

4th ASIA INTERNATIONAL CONFERENCE AIC2018



8 - 9 DEC 2018

Langkawi International
Convention Center (LICC)

Conference Theme

**MANAGING ECONOMY
& SOCIETY
IN DIGITAL AGE**



CONFERENCE PROCEEDINGS



Readers' Digest

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Schedule for Pre-Conference Workshop Series

4th ASIA International Conference (AIC 2018)

Conference Theme: Managing Economy and Society in Digital Age

Venue: International Convention Center, Langkawi, Malaysia

Friday 7th December 2018

Time	Event	Place
09:00-17:30	Conference Registration	Registration Counter
09:00-09:30	Workshop Registration	Registration Counter
Time	Workshop title	Resource Person
0930-1100	Recent Econometrics Developments	Prof. Dr. Muhammad Shahbaz Chair, Energy and Sustainable Development, Montpellier Business School, France
0930-1100	Contemporary Data Analysis Techniques for Primary Data	Prof. Dr. Amran MD Rasli Universiti Teknologi Malaysia, Summit University Zanzibar, Tanzania
1100-1230	Methodology for Social Science Research	Prof. Dr. Rajah Rasiah University of Malaya
1100-1230	Tools and Techniques for Systematic Literature Review	Dr. Muhammad Imran Qureshi Director Connecting Asia, Senior lecturer, Malaysian Institute of Industrial Technology, University Kuala Lumpur.
1430-1600	How to Publish High Impact Factor	Prof. Dr. Jiří Jaromír KLEMEŠ Head of Laboratory for Process Integration and Intensification CPI2, The University of Manchester, UK
1600-1730	Qualitative Research Methodology for Social Scientists	Prof. Dr. Leo Paul Dana Montpellier Business School, France

Schedule for 4th ASIA International Conference (AIC 2018)

Conference Theme: Managing Economy and Society in Digital Age

Venue: Langkawi International Convention center, Langkawi, Malaysia

Friday, 6th December 2018, Virtual Conference Day

Time	Program
1100-1730	Virtual Conference (for virtual presenters only)

Saturday, 8th December 2018, Conference Day 1

Time	Event
0700-0830	Registration
0830-0845	Guests Seating
0845-0900	Opening Note by Prof. Dr. Amran Rasli (Conference Chair)
0900-0920	Plenary Speech Prof. Dr. Muhammad Shahbaz
0920-0940	Plenary Speech Prof. Dr. Leo Paul Dana
0940-1000	Plenary Speech Prof. Dr. Rajah Rasiah
1000-1020	Plenary Speech Prof. Dr. Jiří Jaromír KLEMEŠ
1020-1040	Plenary Speech Prof. Dr. Ayuba A. Aminu
1040-1100	Plenary Speech Dr. Muhammad Imran Qureshi
1100-1110	Group Photograph
1100-1130	Breakfast
	Session 1
1130-1330	5 Slides 5 Minutes (5S 5M) Competition Parallel Sessions (Normal Presentations) Poster Presentation Sessions
1330-1400	Lunch & Prayer Break
	Session 2
1400-1600	5 Slides 5 Minutes (5S 5M) Competition Parallel Sessions (Normal Presentations) Poster Presentation Sessions
1600-1615	Tea Break
	Session 3
1615-1815	5 Slides 5 Minutes (5S 5M) Competition Parallel Sessions (Normal Presentations) Poster Presentation Sessions

Saturday, 8th December 2018, Strategic Forum^a

Time	Event
1130-1330	Session 1 Strategic Forum (Westin 1 Ballroom)
1400-1600	Session 2 Editorial Forum (Westin 1 Ballroom)

^aFree entry for all Participants

CONFERENCE GALA DINNER

(AIC 2018)

4th ASIA International Conference

Venue: Westin Resort, Langkawi, Malaysia

Date: Saturday, 8th December 2018

Time: 19:00 – 22:10 Hours

Dinner Theme: Connecting People Globally

Dinner Attire: Traditional Attire^b

Attendance for Participants: Compulsory to attend^c

Time	Program
1900–1930	Registration and Guest Seating
1930–1940	Montage (ASIA Achievements and AIC 2018)
1940–2000	Cultural Event
2000–2015	Presentation of Awards and Cash Prizes
2015–2030	Cultural Event
2030–2115	Vote of Thanks
2115–2120	Photo Sessions
2120–2155	Networking & Dinner
2155–2200	Closing of AIC 2018

^a Westin Resort, Langkawi Malaysia

^b The Guests are requested to wear their own Traditional Attire

^c Cash award will be given to only those winners of 5Slide 5Minute (5S5M) and poster competition who are present at Dinner ceremony

