

Determinant factors of culinary creative business performance in the city of Makassar (Indonesia)

Factores determinantes del desempeño empresarial creativo culinario en la ciudad de Makassar

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Abstract

The purpose of this study is to analyze how the capabilities of business performance in creative culinary ventures in Makassar City, Indonesia. Data were obtained from sources using a questionnaire distributed to 1,402 entrepreneurs in the small and medium business category. The sampling method is probability sampling with simple random sampling technique. The number of samples in this study was determined using the Slovin formula of 311 people, totalling 197 respondents who received the questionnaire in full. Data were analyzed using descriptive statistics with structural equation modelling techniques. The research findings explain dynamic capabilities that are important for enhancing innovation and business performance, as well as to assist future researchers to examine other factors that are predictors in improving business performance.

key words: dynamic capability, innovation, business performance, and culinary

Resumen

El propósito de este estudio es analizar cómo funcionan las capacidades de desempeño empresarial en empresas culinarias creativas en la ciudad de Makassar, Indonesia. Los datos se obtuvieron de fuentes mediante un cuestionario distribuido a 1.402 emprendedores de la categoría de pequeñas y medianas empresas. El método de muestreo es el muestreo de probabilidad con una técnica de muestreo aleatorio simple. El número de muestras en este estudio se determinó utilizando la fórmula Slovin de 311 personas, con un total de 197 encuestados que recibieron el cuestionario en su totalidad. Los datos se analizaron utilizando estadísticas descriptivas con técnicas de modelado de ecuaciones estructurales. Los resultados de la investigación explican las capacidades dinámicas que son importantes para mejorar la innovación y el rendimiento empresarial, así como para ayudar a los futuros investigadores a examinar otros factores que son predictores para mejorar el rendimiento del negocio.

Palabras clave: capacidad dinámica, innovación, rendimiento empresarial y culinario.

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1. Introduction

The creative economy which has become one of the essential pillars in the national economy makes the government give attention and assistance to creative endeavours. Data from the Indonesian Creative Economy Agency in 2018 explains that the government has distributed various types of assistance to several regions at the provincial, district/city, creative community and cooperative levels. The government assistance is in the form of revitalizing the physical infrastructure of the creative space, be it a creative centre, exhibition centre, business incubator. Other assistance in the form of physical buildings, including facilities and maintenance.

The creative economy already has regulations following the rules in Law No. 20 of 2008, then Law No. 33 of 2009 concerning film (regulations that encourage the development of the film industry), Law no. 3 of 2014 concerning industry (regulations that encourage the development of national creative industries). The next rule is Law No. 28 of 2014 concerning Copyrights (regulation on intellectual property protection for creative works), and Law No. 7 of 2014 concerning trade (regulations that encourage trade in products based on the creative economy).

The findings of (Obi, J et al., 2018) asserts that there is a significant relationship between creative business operations and economic growth in developing countries. In some developing countries, creative businesses are the mainstay of the business sector because they contribute to economic growth through employment creation (Akugri, M.S et al., 2015). (Zafar, A & S. Mustafa, 2017) explains that creative endeavours contribute more than 55% of GDP and more than 65% of total employment in high-income countries.

Based on data from the Cooperatives & SMEs Office of in City of Makassar general, there is an increase in the number of culinary creative businesses. However, looking at the data of the last 5 (five) years, several culinary businesses in several sub-districts experienced a business setback. Problems related to innovation in the creative culinary industry are still obstacles for businesses in the City of Makassar. The importance of innovation in supporting the performance of the creative industries has come to the attention of various researchers, such as the study of (Szlapka J. et al., 2017). Szlapka found that the increase (level) of innovation undertaken by the creative industry is determined by the value chain approach used, the more effective the value chain is, the higher the productivity of the creative industry.

