

THE EFFECT OF INTERNAL ENVIRONMENT AND INNOVATION STRATEGY ON COMPANY PERFORMANCE

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ARTICLEINFO

Keywords:
Internal Environment,
Innovation Strategy,
Company Performance

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ABSTRACT

PT. Abul Abul Bandung is a company engaged in the manufacture of shoes. Problems at PT. Abul Abul Bandung, namely not achieving the production target set by the company. This is allegedly due to machine damage during production activities and the lack of awareness and sense of responsibility of employees for the company's goals. The purpose of this study was to find out how much influence the internal environment has on company performance and find out how much influence innovation strategy has on company performance in PT. Abul Abul Bandung. The objects in this study are the internal environment (X1), innovation strategy (X2) and company performance (Y). The method used in this research is a quantitative method with a descriptive and associative approach. The sampling technique in this study used a saturated sampling (census). The samples taken in this study were 35 people, namely the leadership of PT. Abul Abul Bandung consisting of managers and supervisors. The data analysis technique used is multiple linear regression analysis, including the coefficient of determination test, multiple correlation coefficient, simultaneous test (F test) and partial test (T test). Based on the results of the study, it was found that there was a positive and significant influence of internal environmental variables on company performance of 0.751, and a positive and significant influence of innovation strategy variables on company performance variables of 0.956, as well as a positive and significant influence of internal environment and innovation strategies in improving performance company of 0.984 or 96.8% while the remaining 0.32 or 3.2% is influenced by other factors outside of this study. From these results it is known that there is a positive and significant influence of internal environment variables and innovation strategy variables in improving company performance.

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1. INTRODUCTION

In the current era of globalization, competition between industrial companies is increasing and the economic environment is changing rapidly, requiring every company actor to always adapt to existing patterns of change so that they remain competitive. Changes that must be considered by the company not only lead to the company's products, but also to important aspects related to the performance of a company. One of the industries that has helped enliven the competition is the footwear industry. The Minister of Industry said, the footwear industry is one of the mainstay manufacturing sectors that has received development priorities from the government. This is because it is classified as a labor-intensive and export-oriented industry so that it makes a major contribution to the national economy. National footwear is able to reach its capabilities in the global arena, by producing a variety of quality and innovative products. [1], the footwear industry in Indonesia recorded a total production of 1.41 billion pairs of shoes or contributed 4.6 percent of the total world shoe production" [2]. This certainly encourages a company to remain competitive. One of the factors that can affect company performance in general is internal factors that originate from within the company unit [3]. The company is expected to be able to carefully identify and evaluate all of its internal variables to determine strengths and weaknesses. Thus the analysis of the internal environment is basically an attempt to make various efforts so that the company can find discrete variables or activities [4].

For companies, innovation strategy is also very important. The main key to winning competition in an industry where the competitive environment is very high and market behavior is selective is through an innovation strategy [5]. The company's innovation activities are inseparable from operational performance, where operational performance is a resource activity that has an influence on the

company's achievements and performance. [6]. The achievement of operational targets is expected by every company. By achieving the target, it can be judged that the company's performance is very good. Therefore, if the target is not achieved, it is necessary to examine what factors influence this and then evaluate it [7]. PT. Glostar Indonesia 1 Cikembar (PGD), is a footwear manufacturing industry company that produces sports and casual shoes with the Adidas brand. This company is located in the Cikembar area, Sukabumi district, West Java. In the following, there are problems with the company's performance in the production operations section that have occurred in the last three years, namely as follows:

Table 1 Production Targets
PT. Abul Abul Bandung

Year	2018	2019	2020
Target production (prs)	4,518,044	4,314,615	3,766,256
Actual production (prs)	4,251,991	4,115,307	3,489,123

Source: PT. Abul Abul Bandung

Based on table 1 above, it can be seen that the actual production in a row did not reach the target expected by the company. In 2018-2019, the average actual production only reached the target of 94% and was included in the category below the target set set by the company. This is presumably because the company's internal environment is not optimal where there is still a lack of awareness and sense of responsibility of employees for the company's goals and a lack of material supplies. In addition, the lack of process innovation causes frequent machine breakdowns during production activities. Based on the descriptions above, the authors are interested in conducting research on how the internal environment and innovation strategy influence company performance.

2. LITARATURE REVIEW

Internal Environment must always be able to anticipate and adapt to its environment, including the internal environment that directly influences the activities within the company [8] The internal environment is the variables (strengths and weaknesses) that exist within the organization but are usually not short-term control of top management [9]. The dimensions of the internal environment according to [10], namely consists of: structure (Structure), culture (Culture), and resources (Resources).

Innovation Strategy [11] argues that strategic innovation is the creation of growth strategies, new technologies, new services, new ways of doing things or a business model that changes the game and generates significant new value for consumers and customers. The dimensions of the Innovation strategy according to [12] consist of product innovation, marketing innovation, process innovation, technical innovation, and administrative innovation.

Performance Performance according to [13] is the result of the work of business actors over a certain period compared to various standard targets, goals or criteria that have been mutually agreed upon. Company performance is something that is produced by a company in a certain period with reference to the standards set by a company [14]. The dimensions of company performance according to [15] include operational performance and organizational performance. Operational performance reflects the performance of the company's internal operations in terms of cost and waste reduction, improving product quality, developing new products, improving delivery performance and increasing productivity. Meanwhile, organizational performance is measured by non-financial measures such as investment in R&D and the company's capacity to develop competitive profits.

