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The Role of Innovation Strategy in Educating ³the Effect of
Organizational Culture on Organizational Performance in
SME'S of Silver Crafts in Gianyar District

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Abstract—This study aims to determine and explain the effect of compensation and intrinsic motivation on morale, to find out and explain the effect of compensation, intrinsic motivation, and morale on employee performance at Cooperatives in Pejaten Village, and to know and explain the role of work spirit in mediating the effects of compensation and intrinsic motivation on employee performance at the Cooperative in Pejaten Village. The population in this study were all employees who worked at the Cooperative in Pejaten Village, as many as 50 employees. The sampling technique used is a saturated sample (census) where the entire population is used as a sample of research, amounting to 50 people. The data used were primary data obtained from questionnaires to determine respondents' perceptions of the variables under study and secondary data obtained from documents and other information available at the Cooperative in Pejaten Village. The research hypothesis testing uses Partial Least Square (PLS) applications. The results showed that: (1) compensation has a significant positive effect on employee morale (2) intrinsic motivation has a positive and insignificant effect on employee morale (3) compensation has a positive and significant effect on employee performance (4) intrinsic motivation has a positive effect and not significant to employee performance (5) work morale has a negative and significant effect on employee performance, (6) work morale is not a mediation between compensation to employee performance (7) work morale is not a mediation between intra-motivation to employee performance.

Keywords: compensation; intrinsic motivation; job morale and employee performance

How to cite;

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I. INTRODUCTION

In globalization era, the role of the private sector has increased various countries a significant part of economic development and job creation. Any research communities share the view that the growth of SMEs is very important in the economy sector. In addition to playing a role in the economic growth of SME's it also has a role in distributing development results and has been proven to be unaffected by the crisis. Bali is one of the regions in Indonesia that has a very large number of SME's and the average income of Balinese people besides tourism is through SMEs. The number of SMEs in Bali from year to year has increased, the following data on the development of SMEs in Bali from 2015 to 2019 where the development of SMEs from 2015-2019 experienced a significant increase. The average growth of SMEs in Bali has increased by 4% as of February 2019. In 2017-2018 there was an increase in the number of SME's that was quite high in Bali at 12%.

The silver handicraft industry in Bali, especially in the village of Celuk is known as a village of silver craftsmen since 1976, the results of gold and silver crafts produced in Celuk have high quality and can produce in large quantities. Nearly all-local residents work as artisans engaged in the silver handicraft business. They are very skilled at developing creations and designs related to silver and gold crafts, art in the province of Bali is one that is in demand by tourists, especially arts in the field of silver crafts. Silver and gold jewelery is one of 17 types of fast growing household handicraft businesses in Gianyar Regency, Celuk Village, which is strategically located as a center for silver and gold jewelery. The province of Bali earned foreign exchange of 7,37 million US dollars from exports of various types of jewelry (Bali Provincial Statistics Business Agency, 2019). It can be seen the number of exports, the growth rate and the exchange rate of silver jewelry crafts in Gianyar Regency. The growth of silver jewelry in Gianyar Regency has fluctuated in the last 5 years, from 2015 to 2016 an increase of 4.8%, but experienced a very drastic decline in 2017 to 11.4% this is due to the high cost of raw materials for production and the impact of the collapse of the global economy as well as the number of silver business players switching to other professions. In 2018 stretching silver growth increased because the global economy has begun to improve and the number of requests and 2019 declined again due to increased raw materials. Based on the results of interviews with the chairman of the Meguk Celine Design Center Association (2019), it is known that in the past year, several shops have switched to craft and craft industries. Silver handicraft entrepreneurs complained about the lack of visitors, decreased exports, the price of silver raw materials was relatively expensive. The government's attention is less intensive as for internal management issues including capital problems, technology and skill expertise. They do not have an adequate system, inadequate market development regeneration, and marketing. Also, Efforts by business leaders in a rapidly changing environment, it seems that it is not enough so that another way is needed to improve competitiveness.

This research is a research development from previous researchers. The novelty of this research is in terms of mediating indicators on each variable studied and the

theory of organizational culture by (Hofstede, Hofstede, & Minkov, 2010), innovation strategies (Saptomo, 2008) and organizational performance by Nasucha in (Sinambela, 2012). With this development it is hoped that this research will be able to comprehensively explain the role of the innovation strategy in mediating the influence of organizational culture on organizational performance in the Silver Craft SMEs in the Regency of Gianyar in particular the Village of Celuk, Sukawati.