Sunday, 9th December 2018, Conference Day 2

Time	Program
1100-1700	Virtual Conference (for virtual presenters only)

Sunday, 9th December 2018, Conference Day 2

Time	Program
1100-1700	Langkawi Mangrove tour / sunset cruise and dinner (paid)

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UTM
UNIVERSITI TEKNOLOGI MALAYSIA

Ref: FMM-1164/S2/S2/ISS5MB1A

CERTIFICATE OF PARTICIPATION

DARYONO DARYONO

For Presenting Research Paper

THE STRATEGY OF INCREASING ORGANIZATION'S PERFORMANCE THROUGH THE INNOVATION OF PRO-SOCIAL CULTURAL TRANSFORMATION

In

4th ASIA INTERNATIONAL CONFERENCE

8 - 9 DEC 2018

at

Langkawi International Convention Center (LIICC)

organised by

CONNECTING ASIA

in collaborating with

UNIVERSITI TEKNOLOGI MALAYSIA



PROF. DR. AMRAN BIN MD. RASLI

Conference Chair AIC 2018

Universiti Teknologi Malaysia (UTM) Malaysia

DR. MUHAMMAD IMRAN QURESHI

Editor-in-Chief AIC 2018

Director Connecting ASIA, Malaysia



The Strategy of Increasing Organization's Performance through the Innovation of Pro-Social Cultural Transformation

Full Paper ID: AIC-2018-FMM-1164

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Abstract: *The purpose of this research is to develop a theoretical approach to track and analyze the development of Pro-social Cultural Transformation Innovation to improve organization's performance. This research is expected to provide an explanation to cope with the research gap related to the existence of entrepreneurs in the batik industry that is willing to improve the performance of the organization success in a competitive business environment, especially in the implementation of innovation strategy. The sample of this study was 200 leaders/managers/owners of Small and Medium Enterprises. Variable of pro-social cultural transformation innovation was measured through creative product development and technique based on cost efficiency, and their responsibility to employees and society to achieve organization's performance improvement. The results showed that consumer and supplier orientation, and employee creativity have a positive effect on innovation of pro-social cultural transformation.*

Keywords: employee creativity, innovation of pro-social cultural transformation, organization's performance

INTRODUCTION

An organization needs management to do innovation in order to achieve high company's performance. Thom (1990) stated that decision maker has the goal of innovating as a company strategy consists of product and process innovation. Product innovation is the reason of the organization to innovate its product. It includes the expectation on the company's ability to stay survive to increase profit margin and market share, to keep consumers choose their products, to maintain suppliers' independence, to improve company's prestige, and to add new employees. Meanwhile process innovation is important to improve productivity in generating product's efficiency, improving economic use of raw materials, energy, and workplace security, paying attention to environmental hazards, and maintaining company reputation.

In addition, social innovation is done by paying attention to social problems that leads to a direct solution to the problems faced by the target group. This innovation is planned to improve human resource management. Small, medium, and large companies can provide them the assistance in improving the labor market, actively demonstrating greater awareness of social responsibility to employees and community life more broadly. Furthermore, the diversity of innovation is developed by guiding the identification of relationship between innovation and performance in developing country industries, and by entrusting to changes in product innovation, process and social innovation improvements.

Warren, Moore, and Cardona (2002) suggested that innovation orientation leads the company strategy to develop new products or to enter new markets, so that it will support the level of innovation diversity. Prajogo, Power, and Sohal (2004) explained that consumer orientation, supplier orientation, knowledge, and employee creativity have an influence on innovation improvement. Crespell and Hansen (2008), and Keskin (2006) emphasized that management needs to do innovation in order to achieve organizational performance.

Innovation orientation is expected to have a positive impact on the level of innovation, likewise the diversity of innovation is obtained if the company has a direction of innovation orientation carried out; and innovation can finally improve organizational performance. The results of Siguaw, Simpson, and Enz (2007) explained that the innovation orientation is a guide of innovation implementation with learning philosophy component, strategic direction, and result of company performance including market position, production efficiency, and financial results.

From several studies, it is visible that innovation orientation has a positive influence on performance (Manu, 1992; Siguaw et al., 2007), but other research suggests that the effect of innovation orientation has no positive effect on performance because

there is no relationship with business issues. Product and process innovation will generate new products faster than those done by competitors, so that they give companies the possibility to improve their performance. One of the examples is Batik industry.