3. METHOD

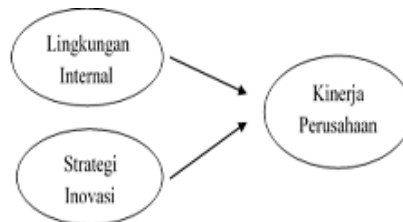


Figure 1 Method

The method used in this study is a quantitative method with a descriptive and associative approach. The population in this study are leaders at PT. Abul Abul Bandung, then the respondents who were selected from the population included 6 managers and 29 supervisors, so the total was 35 respondents. The analytical tool used in this study used SPSS 24 for windows software.

The model in this study uses a dual paradigm with two independent and one dependent as follows:

4. RESULT AND DISCUSSION

Validity Test Results

In order for the results in this study to meet the requirements, it is necessary to test the validity of each indicator. For each indicator of the internal environment, innovation strategy and company performance, all indicators are declared valid because the overall value of the indicators is more than 0.3.

Reliability Test Results

Based on the results of the reliability test, it is known that the r count of the internal environment variable is 0.862, the innovation strategy variable is 0.846 and the company's performance variable is 0.690. Then all the variables in this study can be declared reliable because r count is more than 0.60.

Normality Test Results

Based on the results of the Kolmogorov Smirnov normality test, the residual value is 0.200. This is stated to be normally distributed, because the variable regression model has exceeded the significant value of normality, namely 0.05 ($0.200 > 0.05$). Thus researchers can perform further data analysis techniques.

Descriptive Analysis of Internal Environmental

Variables Internal environmental variables at PT. Abul Abul Bandung obtained a score of 1,196 and is included in the high category. This shows that the internal environment in this company has been running quite well. The indicator with the highest number is the level of the company's expectations of employees to help achieve company goals with a score of 148. This shows that the leaders' expectations of employees are always instructed to achieve the company's vision and mission. However, there is an indicator with the lowest score, namely factory facilities with a score of 116, which means that the factory facilities in this company are still inadequate. The company needs to improve its factory facilities in a complete and comfortable manner.

Innovation Strategy

Variables Innovation Strategy Variables at PT. Abul Abul Bandung obtained a score of 2,172 and was included in the high category. This shows that the innovation strategy at this company has been going quite well. The indicator with the highest number is the level of innovation company administration in making company reports with a score of 154. This shows that the company always improves its administrative innovations in terms of making company reports. However, there is an indicator with the lowest score, namely the level of the company in creating new packaging for products with a score of 130. This shows that companies need to increase their product innovation to create new packaging for products.

Company Performance

Variables Company Performance Variables at PT. Abul Abul Bandung obtained a score of 1,010, and is included in the very high category. This shows that the company's performance at PT. Abul Abul Bandung has been going pretty well. The indicator with the highest number is the level of the company's ability to compete in business with a score of 154. This shows that the company has a competitive advantage in both product and service aspects. However, there is an indicator with the lowest score, namely the company in increasing productivity to achieve production targets with a score of 131. This shows that companies need to increase productivity in their company's performance.

Correlation Coefficient Analysis Correlation

coefficient test was carried out to state how strong the relationship between the internal environment, innovation strategy and company performance using SPSS 24 for windows software is shown in table 2 below:

Table 2. Internal Environment Variables (X1), Innovation Strategy (X2) and Company Performance (Y)

Model Summary ^a				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.984 ^a	.968	.966	.65533
a. Predictors: (Constant), Strategi Inovasi, Lingkungan Internal				
b. Dependent Variable: Kinerja Perusahaan				

Partial Hypothesis Test (T Test)

The results of the hypothesis test are shown in table 2 as follows:

Table 3. Partial effect of internal environment (X1) on Company Performance (Y)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
		1	(Constant)	-1.347		
	Lingkungan Internal	.122	.035	.194	3.488	.001
	Strategi Inovasi	.420	.028	.818	14.738	.000
a. Dependent Variable: Kinerja Perusahaan						

Based on table 3 it can be seen that the partial influence of the internal environment on company performance, namely the value of t count (3.488) > t table (2.036). This shows that there is a positive and significant influence between the internal environment on company performance at PT. Abul Abul Bandung. The magnitude of the influence of the internal environment (X1) on company performance (Y) is 0.751.

Partial effect of innovation strategy (X2) on company performance (Y)

Based on table 3, it can be seen that the partial effect of innovation strategy on company performance is t count (14.738) > t table (2.036). This shows that there is a positive and significant influence between innovation strategy on company performance at PT. Abul Abul Bandung. The magnitude of the influence of innovation strategy (X2) on company performance (Y) is 0.956.

Simultaneous Hypothesis Testing (F Test)

Table 3. The simultaneous effect of the internal environment (X1) and innovation strategy (X2) on company performance (Y)

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	416.543	2	208.271	484.960	.000 ^b
	Residual	13.743	32	.429		
	Total	430.286	34			
a. Dependent Variable: Kinerja Perusahaan						
b. Predictors: (Constant), Strategi Inovasi, Lingkungan Internal						

Based on the results of hypothesis testing, it shows that thecalculated > Ftable (484.960 > 3.29). This shows that there is a simultaneous influence of the internal environment and innovation strategy on company performance at PT. Abul Abul Bandung. The magnitude of the influence of the internal environment and innovation strategy on company performance is equal to 0.984. The results of this study are in line with research conducted by [16] in which the results of the research show that together the internal business environment variables and innovation simultaneously affect the improvement of company performance.

5. CONCLUSION

Internal environment, innovation strategy and company performance at PT. Abul Abul Bandung is quite good. This can be seen from the highest indicators that have been partially implemented and implemented. There is a positive and significant influence between the internal environment on company performance at PT. Abul Abul Bandung. There is a positive and significant influence between innovation strategies on company performance at PT. Abul Abul Bandung.

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