceptual, opportunity, and strategic competence. An entrepreneurial spirit also emerges from the experience values they have (Gunarto et al., 2018a; Gunarto et al., 2018b).

Lumpkin and Dess (2001) created an entrepreneurial orientation model based on five dimensions. The five dimensions are freedom, renewal, willingness to take risks, proactive, and aggressive. In line with Lumpkin and Dess (2001), entrepreneurial orientation is a process, practice, and decision-making activity that leads to new input. They claim that new input is achieved through entering new markets by offering new outputs and services. In this case, the new input is an idea that underlies the concept of corporate entrepreneurship. Furthermore, Lumpkin and Dess (2001) state that the main keys of the entrepreneurial orientation dimension include action to be able to act freely, the desire to reform and be willing to take risks, and tend to be more aggressive than competitors and proactive in anticipating opportunities in the market.

2.3 Business Performance

According to Rivai (2008) in assessing the performance of an employee, various aspects of assessment are required, including knowledge about work, leadership initiative, quality of work, cooperation, decision making, creativity, reliability, planning, communication, intelligence, problem-solving, delegation, attitude, effort, motivation, and organization. Job performance is defined as the overall performance of employees in meeting the expected quality and achievement of tasks based on the organization's policy and time requirements (Wu & Lee, 2011). Ahmad & Shahzad

(2011) also argue that employee performance is a general belief of employees about behavior and contribution to organizational success.

Performance is a combination of an individual's mental and physical abilities to complete tasks, where these two aspects depend on the requirements of the worker. Brahmajari (2004) argues that performance is the achievement of organizational goals, which can be in the form of quantitative or qualitative output, creativity, flexibility, reliability, or other things the organization wants. Performance is a function of ability, motivation, and opportunity. Performance in carrying out its functions does not stand alone but is always related to the core values adopted in the organization, employee job satisfaction, and the level of rewards given, and is influenced by individual skills, abilities, and traits. Based on the dimensions of several experts, the constructs of business performance dimensions are quantity, quality, timeliness, effectiveness, and independence.

3. Methods

The design of this research is explanatory, which explains the relationship between exogenous and endogenous variables. The exogenous variables consist of Innovation, while the endogenous variables are entrepreneurial spirit and business performance. The instrument has been tested and tested for validity and reliability. The survey was conducted on 215 PT Pegadaian (Persero) agents spread across the province of South Sumatra. The sampling technique was carried out by proportional random sampling in 17 districts/cities in South Sumatra Province. The data analysis technique was carried out by using the structural equation modelling (SEM) approach. Data analysis was performed using the LISREL program.

4. Results and Discussion

4.1 Test the Validity and Reliability of the Instrument

The innovation variable is measured by 4 (four) indicators, the entrepreneurial spirit variable is measured by 4 (four) indicators, and the business performance variable is measured by 6 (six) indicators. The calculation of the validity test was carried out using Pearson correlation with the help of the SPSS for the windows version 22 program package. The results of the validity test showed that all indicators in each variable were valid. This means that all items that are used as indicators of all variables are valid as measurement tools.

The results of the instrument reliability test for each variable are shown in Table 1.

Table 1. Reliability Test Results for Each Variable

Variable	Number of Indicators	Value of <i>Cronbach Alpha</i>
Innovation (INNOVATI)	4	0,946
Entrepreneurial Spirit (ENTREPRE)	4	0,922
Business Performance (PERFORM)	6	0,970

The results of the calculation of the reliability value for all variables show that it is reliable because the Cronbach Alpha value is greater than 0.7 (Gunarto, 2018; Hair et al., 2014).

4.2 Descriptive Analysis

The distribution of answers to 215 respondents on each variable of Innovation, entrepreneurial spirit, and business performance is descriptively shown in Table 2.

Table 2. Recapitulation of the Results Description of Research Variables

No	Variable	Percentage of Achievement (%)	Criteria
1	Innovation	79.84	Good
2	Entrepreneurial Spirit	65.77	Enough
3	Business Performance	78.38	Good

The results of data processing describe the Innovation of PT Pegadaian (Persero) agents in general in the good category. These results explain the level of Innovation that is good in interpreting every business activity it carries out. Innovation can be caused due to internal and external factors. Internal factors such as the owner's vision to adapt to the business environment, an effective organizational structure that enables the transformation of the vision to run

well, the development of corporate culture as a learning organization, and adequate resource support such as labor, finance, technology and networks that allow ideas to run. innovative. Meanwhile, external factors include policy support, access to finance, market situation, and adequate infrastructure. External conditions affect business craftsmen to think creatively in running a business, including in overcoming any business obstacles they face.