Batik industry has currently been a small and medium industry, combined with home industry. It has unique characteristics of raw material such as fabric (silk, mori, cotton, rayon, and polyester in the form of textile, Non-Machinery Weaving), wax, ash soda, and dye. While the workforce is largely something else, in which some involve the family itself as administrative worker and not labor force. Additionally, capital used includes financial and physical capital, while mostly is private capital. Furthermore, the processing of raw materials and semi-finished goods into finished goods have added the value that has its own characteristics and advantages.

The products of the batik industry are then marketed both for domestic consumers and foreign ones. They are also exported abroad such as Asian, European, and American countries. The development of materials and technology, of batik and batik products become very diverse. The batik products can be soft and coarse handmade batik and printed batik because of the combination of these processes, and product diversity. Besides, their patterns and motifs are made depending on the dynamic demand of both national and international consumers, such as batik with contemporary motifs, traditional ones and so on. As a result, the creation of regional ethnic batik decoration that has its own characteristics and uniqueness of both the motif and the color layout can be one of regional asset additions in developing the batik industry and absorbing many labors.

The purpose of this research is to develop theoretical approach in tracing and analyzing the development of pro-social cultural transformation innovation to improve organization's performance. This research is also expected to provide an explanation by coping with the research gap related to the presence of entrepreneurs in the batik industry that is willing to improve organization's performance in a competitive business environment particularly in the implementation of innovation strategies.

THEORETICAL BASIS AND HYPOTHESIS DEVELOPMENT

Resource-based view (RBV): Study of Barney (1986) explained that the company's success will be achieved if it has the ability to utilize resources productively, so it can create distinctive competencies. Furthermore, Barney (1991) said that every company has different capability to produce goods and/or services. Innovation orientation is the openness of innovation and capacity to innovate by introducing new products and processes, or ideas within the organization. Guijarro, Antonia, Garcia, and Van Auken (2009) divided innovation into three, those are, production innovation (change in products and commercialization of new products), process innovation (change in manufacture and acquisition processes in new equipment), and management innovation (change of administration, purchase, and sale).

Entrepreneurs conduct activities through innovation, transformation, creativity, and sensitivity to the surrounding environment, so that the product is more perceived the benefits by the community. The activities are expected to be able to provide added value to the product

One of the alternatives to do so is by improving innovation strategies to build performance. Similar results are also expressed in research of Dibrell, Davis, and Craig (2008) which suggested that innovation affects the company's performance. Company performance will be improved when there is a synergy among elements within a system. The complementary factors of a quality system will improve the elements that operate to improve performance. A strategy focusing on innovation should provide the available resources to produce output with existing businesses supported by the success of innovation from the organization.

Creativity and value creation: In a well-developed innovation organization, the creative and value (commercial) absorption function goes on energetically. Management and the organization as whole recognize that successful innovation requires a balance of creativity and commercialization process. In particular, organization can develop internal markets to weigh, select, and prioritize innovation for creativity and commercial value or benefits for the organization. The following table shows the balance of creativity and commercial value or benefits for the organization.

Table 1: The balance of creativity and commercial value

No	Creativity Process	Value Creation Process
1	Thinking out of the box	Thinking in the box
2	Raw idea that has been filtered	Manufacturing
3	Experiment	Precision
4	Ambiguity	The exchange calculated carefully
5	Research	Sell/buy idea
6	Intuition	Doing everything right
7	Surprise	Answering all the questions and thoroughly on each solution
8	Courage	Avoiding big risk
9	Finding the right thing	Bringing the product into the market
10	Asking questions and investigating unknown innovations	Influencing and encouraging to do incremental innovation

-
- 11 Catching the chance
 - 12 Imagining the future
 - 13 Including incremental and radical innovation
-

Source: Davila, Epstein, Shelton (2006)

Innovation strategy: The company strategy needs to be adjusted from time to time in the selection of innovation. Company innovation product will be successful in market if it is developed based on induction of need in market need by considering consumer as the most important factor. New technologies developed with autonomous induction will be successful if they are followed or accompanied by a market pull. The company's success of developing superior products based on the consumers' needs and interests also has a strong marketing knowledge to develop the product.

A number of internal and external factors influence the selection of the best innovation strategy.