(Bayarçelik, E.B et al., 2014) findings that the creative industry is an essential element of the economy that is responsible for driving innovation and competition in the economic sector. As a competitor in the economy, the creative industries must support strategic management decisions to produce strategic innovations. Some innovation problems in the creative culinary industry are;

Product packaging that is not competitive, and low value-added products, based on the results of discussions held by the International Council for Small Businesses (ICSB) in Makassar City;

Problems with production process innovation, low quality of service innovation, very low product innovation, and low level of innovation in the marketing mix, based on the results of the 3rd Indonesia Creative Cities Conference (ICCC) discussion in Makassar City.

Innovations in the creative culinary industry in the form of packaging innovation, food and beverage product innovation, and other innovations. The findings of (Setiawan, Edi, 2016) state that the innovation of food and beverage products by entrepreneurs is proven to increase consumer buying interest. Packaging innovation that is attractive to consumers has also been proven by several entrepreneurs in Yogyakarta, to be able to significantly increase entrepreneur's income (Wibisono, S & R.M. Sari, 2015)

The role of industry is significant for the economy if small entrepreneurs are equipped with orientation skills and ethical entrepreneurial commitment (Nadhar, M et al., 2017) (Musa, C.I & M. Hasan, 2018). However, the findings

of (Fatoki, O, 2014) explain the existence of internal industry barriers, namely lack of management experience, lack of functional skills, low employee training and development and unfavourable attitudes towards customers. The factors that influence the business performance of the industry are essential to analyze; this is due to the low level of business success. Improving the performance of creative industries can contribute to a country's economic growth.

These strategic factors include dynamic capabilities, by empirical findings such as (Purnomo, M, 2018) research explaining that amid fierce competition with new industries, entrepreneurs can carry out the sensing, fighting and transformation processes mediated by the process of developing and transferring knowledge, developing and sharing networking, as well as providing workforce management flexibility and local political inclusiveness, so they have the better dynamic capacity. (Fonger, J, 2016) findings also explain the advantages of dynamic capabilities that are statistically proven to be able to grow industries in Germany. The (Giniuniene, J & L. Jurksiene, 2015) explains that dynamic capabilities effectively improve business performance.

Capability is one of the critical external factors in managing the resources that an organization has so that the organization can achieve a competitive advantage. Controlling external factors that are prioritized by culinary creative industry players are high shipping costs, fluctuations in raw material prices, and fluctuations in fuel prices. Thus, the role of capability is vital so that creative industry players can carry out their tasks or activities in a coordinated manner to achieve their goals (Fernandes, B et al., 2017), which consists of individual and team capabilities. The purpose of this study is to analyze how dynamic capabilities affect innovation and business performance in culinary creative businesses in Makassar City, Indonesia.

2. Literature reviews

2.1. Dynamic capability

Dynamic capability is a strategic routine in an organization where managers change the primary resources of the company and then add new resources, integrate to create new values and strategies (Lin, W et al., 2016). Thus managers become movers in creating, evolving and recombining initial resources into new resources for competitive advantage (Otache, I & R. Mahmood, 2015). Based on the opinions of previous experts and researchers, according to the author's dynamic ability is the company's strategy to achieve the management of new resources against a new market (market share), market competition, market division, and market development. The dynamic capabilities of companies that use specific resources to integrate processes, reconfigure, profit and release resources to match and even create market changes.

This definition of dynamic ability is similar to the definition given by other authors. (Bae, Hee Sung, 2017) uses the term "ability to combine" to describe organizational processes in which companies synthesize and acquire knowledge resources and produce new applications from these sources (Lin, W et al., 2016) also use cultural competence.

Dynamic abilities are often vaguely described as "learning routines" that have been criticized for the need to repeat statements and ideas from the word endlessly to be discussed again (Brownhilder, N, 2016). However, dynamic capabilities consist of identification and specific routines that are often the subject of extensive empirical research beyond resource-based view (Otache, I & R. Mahmood, 2015) dynamic ability to integrate company resources, for example, in product development routines where managers combine varied skills and functional backgrounds to create revenue for the products and services that the company produces.

2.2. Innovation

Business innovation has become an obligation that must be applied by businesses because it has strategic value for business performance amid dynamic business competition (Matejun, M, 2017). One innovation that is relevant to business is innovation in the value chain to help for performance and maintain the competitiveness of business businesses in Indonesia (Hamdani, J & Wirawan, C, 2014). Systematic efforts to implement innovation have been one of the critical factors in achieving successful economic growth and improving business performance.