The entrepreneurial competency variable is in the fairly good category. These results indicate that the craftsmen have a sufficient combination of knowledge, abilities, skills, and personalities to run and develop their businesses. In this case, crafters have a fairly good conceptual understanding of how to start, run, and develop a business as an agent of PT Pegadaian (Persero), can continue to innovate and run a business professionally, a strong belief to achieve goals and a mental attitude that is not tireless in building a business.

The performance variable shows that the respondent's response is in a good category. These results describe that, in general, PT Pegadaian (Persero) agents have adequate managerial skills in organizing all operational activities of the company to achieve predetermined business plans. Indicators of successful performance are that the organization can produce quality products, meet production quantities following the business plan, have effective control and evaluation system, and have independence and commitment to developing its handicraft business. Business performance is greatly influenced by the ability of business owners in preparing business plans, organizing all resources owned by the organization to carry out plans, building effective information and communication systems within the organization and with the external environment, building a monitoring system, and making evaluations that can serve as a guide. for further business operations.

4.3 Structural Equation Model Analysis

After the confirmatory factor analysis (CFA) is carried out, the structural model is formed. The results of the formation of a structural model using the LISREL program are shown in Figure 1.

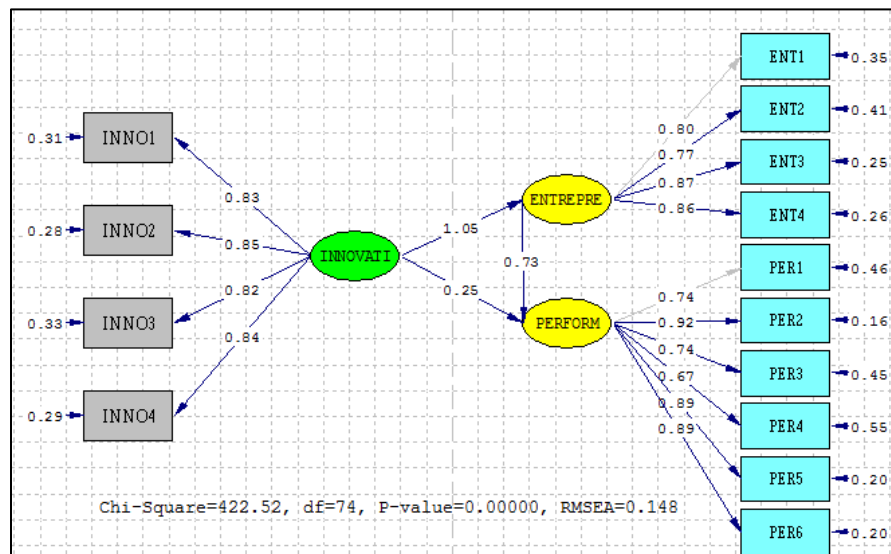


Figure 1. Estimation Results on the Full Structural Model

Figure 1 shows the magnitude of the parameter values for both the structural model and the measurement model. The structural model shows the magnitude of the direct influence of Innovation on entrepreneurial spirit and business performance. The measurement model for each variable shows that the factor loading value is more than 0.5, meaning that the indicator can explain the constructs of each variable. The relationship between the variables shows a positive relationship, meaning that the better the Innovation is, the better the entrepreneurial spirit will be. The business performance will be more advanced. Likewise, the entrepreneurial spirit has a positive effect on business performance. The test results of this research model are shown in Figure 2.

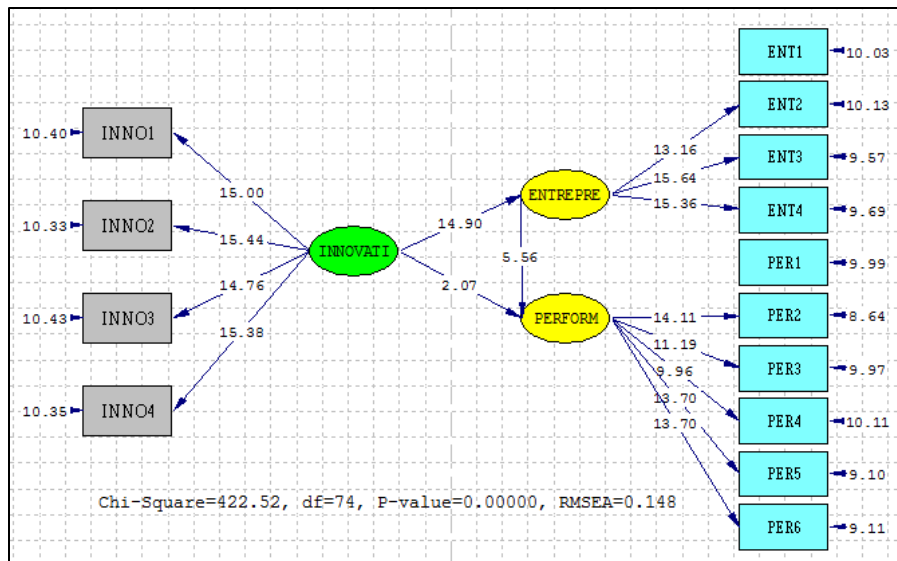


Figure 2. Test Results on the Full Structural Model

Figure 2 is the test result for the measurement model and structural model. All parameters were tested with the t-test statistic where the test is significant if the t-value obtained is more than 1.96, and vice versa if the t-value obtained is less than 1.96 then the parameter is not statistically significant. Figure 2 shows that all the indicators forming the latent variables are significant, because the t value is greater than 1.96, while the test results for the structural model are described in Table 3.