Table 2: Internal and external factors of innovation strategy selection

No	Internal Factor	External Factor
1	Technical ability	Ability in external network
2	Organizational ability	Industry structure
3	The success of current business model	Competition
4	Funding	The rate of technological change
5	Top management vision	

Source: Davila, Epstein, Shelton (2006)

Internal factors include the followings:

1. Technical ability
The number of technological/process innovations is largely dependent on the ability that can be accessed internally by the company at moment through its innovative network. Companies that traditionally compete in terms of marketing skill and incremental technology improvement will find the difficult times if using semi-radical technology.
2. Organizational ability
The ability to nurture innovation depends on whether the company has the organizational ability to do so. Shifting to a radical innovation approach will not be realized if there is no organizational or management capability.
3. The success of business model
The difficulties faced by organizations in making changes have been conducted repeatedly. So, the greater the potential retention to change the greater the success is.
4. Funding
Having specific resources is really needed. The abundant funding environment empowers the innovation team to plan carefully and test some model assumptions before going any further.
5. Top management vision
Management has large number of options for positioning firms and management talents that have a very relevant role in selecting and changing organizational innovation strategies.

External factors include the following:

1. Ability in external network
Accessing relevant skills is important. The ability to create sustainable alliances with partners is very important in deciding innovation strategies.
2. Industry Structure
The industry itself is a structure. A careful analysis of the structure will show where the main constraints and opportunities are.
3. Competition
The quality and speed of innovation of competitors and organizational innovation will determine the shape of the market in the upcoming year. If the organization is in a good position on the market now, competitors will be change or new competitors may emerge, especially if the dynamics of competition change drastically.
4. The rate of technological change
Because of the existence of technological changes, the product life cycle becomes increasingly short, the progress makes the product becomes obsolete, so it is important to identify the changes.

Innovation diversity: The diversity of innovations developed by guiding the relationship between innovation and performance in developing country industries entrusts to product innovation and process innovation improvements. In order to be sustainable and to support organizational performance, innovation strategies are required (Terziovski, 2002). Terziovski (2002) classified the innovation strategies into three groups: (1) Radical innovation, (2) Incremental innovation, and (3) Integrated

innovation. Radical innovation is a strategy that refers to an unprecedented innovation activity, drastically changing the establishment, and generating new products and processes that are different from before. Incremental innovation is a gradually evolving strategy, improving existing products or business processes with innovative steps. Integrated innovation combines two earlier approaches that are radical and incremental. Besides finding new things, the integrated strategy is also promoting innovation by developing existing ones.

Davila, Epstein, and Shelton (2006) provided an understanding of three generic types of innovations: (1) Incremental innovation, (2) Semi-radical innovation, and (3) Radical innovation. Incremental innovation only brings little improvement to existing products and processes. This incremental innovation can be regarded as a problem-solving exercise with a clear goal, but one that needs to think about is how to get it. The incremental innovation is the most common form of innovation in most companies. Most of the company's innovation portfolios are full of projects intended to make small changes to one or two changes both in business models and technology ones.

Mavondo, Chimhanzi, and Stewart (2005) classified innovation activities into product innovation, process/technology, and administration. Guijarro et al. (2009) divided innovations into production innovation (changes in products and commercialization of new products), process innovation (changes in manufacturing and acquisition processes in new equipment), and management innovation (change of administration, purchase, and sale). The concept of Guijarro et al. (2009) includes technological innovation and organizational methods' innovation. Technological innovation refers to product innovation (change of product or commercialization in new products) and production or acquisition processes innovation in new equipment. Managerial and system innovation (innovation of management or administrative, purchase, and commercial/sales) are based on changes introduced in the company organizational structure and administrative process, more management-related aspects than the main activities of the company.

Innovation of pro-social cultural transformation: As Barney (1986) argued that Resource Based Theory of Firm in strategic management concept stresses on the importance of well-managed resources and capabilities that will result in the ability to generate above-normal income and it therefore can be a strategic instrument to generate sustainable competitive advantage.

This research uses one of strategic orientation development patterns by focusing on creative product excellence. Creative technique is based on cost efficiency and social responsibility on employees and society to meet customers' needs and desires. The source of pro-social cultural transformation innovation is from Resource Based Theory of Firm explaining that every company has different capabilities to produce goods and/or services. Diversity in innovation has investigated efforts in research and development that lead to product and process innovation and its consequences.

Innovation is driven with consumer goals targeted at value creation that focuses on the customers' creations, needs, and desires. Furthermore, new product is formed from the real results of innovation influenced by the creative process ability of employees involved in production (Magyari-Beck, 1990). Then, transformation means action to change, or changing condition; or form-changing. Additionally, culture is from the Sanskrit of *buddhayah*, the plural form of *buddhi* (mind or intellect) defined as matters relating to the mind and human intellect. Meanwhile, cultural transformation is also called cultural change/heritage (Wikipedia) where the development and preservation of cultural values must remain in the balance. Shockey (2006) described cultural transformation as a change, process, program, and long-term relationship that has benefits for stakeholders and becomes a strong capital for managing business success.

