

BUSINESS INNOVATION : ASSOCIATION MODEL OF ENVIROMENTAL, SOCIOLOGY AND PERSONALITY FACTORS

ABSTRACT

This research attempts to build a model that shows the direct and indirect associations of personality, sociological and environmental factors on businessmen innovation(intervening variable) and business growth (dependent variable). This research was conducted on female MSMES in Mataram City. The analysis tool uses PLS analysis. It was found that personality has a significant direct and indirect influence on business innovation and business growth at a 10 percent test alpha. The sociological factors have a significant influence on alpha 5.00%, both directly and indirectly on innovation and business growth. Environmental factors are empirically ignored because they do not have a significant direct and indirect influence on business innovation and business growth.

Keywords: Business Innovation, Business Growth, Associatoon Model

I. INTRODUCTION

Indonesia is still struggling with endless problems, draining the country's attention and resources. The state and society seem to forget about their backward position in the global economy, which has an impact on Indonesia's condition which is far behind. Indonesia is ranked 37th in the world competitiveness index in 2021, where this ranking will decline to 44th in 2022 (World Economic Forum, 2022). Government must be aware that in this low position, every movement carried out will be much slower than the movement of a country that already has high innovation capital (the level of leverage is much greater. Papanek et al., (2014) stated that Indonesia is at least 25 years behind other countries.

The fact is that the real condition of Indonesia's macro economy is very low in terms of innovation, low self-sufficiency (Hartono and Kusumawardhani, 2018). Thus, external price fluctuations can hit economic actors in Indonesia. Innovation is not just for multinational scale projects, but it can start from products produced in micro and small scale businesses (Ciceta et al, 2016). Rasha and Mark (2016) found that innovation has a significant effect on the growth of small and medium enterprises. The characteristics of the company which also influence the growth of the company in terms of the company's lifetime and the owner's characteristics. The other company characteristics, such as company size, use of technology does not have a direct effect on company growth, including the owner's education and experience (owner characteristics). It provides an indication that company and individual characteristics may have an indirect influence on company growth, but through company innovation (Demirbas, et all., 2011).

Research from Suardana (2023) found that 90.71% of business scales in Mataram were still at micro criteria (annual sales <Rp. 2 billion) and 9.29% were micro scale (sales Rp. 2 M-Rp. 15 M). The characteristic of micro and small scale businesses is that the business owner runs the business himself, assisted by several employees (78.58% in the range of 1-3 people and 17.14% in the range of 4-7 people; (Suardana, 2023). In such conditions, it is believed that Mataram city, including its businessmen need attention to increase innovation thus their businesses can grow. The findings in this research not only became the government's attention but also the businessmen. Suardana (2023) has identified items for each factor that influences innovation, and followed up in association research or model formation which leads to the objective variable such as growth of micro and small scale businesses in Mataram city. These factors include personality, sociology and environmental.

The remaining of this paper divided into four sections. The first section is discussed about the introduction of Business Innovation. The second section, discuss the factors of business innovation. The third section will discuss the methodology of the paper. The last section concludes the result of this research.

II. Factors of Business Innovation

2.1. Business Growth

In the course of its business, companies can shrink, survive or grow depend on their internal ability to adapt to external conditions (Rangkuti, 2015); (Pearce, J. A., & Robinson, 2007). The existence of the business scale above can change if it experiences business growth. Business growth shows that business conditions experience a real increase in profits, sales and assets, which is manifested from its ability to carry out production efficiency per unit of product (Funk, 2022). According to the study in this research, the context of company growth studied is on a micro and small business scale, which is likely to experience changes if the study is on a large business scale, especially on a national and global scale.

The indicators in this research are the following; 1) the ability to increase production efficiency; 2) the ability to improve product quality; 3) increase the sales' omzet; 4) increase in profit gains; 5) increase the number of employees; 6) increase of machinery capacity; 7) increase working capital; 8) increase assets; 9) increase welfare and 10) increase of partners (Funk, 2022); (Hilka, 2016); (Anyadike-Danes et al., 2009).