Table 3. Results of Testing the Relationship Between Latent Variables.

Endogenous Variable	exogenous variables	Estimate	S.E.	t-Value	note	R ²
Entrepreneurial Spirit	<--- Innovation	1,05	0,07	14,90	Signifikan	0,99
Business Performance	<--- Innovation	0,25	0,12	2,07	Signifikan	
Business Performance	<--- Entrepreneurial Spirit	0,73	0,13	5,56	Signifikan	

Table 3 shows that of the 3 (three) proposed hypotheses, all of them are significant. The following is an explanation of each hypothesis:

1. There is a positive influence between Innovation on the entrepreneurial spirit of 1.05 with a t-value of 14.90 and it is statistically significant because the t-value is greater than the t-table (1.96). This means that the better the level of Innovation of PT Pegadaian (Persero) agents, the better the entrepreneurial spirit is, and vice versa.
2. There is a positive influence between Innovation on business performance of 0.25 with a t-value of 2.07. Statistically, it can be stated that there is a significant influence between Innovation on business performance because the t-value is greater than the t-table (1.96). This means that the better the Innovation is carried out, the better the business performance is.
3. There is a positive influence between entrepreneurial spirit on business performance of 0.73 with a t-value of 5.56. Statistically, it can be stated that entrepreneurial spirit has a significant effect on business performance because the t-value is greater than the t-table (1.96). This means that the better the entrepreneurial spirit, the better the business performance.

These results mean that an increase in entrepreneurial spirit marked by an increase in knowledge, personality, skills, and motivation can be developed through increased Innovation. The results of this study support the research of Avlonitis and Salavou (2007), which concluded that the competencies possessed will encourage SME owners to dare to innovate in products and performance, while Barney et al. (2001) concluded that skills are a determinant of innovation strategy at the oil company. These results also do not support Tidd and Bodley (2002) who concluded in their research that competence affects company performance and the level of innovation success.

The results of testing this hypothesis indicate that the innovation process is a factor that affects the improvement of business performance. Several previous research references support this result, including research by Avlonitis and Salavou (2007), which shows the desire to carry out a high risk of product innovation and overall organizational performance will positively contribute to improving the performance of an entrepreneur. Price et al. (2013), through their research on medium-small scale family companies, also concluded that Innovation is a determinant factor in improving the performance of business craftsmen. Ndesaulwa (2016), through his research on small and medium business owners in Tanzania, shows the positive impact of Innovation on efficiency and improving company performance in general. Investments in Innovation and technology reflect the correct use of company resources.

5. Conclusion

This study resulted in the findings that Innovation has a positive and significant effect on entrepreneurial spirit and business performance of PT Pegadaian (Persero) agents. Innovation will reduce the level of losses and use of unnecessary resources, and this will lead to a good level of productivity. PT Pegadaian (Persero) agents who have an innovative culture will be able to direct the maximum and effective use of resources and have the ability to plan and monitor them so that an entrepreneurial spirit emerges. A high entrepreneurial spirit will result in high business performance as well.

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Biography

Joko Prasetyo is a doctoral student in management science, Sriwijaya University, Palembang. The master program is completed in the Sriwijaya University management master program. His current position is head of PT Pegadaian (persero) Palembang.

Syamsurijal A. Kadir is a professor of economics at the Faculty of Economics, Sriwijaya University. The undergraduate education was completed at the Faculty of Economics, Sriwijaya University, the master of science and doctoral programs, were completed at the University Of Kentucky USA. His last position was as Dean of the Faculty of Economics, Sriwijaya University.

Zakaria Wahab is a senior lecturer in marketing management at the Sriwijaya University Management Study Program. Completed undergraduate education at the Faculty of Economics, University of North Sumatra, the MBA program was obtained from Wright State University, USA. He earned a doctoral degree from Padjadjaran University, Bandung. His last position was as head of the Sriwijaya University Faculty of Economics management study program.

Muchsinn Saggaff Shihab is a senior lecturer in management at the Sriwijaya University Management Study Program. The undergraduate education was completed at the Faculty of Economics, Tridianti University, the master program of science was obtained from the Asian Institute Of Technology, Thailand. The doctoral degree was achieved from Indian Institute of Technology, India.