While pro-social action is defined as action that may involve or refer to caring for others and paying attention to others (Coates, Cook, & Robinson, 1997). Pro-social action is directed toward different beneficiaries, such as colleagues, clients, customers, or governments who are geared toward benefiting others in a work context related to higher job performance. De Dreu, Weingart, and Kwon (2000) described pro-social as behavior to pay attention to the satisfaction of others, the interests of others, and encourage for considering others as company social responsibility. Pro-social is an action for generating ideas that are not only new, but also useful, so to achieve higher creativity by caring for the benefit of others.

In organizations that apply the concept of pro-social cultural transformation innovation, the employees are expected to channel new and useful ideas, so to achieve higher creativity. All organizations are aware of the benefits of innovation development in a culture of globalization as a factor for long-term prosperity of the organization. The existence of creative orientation leads to the openness of innovation and acceptance of new ideas that can benefit the company (Salford, 1995). Innovation of pro-social cultural transformation is an innovation capable of developing creative products through creative techniques based on cost efficiency to provide the best by being responsible for employees and wider community. The innovation of pro-social cultural transformation is measured through creative product development variable, creative techniques based on the cost efficiency and social responsibility on the employees and the wider community to achieve organizational performance improvement. Organizations that have innovation of pro-social cultural transformation always keep the resulting product to provide value creation focusing on the needs and desires of consumers and to preserve the cultural heritage creative product as an icon/symbol of Indonesian product culture.

To achieve the innovation of pro-social cultural transformation required a hard effort because the size of pro-social cultural transformation, innovation will be seen based on product and process innovation and its benefit. There are several conditions that must be owned by the organizations if they want to run the innovation of pro-social culture transformation, namely: (1) keeping continuously the resulting product diverse and creative, (2) dedicating by making product differentiation,

(3) maintaining the sustainability of cultural heritage products as an icon/symbol of the nation's product culture, (4) providing creative techniques that are always cost-oriented so that they can be enjoyed by all levels of society, and (5) providing benefits to all parties by increasing creativity and innovation ceaselessly. With the innovation of pro-social cultural transformation, organization will progress in the field of creative product business so that it is able to become a superior organization and to globalize products into international trade.

Based on the mentioned description, this research proposes a proposition that will be a new concept in this research, that is, innovation of pro-social cultural transformation. The innovation of pro-social culture transformation as innovation able to create and develop creative product that always maintain product preservation, able to make product differentiation and give creative technique which always cost-oriented to give benefit for generation to generation of nation. Furthermore, in this research, the innovation of pro-social cultural transformation will be measured through innovative risk-taking variable by measuring the variable of creative product development, product differentiation ability, and cost-oriented creative technique to achieve organizational performance improvement.

HYPOTHESIS DEVELOPMENT

The effect of consumer orientation on creative product development: Narver and Slater (1998) stated that consumer orientation emphasizes not only the existing customers but also the potential customers. Kohli and Jaworski (1990) and Prajogo et al. (2004) explained that consumer orientation influences product innovation. Wolfgang (2004) proposed that product innovation is a further modification of products introduced by product development. So, the higher the consumer orientation, it is expected to give a positive impact on creative product development.

H1: The higher the consumer orientation, the more creative product development will improve.

The effect of supplier orientation on cost-oriented creative technique: Prajogo et al. (2004) stated that supplier orientation has an effect on process innovation. It indicates the supplier's involvement as a continuous trading partner of the company to provide raw materials. Guijarro et al. (2009) explained that technical innovation aims at increasing productivity by paying attention to cost efficiency. So, the higher the supplier orientation, the more a positive impact on cost-oriented creative technique has.

H2: The higher the supplier orientation, the more cost-oriented creative technique will improve.

The effect of employee work creativity on responsibility for employees and society: The positive role of employee work creativity is important for business organizations that have employees and community responsibilities. Organizations use culture or social control to hold the members of the organization, intensity, feelings, and employee loyalty. Image and organizational effectiveness can build and enhance company responsibility to employees and wider society (Luo, 2006). So, the higher the employee work creativity, the more a positive impact on social responsibility for employees and society gives.

H3: The higher the employee work creativity, the more the responsibility for employees and society will improve.

The effect of creative product development on organizational performance: Creative product development is an activity in a manufacturing company that produces, sells, and runs distribution activities including the process, development, and measurement of new product performance (Hertenstein & Platf, 2000). The research of Guijarro et al. (2009) provided results that the development of creative products affects the organizational performance. So, the higher the creative product development, the more a positive impact on organizational performance gives.