2.2. Innovation

Innovation covers broad aspects of business, including product innovation, process innovation, marketing innovation and organizational innovation (OECD in (Suardana, 2023). In the model built by Suardana (2023), the learning orientation of businessmen significantly influences the dimensions of innovation, next, product innovation and process innovation have a significant effect on the performance of MSMES. The innovation indicators in this research measure four dimensions (product, process, marketing and organizational innovations), in accordance with the outer model that has been formed (Suardana, 2023), as follows 1) new items in the product; 2) improvements based on customer complaints; 3) improving product quality; 4)

preparation of advanced product types; 5) control over defective products; 6) increasing production efficiency; 7) increase consumer satisfaction; 8) after sales service; 9) easier to communicate with consumers and 10) business is improved (Baker & Sinkula, 2009).

2.3. Personality, Sociology and Environmental

Personality factors concern aspects of the personality and a businessmen. This factor consists of work dissatisfaction, termination of employment, age factors, risk-taking and high interest (Dyah, 2003). Innovation basically cannot be separated from special behavioral studies. Deenitchin & Pikul (2005) identified influential personal factors as abilities and skills, family background, personality, perceptions, attitudes, characteristics, learning capacity, age, race, gender and experience.

Sociological factors are related to relationship with other people. These factors consist of items such as, the existence of a team for cooperation, encouragement from parents or close parties, assistance from other parties and experience. (Demirbass et al, 2011). Gibson (2007) identified them as a working environment and a non-working environment (family, economy, fun and hobbies). (Suardana, 2023) in his research was able to find sociological factors that lead individuals to produce added value from their economic activities such as 1) relationships with other people; 2) supply from others, 3) sales by others, 4) others to partner with, 5) partner support and 6) family support. Other big corporations and government aid are still found to be very minimal, thus, in this further research only what is relevant to the behavior of businessmen in generating added value, efficiency and economic productivity.

Environmental factors are related to the relationship between businessmen and the environment. Witek (2014) identified the items such as the competition in the business world, resources that can be utilized, following training and government policies. Suardana (2023) identified environmental factor items which lead business innovation such as 1) competition in economic life; 2) getting formal work difficulty; 3) ownership opportunities of raw material resources; 4) ownership opportunities of supporting material resources; 5) ownership opportunities of labor resources; 6) NGOs or similar movements and 7) facilities provided by the government. These items are the basic for business activities in running a business and also indicated as factors that will determine innovation.

III. RESEARCH METHODOLOGY

This research has relevance to the previous research that has been written by (Suardana, I Made ., 2022), where the focus of the study is on MSMEs in Mataram City. The subjects of this research were businesswomen in Mataram City, totaling 140 people (n). This type of research is quantitative research. The results of this research will be described in depth, especially the data findings and association results (Nazir., 2014). The analysis tool uses PLS analysis

The variables in this research consist of personality variables (X1), sociology (X2), environmental (X3), business innovation (Y1) and business growth (Y2). These variables are classified into independent variables (personal, sociology and environmental), intervening variables (businessmen innovation) and dependent variables (business

growth). Each variable, according to the meaning of the variable as a quantity that cannot be measured directly, requires measurement items/ manifest variables (Ferdinand, 2003). The items have been described completely in sub-theoretical terms in the following table.

