

Effect Of Company Resources And Capabilities To Product Innovation Smes In East Java Batik

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Abstract : This study aims to explain the influence of resources and capabilities of enterprises with product innovation. This study uses a quantitative approach with a sample of 92 micro-enterprises. Analysis of data using regression. The results showed that the company's resources a significant effect on product innovation, while capability is valuable, rare, and can not be duplicated nor significant effect on product innovation. Originality of this study to measure product innovation by combining resources and capabilities of micro enterprise in eastern Java batik.

Keywords: Product innovation, the company's resources, capabilities,

1. PRELIMINARY

Innovation in the enterprise is a measure of the success of a company in conducting business activities. Among the theories are many factors that affect innovation, but in general can be classified into internal and external factors [1]. Internal factors which focused on the research is based on the idea of resource-based view (RBV) based enterprise resources and considers innovation a company can be built through the management and optimize the appropriate placement of resources and capabilities of companies [2], [3], [4], [5]. Placement of resources and capabilities are right, then the potential of creating a strategic and competitive advantage is very large company, and indirectly have a positive impact for the company. The company's resources is a whole wealth of companies whose shape can be tangible (tangible resources) and intangible (intangible resources). Examples of intangible company resources are the raw materials, production machinery, office buildings, money, as well as finished goods whose value can be found in the company's balance sheet. Examples of intangible resources of the company is a business network, reputation, trademarks, knowledge, which is not to be found in the company's balance sheet value [6], [7], [8], [9], [10]. Capability of the company is actually an enterprise resource that is intangible, but because it is specifically the number of experts distinguish it from the company's resources in general [11], [12], [13], [14], [15]. Enterprise resource called also supplies a significant venture or strategic to the company [16] when it has the characteristics worth (valuable) and rare (rare), other than the inimitable (inimitable) and can not be replaced (non-substitutable) to be processed further. Resources are valuable and rare is necessary for the company, a blend of the two simultaneously would potentially create added value (added value) for the company. But the company's resources that are strategic will be futile if the individual in the company did not have a good capability in managing the company's resources.

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Resources still need treatment or need to be processed further by the capability to change or move so that it has a value. Capability of the company is the ability, skills, expertise, skill personnel of the company in putting its resources to be processed in attaining the expected [17]. Capability company puts effectively and efficiently all the resources that exist within the company. If it can not be achieved in a company, enterprise resource management has failed.

Here it can be said the capabilities of the company has a very strategic position for the company because it involves the process and how to treat existing resources in the company. Same with the company's resources, organizational strength is said to be worth (valuable) if the company has the skills or the ability to process and manage the company's resources effectively and efficiently. In addition, the capability of the company is said to be rare (rare) and can not be imitated (inimitable) when processing and managing the company's resources are specific and unique that can be seen from the peculiarities of the products compared with competitors' products.

2. LITERATURE REVIEW

2.1 Company Resources

In developing the principles of RBV should be described in detail in the company's resources that make it a source of competitive advantage. Resource company must have the characteristics of Vrin (valuable, rare, inimitable, and nonsubstitutable) [18]

2.2 Company Capability

Define the organizational strength is the bond amount of expertise and accumulated knowledge that allows the company to coordinate activities and use of asset-its assets to create economic value and competitive advantage be continued [19]. Other Definitions of the capability of the company is the company's capacity to use the resources that are integrated with the aim of achieving the desired end goal [20]. Furthermore Hitt and his colleagues revealed, as the glue of the organization, capabilities whenever it appears through a complex interaction between resource tangible and intangible.

2.3 Product Innovation

OECD define the product innovation as the introduction of new products or services or significantly improve in terms of the characteristics of the product or service or expand the use of products or services [21]. Camison and colleagues define product innovation as manufacture of new products or new services or improved and introduced to the market. product innovation is closely related to the main activities of the company, therefore, product innovation can be seen as an important source of competitive advantage that can lead to the improvement of organizational performance.