H4: The higher the creative product development, the higher the organizational performance.

The effect of cost-oriented creative technique on organizational performance: Johnne (1999) gave results that technological innovation as a means used to improve quality and cost efficiency that has impact on performance improvement. The research of Pinho (2007) and Dibrell et al. (2008) provided results that cost-oriented creative technique innovation affects organizational performance. Thus, the higher the cost-oriented creative technique, a positive impact on organizational performance has.

H5: The higher the cost-oriented creative technique, the higher the organizational performance.

The effect of responsibility to employees and society on organizational performance: Responsibility for employees and society is considered as a marketing strategy that enhances the manager's knowledge and provides benefits by providing a good image for the organization. Companies find success by integrating marketing strategies with organizational goals so that there is a positive relationship between company social responsibility and organizational performance. So, the higher the responsibility to employees and society, the more a positive impact on organizational performance gives.

H6: The higher the responsibility to employees and society, the higher the organizational performance.

Based on the literature review and hypothesis development, hence it can be constructed an empirical research model as in Figure 1:

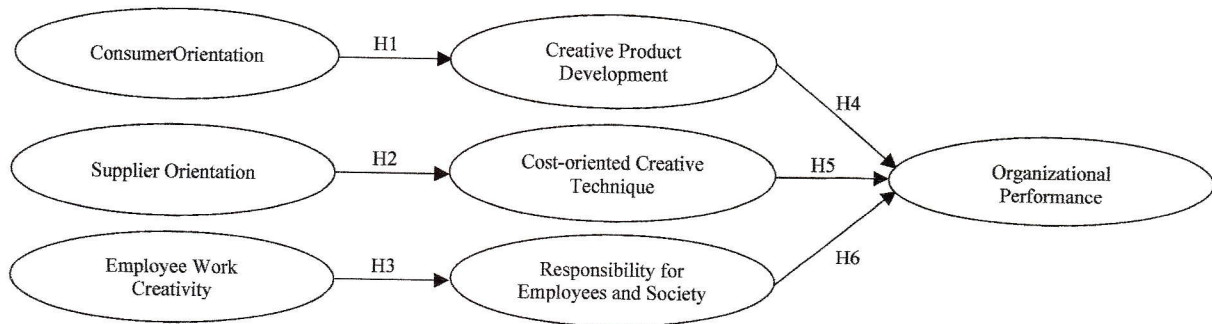


Figure 1: Empirical research model
Source: Research development (2012)

RESEARCH METHOD

This research belongs to causality research – a research that is eager to find some explanation in the form of cause and effect to improve theories relating to problems in the organization. It's also included in fundamental research (Sekaran, 1992). This study used primary data obtained directly from respondents through questions/questionnaires.

The population in this research is all batik SMEs in Province of Central Java with the following characteristics: 1) they have at least 10 employees and 100 employees at maximum (either permanent or non-permanent ones), 2) they have a batik business license from local government and the owner is an Indonesian citizen, 3) they are self-funding industry, not a subsidiary or branch company. The number of population that meets this characteristic is 739 SMEs (Cooperation and MSME Department of Central Java Province, 2009).

Sampling method in this research uses a purposive sampling method. The purposive sampling method is sampling method where researcher has certain criteria or purposes of sample to study. The criteria used in this research are as the characteristics mentioned earlier, and they are willing to provide the required information.

The number of samples in this study is 200 respondents from 300 distributed questionnaires. The sample used is supported by Hair Jr., Anderson, Tatham, and William C. Black (1995) which stated that representative samples for using SEM analysis technique are ranged from 100-200. The subject in this study is the owner/leader/manager of batik SMEs in Central Java. The technique of collecting data in this study uses a survey method or questionnaire.

Data Analysis: Based on the results of research, it shows that respondents at the age of 40-49 are 40%, consisting of male of 70%; senior high school education background of 55%; who have a 10-20 years tenure are 60%. Most of 90% of respondents do not export their products because they are not ready, do not have the ability to export, and do not have much support from the government.