Table 1. Variable Measurement Items

No.	Variable	Manifest/Indicator/Item Variables
1.	Personality (X_1)	1). Awareness to improve the economy ($X_{1.1}$) 2). Ability to produce products ($X_{1.2}$) 3). Interest in business ($X_{1.3}$) 4). Risk-taking Courage ($X_{1.4}$) 5). Confidence ($X_{1.5}$) 6). Able to mobilizeoneself ($X_{1.6}$) 7). Business skills($X_{1.7}$) 8). Suitability of attitude to business ($X_{1.8}$) (Dyah, et al., 2003; (Suardana, 2023)
2.	Sosiology (X_2)	1). Relationships with other people ($X_{2.1}$) 2). Supply from others ($X_{2.2}$) 3). Sales by others ($X_{2.3}$) 4). Others to partner with ($X_{2.4}$) 5). Partner support ($X_{2.5}$) 6). Family support (($X_{2.6}$) (Dyah, et al., 2003; (Suardana, 2023)
3.	Environmental (X_3)	1). Competition in economic life ($X_{3.1}$) 2). Difficulty getting a formal job ($X_{3.1}$) 3). raw material resource ownership opportunity ($X_{3.1}$) 4). Sourcing Opportunity for auxiliary material ($X_{3.1}$) 5). Labor resource ownership opportunity ($X_{3.1}$) 6). Movement from LSM or similar ($X_{3.1}$) 7). Facilities provided by the government ($X_{3.1}$) (Dyah, et al., 2003; (Suardana, 2023)
4.	Businessmen Innovation (Y_1)	1). New items in products ($Y_{1.1}$) 2). Improvements based on customer complaints ($Y_{1.2}$) 3). Improved product quality ($Y_{1.3}$) 4). Advanced product type preparation ($Y_{1.4}$) 5). Control over defective products ($Y_{1.5}$) 6). Increased production efficiency ($Y_{1.6}$) 7). Increase consumer satisfaction ($Y_{1.7}$) 8). After-sales service ($Y_{1.8}$) 9). Easier Communication with consumers ($Y_{1.9}$) 10).Business improved ($Y_{1.10}$) (Suardana, 2023); (Baker & Sinkula, 2009).

5.	Business growth	1). Ability to increase production efficiency (Y2.1) 2). Ability to improve product quality (Y2.2) 3). Sales omsetimprovement (Y2.3) 4). Profit improvement(Y2.4) 5). Employees improvement (Y2.5) 6). Engine capacity improvement(Y2.6) 7). working capital improvement (Y2.7) 8). Assetsimprovement (Y2.8) 9). Welfare improvement (Y2.9) 10).Partner upgrade (Y2.10) (Philippe, 2022; Hilka, 2016; Aleksandra, 2015; Michael & Mark, 2009).
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IV. RESULTS AND DISCUSSION

4.1. Respondent Identity

The results of this research are directed businesswomen in managing their personal factors, adjusting sociological and environmental factors in order to increase their innovation and provide guarantees for business growth. This research is also very important for the government, especially the Mataram City government, in formulating policies, thus the existence of businessmen which are generally on a micro scale can increase to a higher scale business.

Businesswomen are of concern, because of the large potential number of women in Mataram City. The number of female residents over 15 years old is 197,479 out of a total of 395,070 people. The number of people who have had economic activity is 110,249 people, the rest are in the position of looking for job or other activities such as studying, taking care of the household and others (BPS Mataram City, 2022). The number of women in Mataran City, especially labor, is relatively balanced (49.99%), so this potential must be optimized by opening businesses or existing women's businesses experiencing growth, one of them is an indication of employees improvement.

The identity of women businessmen in Mataram City can be seen in Table 2.

Table 2. Identity of Micro-Small Businessmen in Mataram City in 2023.