3. RESEARCH HYPOTHESIS

3.1 Company Resources and Product Innovation

Strategic resources of the company have the characteristics of valuable, rare, inimitable and irreplaceable is the source of creation of products [22], [23]. There are four (type) type of innovation, one of which is a product innovation. This explanation indicates that there is a relationship of company resources (especially intangible resources) with product innovation [24]. Based on the description above can be hypothesized

H1: the company's resources are valuable and rare significant effect on product innovation

3.2 Company Capability and Product Innovation

According to Chang implies that the company has a dynamic adaptive capability, absorptive, and high innovative indirectly steer the strategy focuses on continuous product innovation [25]. Therefore, continuous product innovation an important requirement for the company. Based on the description above can be hypothesized

H2: Company Capability valuable, rare, and can not be imitated significant effect on product innovation

4. RESEARCH METHODS

Based on the problems and research objectives, this study used quantitative methods. Research using quantitative methods [26] Indriantoro and Supomo emphasis on testing theories through the measurement of research variables with numbers and perform statistical data analysis procedures.

4.1 Population and Sample

The study population numbered 120 micro enterprises batik in Banyuwangi, Bangkalan, Sumenep, and Tuban. According to Slovin to determine the number of samples proportional sampling method using the proportionate method, namely, Banyuwangi 19 units, 31 units Bangkalan, Sumenep 27, and Tuban 15 units. Research analysis unit at the level of the represented company owner.

4.2 Measurement

The company's resources are corporate assets tangible and intangible, measured by indicators of precious and rare. Capability of the company is the skill to manage resources to generate profits with valuable indicator, rare, and can not be imitated. Measurements on the questionnaire using Likert scale.

4.3 Method of Data Collection and Analysis

Collecting data using enclosed statement. Enclosed statement has five answer choices according to Likert scale. Analysis of data using regression.

5. DISCUSSION

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.399a	.159	.140	1.91736	1,749

Model table contains summary about the strength of the relationship between the dependent and independent variables. The regression model has:

- The R value of 0.399 means that the relationship between independent variables and the dependent variable was a positive value. Rated R is the value of multiple correlation coefficient. R value ranging from -1 to 1. If the value closer to -1 or 1 indicates the relationship is getting stronger, if the value closer to 0 indicates weaker relationships. The relationship between independent variables and the dependent variable is positive it means increasing the value of the independent variable causes an increase in the value of the dependent variable.
- For regression with more than two independent variables, in the use value of adjusted R² (R² adjusted) as the coefficient of determination of 0.14 means that the diversity of independent variables (enterprise resource and capability of the company) can explain 14% of the diversity of the dependent variable (the variable product innovation). Here means that only 14% of the variation of product innovation that can be explained by resource companies and company capabilities. While the rest (100% -14% = 86%) is explained by other causes.

ANOVA^b

Model	Sum of Squares	df	mean Square	F	Sig.	
1	Regression	61 888	2	30 944	8417	.000a
	residual	327 188	89	3676		
	Total	389 076	91			

The results of the above analysis obtained F value of 8417 and p (0.000) < α (0.05) means that H₀ is rejected. It can be deduced that simultaneously (simultaneously) the independent variables affect the dependent variable or resource companies (X₁) and Capability company (X₂) together (simultaneously) affect product innovation (Y₁)

Partial test shows that

- Resource companies have a p-value (0.008) < α (0.05) so H₀ is rejected means that there is influence of corporate resources to product innovation
- Capability company has a p-value (0.029) < α (0.05) so H₀ is rejected means that there is influence company's capability to product innovation

So that the partial test (effect of each independent variable on the dependent variable partially) produce that all independent variables affect the dependent variable

Model discovered is

$$y = B_0 + \beta_1 + \beta_2 X_2 X_1$$

$$y = 11,705 + .103 X_1 + 0,138 X_2$$

6. CONCLUSION

Resources scarce and valuable company have significantly affect product innovation. This means that more resources are precious and rare owned by micro enterprises resulted in higher batik creation of the company's product innovation. Company capabilities are valuable, rare, and can not be imitated have positive values significantly affect product innovation, this means that the capability of a larger company that is valuable, rare, and can not be imitated owned by micro enterprises batik produce innovative products more good limitation of this study is homogeneous samples, therefore, for future research, the study sample must be heterogeneous.

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