The research model is quite complex so that the researchers use a simple composite SEM. After assumption test including evaluation of data normality, evaluation of outliers, evaluation of multi-co linearity and residual testing, SEM model is then formulated as follows:

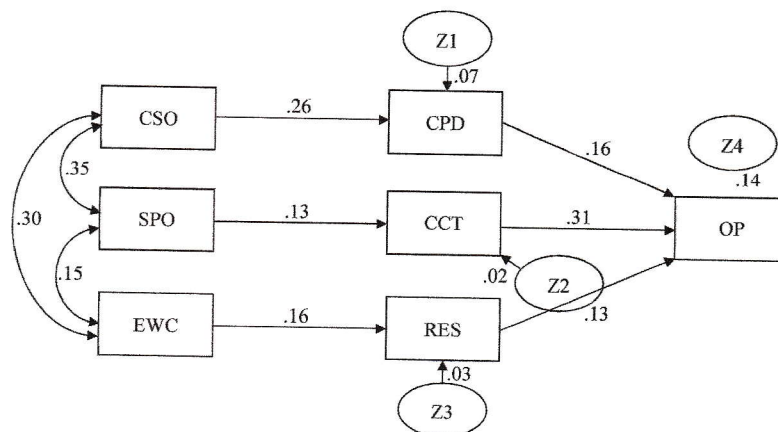


Figure 2: Path analysis of structural equation model

Source: Processed primary data (2012)

The empirical model uses variable of consumer orientation (OKS), supplier orientation (SO), employee work creativity (EWC), creative product development (CPD), cost-oriented creative technique (CCT), responsibility for employees and society (RES), and organizational performance (OP). Model test shows that the model is in line with the data or suitable for the data used in the research. It is shown by Chi-Square, Probability, CMIN/DF, GFI, AGFI, TLI, RMSEA, and CFI in expected value range with good results as shown in Table 3:

Table 3: Feasibility test index of SEM path analysis

Goodness-of-fit Index	Cut-off-value	Result	Explanation
X-Chi-square	28.8693	16.898	Good
Probability	≥ 0.05	0.153	Good
RMSEA	≤ 0.08	0.040	Good
GFI	$\geq 0.90 \text{ \& } \leq 1$	0.980	Good
AGFI	$\geq 0.90 \text{ \& } \leq 1$	0.955	Good
CMIN/DF	≤ 2.00	1.408	Good
TLI	$\geq 0.90 \text{ \& } \leq 1$	0.931	Good
CFI	$\geq 0.90 \text{ \& } \leq 1$	0.961	Good

Source: Processed primary data (2012)

Hypothesis testing is based on the calculation of path analysis of structural equation model (SEM) as presented in Table 3. Then this model is acceptable. Afterwards, based on this model fit, the hypothesis, proposed in this study, will be tested through regression weights analysis as shown in Table 4:

Table 4: Standardized regression weights

	Standardized Estimate	Estimate	S.E.	C.R.	Explanation
CPD <--- CSO	.255	.297	.071	4.165	Significant
CCT <--- SPO	.131	.125	.060	2.087	Significant
RES <--- EWC	.161	.159	.062	2.581	Significant
OP <--- CCT	.314	.277	.052	5.305	Significant
OP <--- CPD	.162	.124	.045	2.743	Significant
OP <--- RES	.130	.105	.048	2.196	Significant

Source: Processed primary data (2012)

Table 4 shows that each variable has a significant standardized estimate loading factor value (coefficient) with the value of critical ratio > 2.0 . Path coefficient is analyzed through the significance of standardized regression weights. It indicates that all paths analyzed show a significant causal relationship. It can be seen from the value of path coefficient (estimate and standardized estimate) with the value of critical ratio > 2.0 or significance level of hypothesis testing smaller than 5%. In addition, consumer orientation influences creative product development with parameter value of $\beta = 0.255$. The result indicates that the consumer orientation can increase the creative product development. Furthermore, creative product development has effect on organizational performance with parameter value of $\beta = 0.162$. Thus, creative product development able to increase organizational performance.

Supplier orientation influences cost-oriented creative technique with parameter value of $\beta = 0.131$. The result indicates that the supplier orientation can improve cost-oriented creative technique. Moreover, cost-oriented creative technique affects the organization performance by showing the results of parameter value of $\beta = 0.314$. It means that the cost-oriented creative technique able to improve the organizational performance. Also, employee work creativity has effect on responsibility for employees and society with the result of parameter value of $\beta = 0.161$. The result indicates that the employee work creativity can improve the responsibility for employees and society. Furthermore, the responsibility for employees and society affects the organizational performance by showing the results of parameters value of $\beta = 0.130$. Thus, the result indicates that the responsibility for employees and society able to improve the organizational performance.