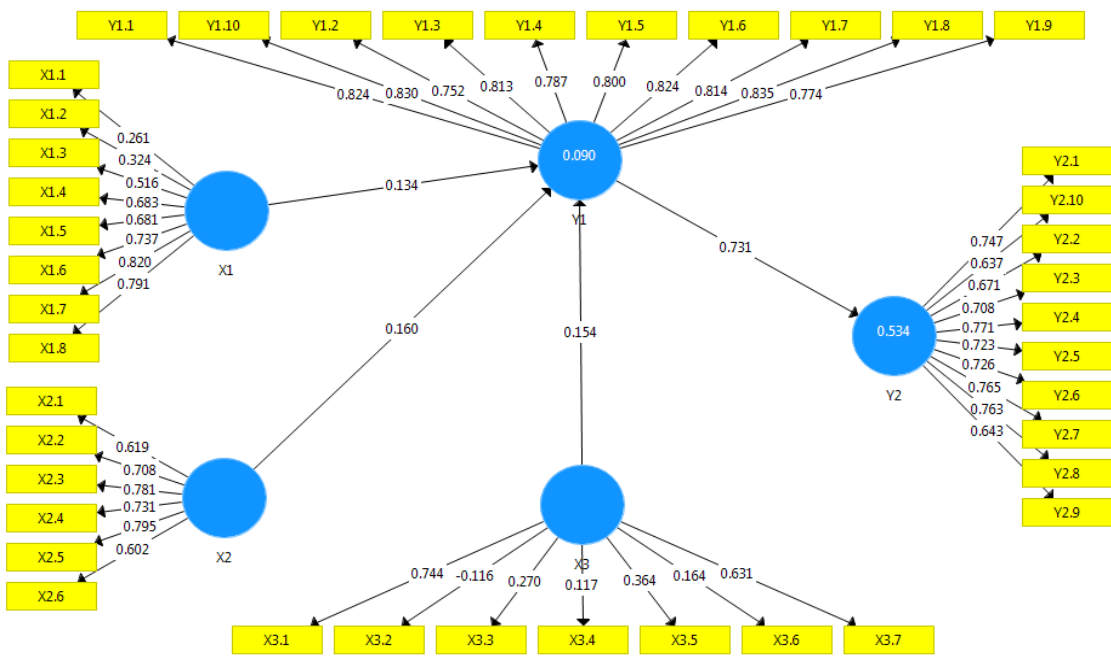
No.	Description	Number (People)	Percentage (%)
A. Age (Year)			
1.	20-29	47	33,57
2.	30-39	36	25,71
3.	40-49	42	30,00
4.	50-59	10	7,14
5.	≥60	5	3,57
B. Education			
1.	Elementary-Junior High School	20	14,29
2.	Senior High School	55	39,29

3.	Diploma	17	12,14
4.	Bachelor Degree/Post Graduate	48	34,29
C. Type of Business			
1.	Tradeing	63	45,00
2.	Culinary	44	31,43
3.	Services	29	20,71
4.	etc	4	2,86
D. Business Experience (Year)			
1.	1-3	51	36,43
2.	4-6	41	29,29
3.	7-10	24	17,14
4.	11-15	9	6,43
5.	>15	15	10,71
E. Sales Range (IDR. Million/ day)			
1.	< IDR.1 million	70	50,00
2.	1-2 million	41	29,29
3.	3-5 million	16	11,43
4.	5-10 million	10	7,14
5.	> 10 million	3	2,14
F. Number of employees (People)			
1.	1-3	110	78,57
2.	4-7	24	17,14
3.	8-10	1	0,71
4.	11-15	2	1,43
5.	> 15	3	2,14
G. Capital source			
1.	Own capital	115	82,14
2.	Loan	9	6,43
3.	Combination	16	11,43