Innovation is one of the corporate choices in the face of market competition and sustainable management. (Freeman, R.E, 2014) considers innovation as an effort of a company through the use of technology and information to develop, produce and market new products for businesses. In other words, innovation is the modification or discovery of ideas for continuous improvement and development to meet customer needs.

The study of (Leonidou, E et al., n.d.) explains the involvement of stakeholders in innovation that is applied by entrepreneurs as a form of entrepreneurial development. Recent research explains that innovation is not only limited to products or services but innovation in technological aspects through the concept of innovation that provides opportunities for individuals to discover, develop, disseminate, and disseminate decentralized applications to revolutionize entrepreneurship (Chen, Yan, 2018).

Entrepreneurship plays a vital role in creating value and generating profits and creating jobs. Innovation is crucial because it will maintain and enhance a business's competitive advantage. Entrepreneurs and innovators always introduce discoveries into productive activities or exhibitions (Wu, Chih-Wen & Kun-Huang Huarng, 2015).

2.3. Business performance

(Sukma, N.P & K. A. Krisnadewi, 2013) explained that performance is a picture of the level of achievement of the implementation of a policy in realizing the goals, objectives, mission and business vision contained in a company's work plan. Performance is defined as the extent to which to guarantee a business is going well; then the entrepreneur needs to conduct an evaluation. The evaluation can be done by measuring its performance so that business activities can be monitored periodically. Performance measurement is one of the crucial factors in guaranteeing performance (Devani, V & A. Setiawarnan, 2015).

(Li, H et al., 2015) used three indicators to measure business performance, namely; efficiency, growth and profit. Company performance is a multi-aspect phenomenon that is difficult to measure. Various pieces of literature show that both quantitative and qualitative indicators have limitations and are recommended for use interchangeably. Quantitative measurements, such as ROI, profit, sales, and others. To identify how big the company's achievement in a certain period, commonly used a measure of ROI is the result of a comparison of income before tax with total assets.

3. Methodology

This research uses quantitative methods using statistical tests. In this study, data were collected through an analytical survey approach. Research data sourced from primary and secondary data. Primary data were obtained through a set of questionnaires as a measurement tool, while secondary data were taken from literature and documents or reports related to SMEs in Makassar City. The population of this research is 1,402 entrepreneurs in the small and medium business category. The sampling method is probability sampling with simple random sampling technique. The number of samples in this study was determined using the Slovin formula of 311 people. The research sample selection uses proportional random sampling technique.

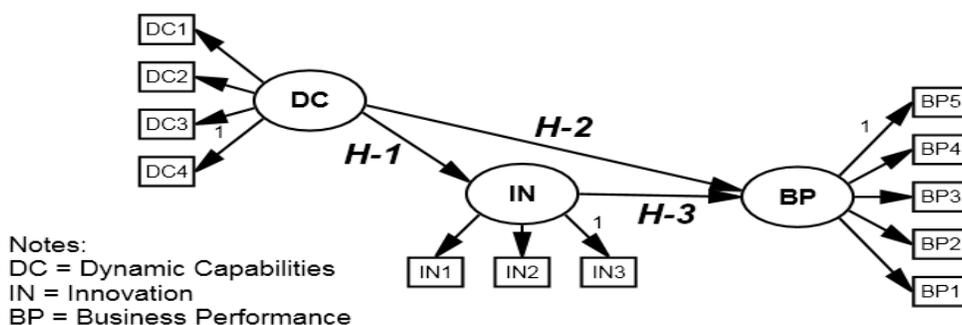
Questionnaires were distributed to targeted respondents. Total respondents of 311 respondents. This questionnaire consists of two parts. The first part contains the identification of respondents' profiles, while the second part identifies responses to all research variables.

This study promotes three variables, namely dynamic capabilities as exogenous variables, then innovation as intervening variables and business performance as endogenous variables. The measurement uses a five-point Likert scale of 1 (strongly disagree), 2 (disagree), 3 (disagree), 4 (agree), and 5 (strongly agree).