The form of mathematical equation of the empirical model is formulated as follows:

$$\begin{aligned} \text{CPD} &= 0.2557 \text{ CSO} \\ \text{Se}(\beta) &: (0.071) \\ \text{CR} &: (4.165) \end{aligned} \quad (1)$$

$$\begin{aligned} \text{CCT} &= 0.131 \text{ SPO} \\ \text{Se}(\beta) &: (0.060) \\ \text{CR} &: (2.087) \end{aligned} \quad (2)$$

$$\begin{array}{lcl} \text{RES} & = & 0.161 \text{ EWC} \\ \text{Se}(\beta) & : & (0.062) \\ \text{CR} & : & (2.581) \end{array} \quad (3)$$

$$\begin{array}{lclclcl} \text{OP} & = & 0.162 \text{ CPD} + & 0.314 \text{ CCT} + & 0.130 \text{ RES} & \\ \text{Se}(\beta) & : & (0.045) & (0.052) & (0.048) & \\ \text{CR} & : & (2.743) & (5.305) & (2.196) & \end{array} \quad (4)$$

Analysis of direct, indirect, and total effect: Direct effect is the coefficient of all coefficient lines with one-end-arrow or often referred to as path coefficient. Indirect effect is the effect that arises through an intermediate variable. Total effect is the total sum of direct and indirect effect. Those can be seen from the results of calculations using the AMOS program as follows:

Table 5: Direct, indirect, and total effect

	Effect	EWC	SPO	CSO	RES	CCT	CPD
RES	Direct	.161	.000	.000	.000	.000	.000
	Indirect	.000	.000	.000	.000	.000	.000
	Total	.161	.000	.000	.000	.000	.000
CCT	Direct	.000	.131	.000	.000	.000	.000
	Indirect	.000	.000	.000	.000	.000	.000
	Total	.000	.131	.000	.000	.000	.000
CPD	Direct	.000	.000	.255	.000	.000	.000
	Indirect	.000	.000	.000	.000	.000	.000
	Total	.000	.000	.255	.000	.000	.000
OP	Direct	.000	.000	.000	.130	.314	.162
	Indirect	.021	.041	.041	.000	.000	.000
	Total	.021	.041	.041	.130	.314	.162

Source: Processed primary data (2012)

Table 5 shows the following implications: (1) the largest direct influence of cost-oriented creative technique on organizational performance is 0.314; (2) the largest indirect effect of consumer orientation and supplier orientation on organizational performance is 0.041; and (3) the largest total influence of cost-oriented creative technique on organizational performance is 0.314. Those mean that improving organizational performance can be achieved by (1) improving consumer orientation on creative product development; (2) improving employee work creativity on responsibility for employees and society, and (3) improving supplier orientation on cost-oriented creative technique.

CLOSING

Conclusion: Based on the analysis results and discussion, it can be drawn some conclusions on the hypothesis as the followings: first, consumer orientation has positive effect on creative product development (H1); second, supplier orientation has positive effect on cost-oriented creative technique (H2); third, employee work creativity has positive effect on responsibility for employees and society (H3). Furthermore, creative product development (H4), cost-oriented creative technique (H5), and responsibility for employees and society (H6) have positive effect on organization's performance. Organization's performance can be achieved by improving the consumer orientation on creative product development, the supplier orientation on cost-oriented creative technique, and the employee work creativity on responsibility for employees and society.

Theoretical implication: This research is based on Resources Based Theory and Diversity in Innovation Theory which states that the success of the company depends on the characteristics of resources in the company. The new findings of this research have succeeded in solving the research gap of the influence of innovation orientation on performance. Although innovation orientation will not automatically improve performance, it encourages the innovation of pro-social cultural transformation, and eventually the innovation of pro-social cultural transformation leads to the achievement of organization's performance. It is supported by the research results of Dibrell et al. (2008); Crespell and Hansen (2008); Pinho (2007); and Keskin (2006) introducing the new concept of pro-social cultural transformation innovation, and the antecedence of pro-social cultural transformation innovation that supports the research results of Kohli and Jaworski (1990); Prajogo et al. (2004); Luo (2006); and Guijarro et al. (2009).

Managerial implication: The performance of SME organizations can be enhanced by improving the innovation of pro-social cultural transformation in various ways such as increasing the process of creative product development by sharpening creativity, using new techniques to modify each product, and developing the best new products of the company. It also enhances the company's better image by being responsible for employees and consumers to satisfy the consumers. Moreover,

it improves the production process of web wax batik, screen printing batik system, wax screen printing, WWTP production process for waste management, using new technology to improve quality (such as making batik motifs by computer) and to speed up new production process for product and cost efficiency (such as drying machine to speed up coloring process and color enlightenment).

Future research agenda: Future research needs to add other variables that theoretically affect pro-social culture transformation innovation and organization's performance such as: organizational learning, entrepreneur orientation; and the object of research not only on SMEs but also on large enterprises in Indonesia or in other industries outside batik.

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