II. LITERATURE REVIEW

Organizational Performance

Organizational performance is something that has been achieved by the organization within a certain period of time, both related to inputs, outputs, outcomes, benefits, and impacts. The indicators of organizational performance are: input, process, output, outcome, benefit and impact (Sobandi et al., 2006).

Innovation Strategy

In observation, innovation is the most important issue in business because it is able to change the market situation by reducing the ability of large market players and encouraging outside actors to occupy high positions. Without innovation, market players can lose their position and it will be difficult to rebuild their performance in the industry. Innovation activities and product development in companies that are linked to performance are important things that must be considered in increasing productivity and global competition. The indicators of the innovation strategy are leadership orientation, process innovation, product innovation and implementation of innovation.

Organizational Culture

Organizational culture as a basic assumption pattern is created, discovered or developed by certain groups as they adjust to external problems and internal integrations that have worked well enough and are considered valuable, and are therefore taught to new members as the correct way to realize, think, and feel the connection with the problem. The indicators referring to (Hofstede et al., 2010) that states that there are five indicators of organizational culture, namely: Power Distance, Individualism and Collectivism, Masculinity vs. Femininity, Uncertainty Avoidance and Long-term Avoidance and short-term orientation (future and present orientation).

Small and Medium Enterprise (UKM) Silver Craft

SMEs are part of a productive economy business that stands alone. Generally,

this business is carried out by individuals, or business entities are not subsidiaries or not a branch of a company that is owned, controlled or Large Business (Republic of Indonesia Law number 20 of 2008). Silver is one of the so-called precious metals. Silver has the highest known electrical and thermal conductivity of all metals and is used in fabricating electrical circuits. Under standard conditions silver is a soft metal that has a shiny metallic finish. Silver is very elastic (which means it can be stretched) and soft (which means it can be forged into a wide Eid) (Mulyadi, 2015).

Hypotesis

H1: Organizational culture has a positive and significant effect on innovation strategies.

H2: Organizational culture has a positive and significant effect on organizational performance.

H3: Innovation strategies have a positive and significant effect on organizational performance.

H4: The role of innovation strategies in mediating organizational culture has a positive and significant effect on organizational performance.

III. METHOD

This research was conducted by testing the hypothesis about the role of innovation strategies and organizational culture on organizational performance in Silver handicraft SMEs in Gianyar district. The scope is all silver SME's entrepreneurs in Gianyar Regency, Which is there are many in Celuk Village, Sukawati District, Gianyar Regency.

Data collection used observation, interviews, literature study and questionnaire. The types of data are primary data and secondary data. The populations were 48 silver business units that have been registered with the Celuk Silver Crafts Association. The sampling technique is to use the saturated sample (census) technique. So that all of the respondents used were 48 owners / managers managing silver crafts in Celuk.

The test instrument was a questionnaire, which is collecting data with a series of respondents' written statements regarding the variables to be examined, including testing their validity and reliability. The data was analys by Descriptive analysis test and inferential analysis test.

IV. RESULTS AND DISCUSSION

Result

Path analysis and testing of mediation variables

The results of the analysis carried out can be presented in a picture of the research model in accordance with the PLS analysis as follows.

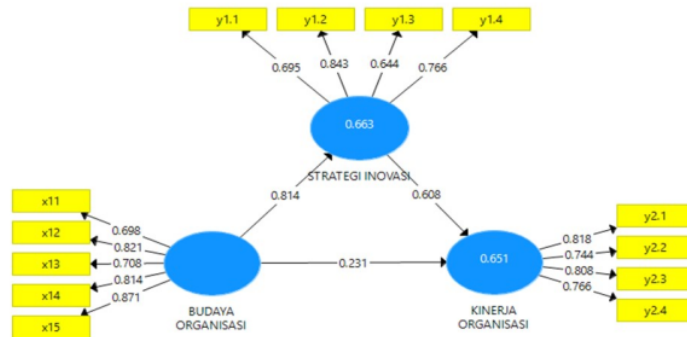


Figure 1
Outer Loading and Path Analysis Estimated Results

While the results of calculations regarding the results of the significance test (bootstrapping) before reconstruction can be seen in figure as follows.

