The Influence Of Product Innovation, Process Innovation, Marketing Innovation and Bookkeeping On Bread & Cake SMEs Business Performance in Payakumbuh

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ABSTRACT

The goal of this study is to ascertain how product innovation, process innovation, marketing innovation, and bookkeeping innovation affect the business performance of the Bread & Cake MSME in Payakumbuh City. This approach to research is quantitative. This study employed primary data and a research tool that included a survey provided to owners of MSMEs that make bread and cakes in Payakumbuh City. Non-probability sampling using a straightforward random sample approach is the sampling methodology. SmartPLS 3 software is used in this study's data processing. E-wom and advertising are two of the dimensions of the marketing innovation variable. According to the study's findings, product innovation has little impact on business success, but process innovation, marketing innovation, and bookkeeping innovation do. So, although advertising has no impact on marketing innovation, E-wom has a positive impact on it.

Keywords: Product Innovation, Process Innovation , Marketing Innovation, Bookkeeping, E-Wom, Advertising, Business Performance

1. Introduction

For the growth and success of a business, MSME players must own and cultivate innovation as a skill. MSMEs are small businesses with a maximum annual revenue of Rp 200,000,000 and a staff of 5–19 employees owned by Indonesian citizens. MSMEs must operate with the tools at their disposal in order to innovate. MSMEs can employ innovation as a means of adapting to a changing environment, therefore businesspeople must be able to develop fresh viewpoints and concepts, offer novel products, and enhance consumer satisfaction (Utaminingsih, 2016).

Currently, MSMEs have been successful in producing a number of significant contributions to regional income and Indonesian state revenue, according to (Maulida & Greece 2017). MSMEs have made significant contributions to both regional and national GDP in Indonesia. According to the BPS (2018), there are around 3.4 million MSME actors. The majority of these individuals work in the following 5 industrial sectors: food and beverage (44.9%), wood and wicker crafts (19.9%), textiles and clothing (14.4%), non-metallic minerals like wheat, mica, etc. (6.9%), and furniture (3.5%). In recent years, the country's Micro, Small and Medium-Sized Enterprises (MSMEs) have expanded dramatically, particularly in the area of food and beverage items.

One of the cities that is famous for its culinary and various snacks, namely the City of Payakumbuh. This city is a place to produce various culinary preparations such as sanjai, rendang, Padang and West Sumatran specialties, the traditional food industry, the bread and cake industry. Based on a preliminary survey and data obtained from the Central Bureau of Statistics (BPS) for Payakumbuh City in 2019, Payakumbuh City is dominated by micro, small, and medium businesses (MSMEs) in the culinary sector, especially bread and cake MSMEs. Based on a preliminary survey and data obtained from the Payakumbuh City Central Bureau of Statistics (BPS) in 2019, it is known that Payakumbuh City is dominated by micro, small, and medium businesses (MSMEs) in the culinary sector, especially bread and cake MSME. The number and distribution of the UMKM bread and cake industry in Payakumbuh City can be seen in Table 1:

Table 1. The number and distribution of the UMKM bread and cake industry in Payakumbuh City

No	Subdistrict	Number of Business Units	Percentage
1	West Payakumbuh	58	45.7%
2	East Payakumbuh	18	12%
3	North Payakumbuh	21	34.3%
4	South Payakumbuh	2	1.3%
5	Lampasi Tigo Nagari	10	6.7%
	Total	109	100%

Source: Data from the Central Bureau of Statistics (BPS) for Payakumbuh City, 2018

A plan is obviously necessary to maintain corporate performance, given the number of business units operating in the same industry. Due to these factors, there was intense competition in the bakery and cake industries. Both the corporate climate and consumer needs are evolving swiftly. As a result, in order to please clients, businesspeople need to be able to develop new ideas, concepts, and goods as well as improve service delivery (Elfahmi & Jatmika, 2019). MSMEs must have the ability to innovate in order to position themselves for successful company performance (Nasir, 2017). Product innovation, process innovation, marketing innovation, and organizational innovation are the four categories into which Olughor (2015) divides innovation.