Then a reliability test is performed using confirmatory factor analysis (CFA) to assess the construct validity of the proposed measurement theory. The analytical method uses structural equation modelling (SEM) to test identifying research objectives.

Operationalization of variables including dynamic capabilities is the ability of creative sector business actors in Makassar City to form, use and change resources and business strategy activities so that they can adapt to changes in the culinary business environment. Innovation is a form of change made by culinary entrepreneurs in Makassar as a result of the ability to develop and implement ideas, technology, and others as a whole or in stages. Business performance is the culinary creative business achievements in Makassar which are observed based on general measurements of output be it sales, capital, labour, market share, and profit. The following is a picture of a conceptual framework for research.

Figure 1
Conceptual Framework



Based on Figure 1 shows the relationship between exogenous variables and endogenous variables, so the research hypothesis is described as follows.

H-1: There is a significant influence of dynamic capabilities on innovation

H-2: There is a significant influence of dynamic capabilities on business performance

H-3: There is a significant influence of innovation on business performance

4. Result

The target sample was 311 people, but only 197 respondents returned the questionnaire ultimately. Based on sex, it showed that there were 185 men (93.9%), and 12 women (6.1%). The entrepreneurs by over 40 years old, of 140 people (71.1%), while the under 40 years old of 57 people (28.9%). Based on the educational background shows that the educational background of senior high school is the dominant category of 124 people (62.9%), while a junior high school of two people (1.0%). Based on the business category shows that the medium business group of 122 people (61.9%), while the small business group of 75 people (38.1%). The business age in the 6-10

years category is the dominant business category participating in this study (49.2%), while the business age category between 11-15 years is only 19.8%.

Table 1
Profile of respondents

Genre	Categorize	Frequency	Per cent
Men	Small business: 54	185	93.9
	Middle business: 131		
Women	Small business: 3	12	6.1
	Middle business: 9		
Total		197	100.0
Ages			
< 40 years old	Small business: 14	57	28.9
	Middle business: 43		
> 40 years old	Small business: 52	140	71.1
	Middle business: 88		
Total		197	100.0
Educational Background			
Elementary School	Small business: 4	4	2.0
	Middle business: 0		
Junior High School	Small business: 2	2	1.0
	Middle business: 0		
Senior High School	Small business: 45	124	62.9
	Middle business: 79		
Bachelor	Small business: 51	67	34.0
	Middle business: 16		
Total		197	100.0
Business Categorize			
Small business	Small business: 75	75	38.1
Middle business	Middle business: 122	122	61.9
Total		197	100.0
The age of business			
6 - 10 years old	Small business: 31	97	49.2
	Middle business: 66		
11 - 15 years old	Small business: 11	39	19.8
	Middle business: 28		
> 16 years old	Small business: 21	61	31.0
	Middle business: 40		
Total		197	100.0

Furthermore, a combination of SEM and CFA is used to evaluate manifest variables concerning each of the latent variables. Besides, path analysis is carried out to measure the significance of the proposed hypothesis. Based on the CFA test (Table 2), manifestation variables significantly influence the latent variables proposed.

Table 2
Measurement of manifest variable and latent variable

Latent variable	Manifest variable	SLF	t-value
Dynamic Capability	Adaptation (capturing the customer's voice)	0.580	4.799
	Integration (learning new markets through partnerships)	0.634	4.904
	Internal reconfiguration (adjusting testing of new methods)	0.509	4.515
	Identification of external factors (identification of opportunities and threats)	0.535	**
Inovasi	Product development	0,763	11,912
	Counterfeit Products	0,846	13,668
	New Product	0,832	**
Kinerja Bisnis	Sales perspective	0,787	12.099
	Capital perspective	0,758	11.520
	Labor perspective	0,786	12.077
	Market perspective	0,818	12.715
	Earnings perspective	0,799	**

Note: ** The correlation of manifest variable is significant at 0,05 level

Table 2 shows all dimensions of the dynamic capabilities of the latent variables that are significantly related and can represent the concept of dynamic capabilities (DC) in the research model. Reliability tests on all of these indicators produce loading factors (> 0.50) and t-values (> 1.960). Furthermore, all dimensions have been tested in the validity test of the innovation (IN) and business performance (BP) variables, because they meet the loading factor (> 0.50) and t-value (> 1.96) requirements. Furthermore, the results of the structural equation model analysis on dynamic capability, innovation and business performance variables are presented as follows.