Source: processed primary data

4.2. Data analysis

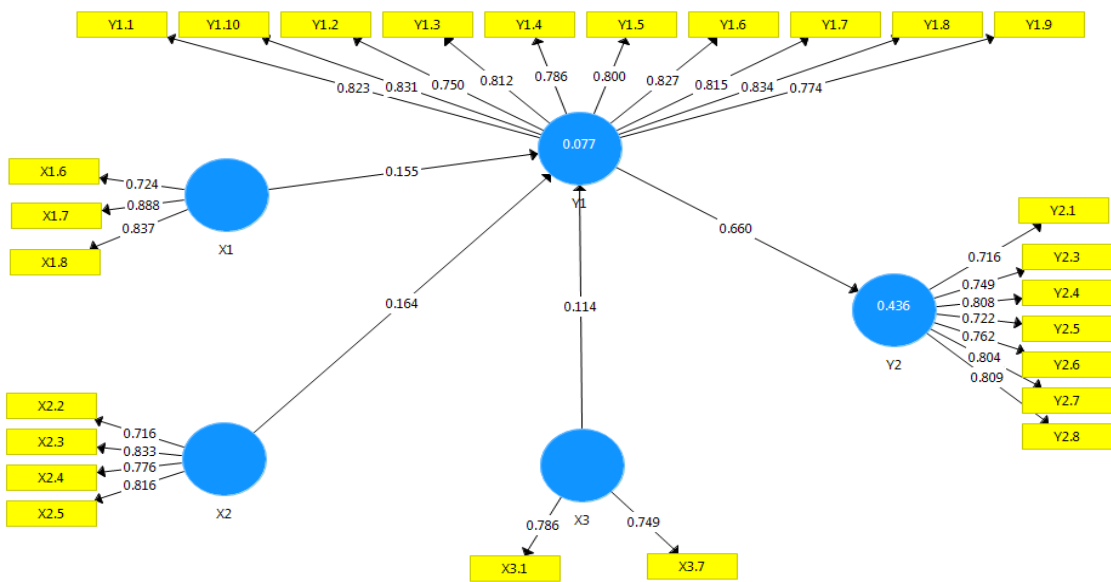
Model 1. Business Growth Association Model (Y2) with Explanatory Variables Personality (X1), Sociology (X2) and Environmental (X3) Factors and Intervening Variables Businessmen Innovation (Y1) - Initial Model



Source: Primary data processed

The items for each variable are classified as valid, according to Model 2.

Model 2. Business Growth Association Model (Y₂) with Explanatory Variables Personality Factors (X₁), Sosiology (X₂) and Environmental (X₃) and Businessmen Innovation Intervening Variables (Y₁)-Final Model



Source: Primary data processed

The description in data analysis basically gives meaning to each finding (calculation results in PLS analysis), then focuses on the meaning of decision or policy making or as a basic for predictions. In order to focus more on realizing innovation, this model succeeded in finding the main focus on sociological and personality factors. The fact is that environmental factors are neglected (there is a role for the government in this) in realizing innovation and subsequently realizing business growth. The focus of the findings is on how female MSMES in Mataram City are able to form partnerships, both in the production factor market, the goods and services market and other forms of relationships between businessmen whose systems both provide benefits to each other. Innovation will be realized more quickly from partner information or its form of adoption, compared to the role of the government. The role of personality factors in providing support from sociological factors in accelerating the realization of innovation.

In the context of policy formulation by the government, it can be focused on the association of sociological factors with innovation and subsequently with business growth. It is appropriate that the government's policy gives responsibility to big businessmen to provide training and its similar, because the concept was initially formed earlier. For example, large flour producing companies or other culinary raw material companies can provide training to businessmen or other forms of partnerships that make it easier to obtain production factors, including information inside. The assistance of one party to the other in marketing a product becomes crucial, where in its relationship there is an exchange of information about production, marketing and other activities.

Practically, women in the culinary business (cybermarket, e-commerce) can be continued, including stalls in cyberspace, where partner fulfills another customer demand. Culinary businessmen who cannot fulfill many orders can ask others to fulfill consumer demand, but product and quality requirements are determined. The context of this relationship will be the exchange of information in production activities, thus it will give rise to innovation indirectly by businessmen.

In micro and small scale businesses, it can be implemented via WhatsApp group media (WA) or similar, depending on the ability to run the application, thus the sociology of businessmen can be smoother and wider. Today the dimensions of sociology are not only in the conventional world, but also in the virtual world, so partnerships will be wider. Further research on this empirical condition needs to be digged deeper and wider, for example within the province scope (this empirical research has been carried out at the city scope. It is clear that this context is one of the simple meanings of the formation of associations from sociological factors towards innovation and business growth (X2 -> Y1 -> Y2) female MSMES in Mataram City

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