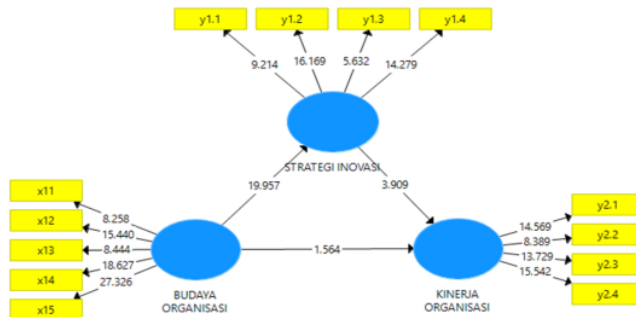


Figure 2
Bootstrapping (Statistic test)

The results of the path coefficient validity test for each path for direct effects and effects can be presented in Table 1:

Table 1
Path Analisis and Testing Statistics

| Konstruk | Original Constructions Sample (O) | Samples The mean (M) | Standard Deviation (STDEV) | T Statistics (O/STERR) | P Values |
|--|-----------------------------------|----------------------|----------------------------|--------------------------|----------|
| ORGANIZATIONAL CULTURE -> ORGANIZATIONAL PERFORMANCE | 0,231 | 0,234 | 0,148 | 1,564 | 0,118 |
| ORGANIZATIONAL CULTURE -> INNOVATION STRATEGY | 0,814 | 0,823 | 0,041 | 19,957 | 0,000 |
| INNOVATION STRATEGY -> ORGANIZATIONAL PERFORMANCE | 0,608 | 0,614 | 0,155 | 3,909 | 0,000 |

Source: Data processed in 2020

Information from Table 1 above, it can be determined the results of testing the hypotheses described as follows: Organizational culture has a positive effect of 0.231 on organizational performance, and the relationship is not significant at the 0.05 level because the P Value is 0.118 > 0.05. Organizational culture has a positive effect on performance by 0.814, and the relationship is significant at the 0.05 level with a P Value of 0,000 < 0.05. The innovation strategy has a positive effect of 0.608 on organizational performance and the relationship is significant at the 0.05 level with a P Value of 0,000 < 0.05.

The mediation effect analyzed includes direct analysis and indirect effect analysis in this study using the examination method

Based on the calculation results, the mediation role test can be seen in Figures 3-5:

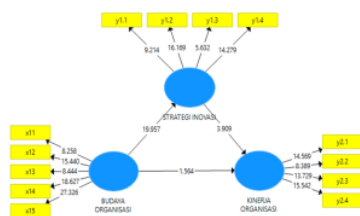


Figure 3

The Role of Innovation Strategy Mediation on Organizational Culture on Performance (Indirect Effect)

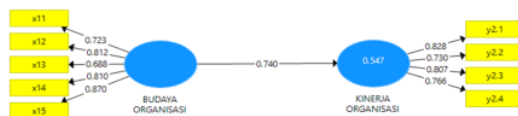


Figure 4

Direct Relationship between Organizational Culture and Performance

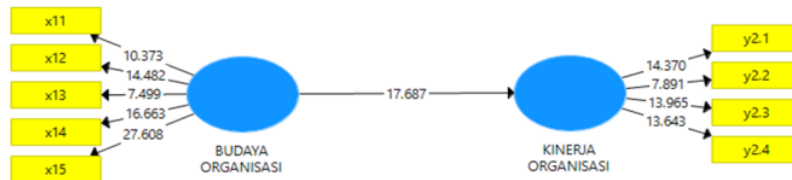


Figure 5

Statistical Test of Direct Relationship Between Organizational Culture and Performance

Based on Figures above, it turns out that the innovation strategy is a full mediation (full mediation) between organizational cultures on organizational performance. The results of data analysis as described in the previous section, then the following is a summary of the results of testing this research hypothesis:

Hypothesis 1, which states that organizational culture has a positive and significant influence on innovation strategies, is proven

² Hypothesis 2 which states that organizational culture has a positive and significant effect on organizational performance, is not proven. This is because the results of this study state that organizational culture has a positive and not significant effect on organizational performance.

Hypothesis 3 which states that the innovation strategy has a positive and significant effect on organizational performance, is proven.

Hypothesis 4, which states that innovation strategies mediate the influence of organizational culture on organizational performance, is proven.

Discussion

The results show that organizational culture has a positive and significant influence on innovation strategies. This means that the stronger the organizational culture, the higher the ability of the innovation strategy. Positive relations show the application of Hofstede's national cultural values make an important contribution in improving innovation strategies, lack of discrimination between employees, making employees feel comfortable, they are able to channel their ideas so that they will give them a competitive advantage.

The results show that organizational culture has a positive and not significant effect on organizational performance. The stronger the organizational culture, the lower the performance of the organization. The positive relationship is caused in the application of organizational culture as measured by using the concept of Hofstede's cultural theory in accordance with the existing organizational culture of silver handicraft SMEs in Gianyar Regency. The facts in the field show that managers or

managers of silver handicraft businesses are proven not to discriminate against employees, implement SOP (Standard Operational Procedure), always have a long-term orientation, operational efficiency, and maintain affordable prices to improve organizational performance.