Figure 2
Analysis result of the structural equation model

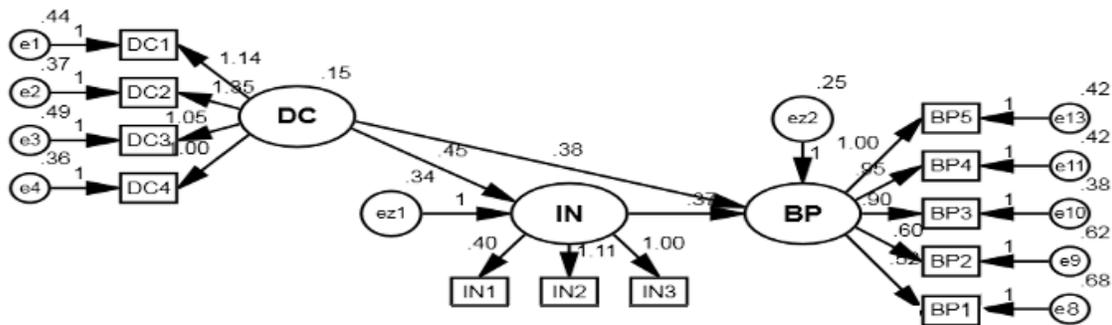


Table 3
Correlation between the independent and dependent variable

Variables	Variables	Estimate	S.E	C.R	P-value
Dynamic Capability	→ Innovation	0.454	0.172	2.642	0.008
Dynamic Capability	→ Business Performance	0.378	0.167	2.261	0.024
Innovation	→ Business Performance	0.372	0.100	3.727	***

Note: *** The correlation is significant at 0,05 level

The results in table 3 show that dynamic capabilities are proven to influence innovation (0.454), indicating that H1 is accepted. Dynamic capability is proven to affect business performance (0.378), indicating that H2 is accepted. Innovation is proven to affect business performance (0.372), indicating that H3 is accepted.

5. Discussion

Dynamic capabilities have been proven to influence and enhance innovation in creative culinary ventures based on statistical tests. All dimensions that make up the dynamic capability variable scientifically contribute to improving the quality of culinary creative business innovation. Testing new methods as an essential dimension among other dimensions in creative culinary endeavours. Dynamic capability is proven to influence and improve the performance of culinary creative businesses in Makassar based on statistical tests. The effectiveness of dynamic capabilities, namely (a) adjusting the culinary products to the tastes of consumers, (b) learning the experiences of other culinary entrepreneurs; and (c) anticipating new competitors.

Innovation is proven to influence and improve the performance of culinary creative businesses based on statistical tests. The dimension of product development is the most crucial component in the innovation variable because the main priority of entrepreneurs in innovating is to improve the quality of culinary products. Practical implications include practical information for small and medium businesses to evaluate the impact of dynamic capabilities on innovation and business performance for culinary business success and suggest further researchers to examine other factors that are predictors of improving business performance.

6. Conclusions

The role of the entrepreneurial character in accessing external funding sources plays a vital role in testing the development model of small and medium enterprises. The findings of this study explain that the dominant dimension forming the entrepreneurial character variable is the risk-taking dimension; this shows that the size provides an enormous contribution to access to external funding sources. The role of access to external funding sources in the development of small and medium business actors plays an essential role in testing the development model of small and medium business actors. The findings of this study explain that external funding sources as working capital and investment credit are essential for small and medium entrepreneurs. The influence of entrepreneurial character on access to external funding sources can be improved by increasing the level of self-confidence, thinking positively about everything in business matters, improving attitudes in the world of entrepreneurship, providing the best service.

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