The results show that the innovation strategy has a positive and significant influence on organizational performance, the more an innovation strategy increases, the higher the organizational performance. The positive relationship due to the implementation of the innovation strategy in silver SMEs in Gianyar Regency affects the organization's performance. The facts on the ground show that the more a company innovates to meet market needs, the higher the organizational performance. Innovation will require quite high operational costs, while companies must maintain efficiency so that profits continue to increase and selling prices to customers are relatively affordable.

The results of the analysis of organizational culture data have a positive and not significant effect on organizational performance. While the influence of organizational culture on innovation strategies is positive and significant and the innovation strategy has a positive and significant effect on organizational performance.

Research Limitations

In this research there are several limitations that make the results of research completely incomplete. Here are some of the limitations of the study, following the limitations of this study, this study is a simple study that has limitations only examines the interrelation of two organizational culture variables and organizational performance where the innovation strategy variable is a mediator, while many factors affect organizational performance. This research is limited to silver and silver Small and Medium Enterprises (UKM) in Gianyar Regency that is a private company. UKM still applies the traditional and family system. Regeneration that is still lacking in silver SME management is quite large. This study does not take a broader object so that the results of this study cannot be generalized to explain different characteristics. The method in filling out the questionnaire is in the form of a self-administered survey that gives respondents to fill in the questionnaire by themselves which allows the respondent to experience errors in perceiving the statements in the questionnaire, so that it might cause the respondent's answers not to be expected. The data used is only a cross section so that it is only temporary, so it needs to be conducted periodically and ongoing research to be used as material for long-term policy.

Research Implications

The findings of this research are expected to be beneficial for entrepreneurs in Bali especially in Gianyar Regency where there are many silver handicraft SMEs, in

an effort to improve innovation strategies and organizational performance. Cultural values contained in the concept of Hofstede's national culture that are owned by managers or business managers, can be used as guidelines in business practices as well as guidelines in making decisions related to organizational innovation strategies to improve organizational performance.

Theoretical implications

The performance of organizations in silver handicraft SMEs in Gianyar Regency is determined by the innovation strategy and organizational culture. Indicators of companies conducting business operations reflect the most dominant organizational performance. With efficient costs and indicators, the company is improving employee performance by providing regular training to improve the quality of human resources in silver handicraft SMEs in Gianyar Regency. Indicators reflect the most dominant innovation strategy that the company always uses new technology to produce new products with new designs according to trends. Market trends must be improved in order to continue to exist in businesses that have long existed and been passed on. The most dominant organizational culture is reflected by indicators of future and present orientation (long term orientation - short term orientation), which is the company always considers various risks that might interfere with the smooth operation of silver handicraft SMEs in Gianyar Regency. This must be improved; all policies and actions will be taken from all companies.

Practical implications

The results of research are expected to be able to contribute to the managers or managers of silver handicrafts at SMEs in Gianyar Regency. That it is necessary to pay attention to the strategy of innovation and Hofstede's national culture as a basis for making decisions to improve organizational performance. The results also expected to be able to contribute to the relevant Bali provincial government agencies (Office of Protection and Trade, Office of Cooperatives and SMEs) to facilitate the development of a silver handicraft business in Gianyar Regency.

V. CONCLUSION

Based on the description and results, organizational culture has a positive and significant influence on the innovation strategy, meaning that the stronger the organizational culture, the higher the ability of the innovation strategy. A positive relationship shows the application of Hofstede's national cultural values to make an important contribution in improving innovation strategies.

Organizational culture has a positive and not significant effect on organizational performance. The stronger the organizational culture, the lower the

performance of the organization. The positive relationship is caused in the application of organizational culture as measured by using the concept of Hofstede's cultural theory in accordance with the organizational culture of silver handicraft SMEs in Gianyar Regency.

The data analysis shows that the innovation strategy has a positive and significant effect on organizational performance, it's meaning more innovative of the innovation strategy, its make higher of the organizational performance. The positive relationship due to the implementation of an innovation strategy in the silver handicraft SMEs in Gianyar Regency will affect organizational performance, the higher the organizational performance.

Innovation strategies are mediations between organizational culture and organizational performance. The innovation strategy is able to explain the relationship between organizational culture and organizational performance because the direct relationship between innovation strategy and organizational performance has a high relationship, while the direct relationship between organizational culture and organizational performance is not significant. The meaning of the role of mediating variables here shows that the influence of organizational culture on organizational performance can be conveyed well by the innovation strategy, in words the innovation strategy mediates the relationship of organizational culture with the concept of Hofstede's national culture on organizations in silver handicraft SMEs in Gianyar Regency.

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