High competitiveness results from the abundance of bread and cake MSME business units in Payakumbuh City. MSMEs must constantly excel in terms of marketing as a result. Some MSMEs don't give a damn about the packaging or design of their products. Researchers in the subject have noted that SMEs do not give concerns about products packaging much thought. The product label is fitted inside the clear, everyday plastic packaging, which is always the same from year to year. The label serves as information for consumers. The lack of knowledge and experience with bookkeeping and documentation for SMEs producing bread and cakes in Payakumbuh City is the next issue. Numerous MSMEs were discovered to lack bookkeeping records for their product and financial flows during the researchers' preliminary study. Because they lack company recordkeeping, MSMEs find it challenging to forecast whether they will turn a profit or a loss.

Innovation has a major impact on MSMEs' performance, claim (Abdilahi et al., 2017). The performance of the firm improves as innovation gets better. (Musah, 2017) asserts that bookkeeping has a favorable impact on the development and effectiveness of MSMEs. This research is required because Payakumbuh City's bakery and cake SMEs require innovation (prod-

uct, process, and marketing) as well as bookkeeping, as can be inferred from the rationale given above.

Some advances from the previous literature were made in this study. The changes made to this study are as follows: (1) This study draws on two studies (modified) by Musah (2017) and Abdilahi et al. (2017); Musah's study (2017) only considered bookeepping-related variables, whereas Abdilahi et al. (2017) included variables related to product innovation, process innovation, and marketing innovation. (2) By combining the two dimensions of e-women and advertising, the marketing innovation variable was born. In contrast to earlier studies, this one focuses on how bookeepping and innovation affect business performance at UMKM Bread and Cake in the City of Payakumbuh. To address the issues mentioned previously, UMKM Bread and Cake in the city of Payakumbuh needs to innovate its products, processes, marketing strategies, and bookeepping systems.

Business performance

Business performance, according to IGI Global (2020), is a collection of analytical procedures that help organizational management accomplish defined objectives. According to Rochmadi (2019), the manager or owner must have a better understanding of the financial bookkeeping literacy required by SMEs in order to accurately assess a SME's performance. This will allow them to accurately estimate earnings, foresee losses, and reduce expenditures.

Product Innovation

Businesses can gain a competitive edge through product innovation. Product innovation can raise product quality, which will benefit business performance. Product innovation, according to Abdilahi et al. (2017), is the introduction of goods or services that are novel and have the potential to greatly expand their use. Through an increase in sales, product innovation can greatly enhance corporate success (Twaliwi & Isaac, 2017). According to Abdilahi & Hassan (2017), Twaliwi & Isaac (2017), and Osei et al. (2016), product innovation has a considerable impact on company performance in MSMEs.

H1. Product innovation affects business performance

Process Innovation

The goal of process innovation is to make the production of goods and services simpler. Process innovation, according to Abdilahi & Hassan (2017), is a novel application that can considerably boost output and product delivery. Process innovation, according to Canh et al. (2019), can be something novel and distinct from the techniques used in the past. The ability of the business to innovate financially and the labor pool to innovate both promote process innovation. According to Cahn et al. (2019) and Olughor (2015), process innovation has an impact on business performance.

H2. Process innovation affects business performance

Marketing Innovation

According to (Abdilahi et al., 2017), marketing innovation refers to the adoption of fresh marketing strategies that involve sizable changes to product and packaging design, product positioning, promotion, and price. It is envisaged that changing customer tastes can be accommodated through the renewal of marketing tactics like packaging and product design. Increased sales, a larger market share, and the opening of new markets are the objectives of marketing innovation (Nasir, 2017). According to Nasir (2017) and Abdilahi et al. (2017), marketing innovation has an impact on corporate performance.

H3. Marketing innovation affects business performance

Bookkeeping

Musah (2017) asserts that the purpose of bookkeeping is to help businesses determine whether they are earning a profit or a loss. According to Wahid (2017), SMEs need bookkeeping as a foundation for these decisions because attention is required while making decisions, including those pertaining to finances. As a result, bookkeeping is particularly helpful for evaluating business performance and helping to resolve issues with running a firm, especially MSMEs.Ernest (2018), Wahid (2017), and Musah (2017) all contend that bookkeeping has an impact on how well a business performs.

H4. Bookkeeping affects business performance

E-WOM

Electronic Word Of Mouth (E-WOM) is a word of mouth method using internet media, E-WOM activities offer offers in the form of a high level of market transparency obtained by consumers Putro et al., (2023) .

H5. E-Wom has influence on Marketing Innovation

Advertising

According to Ramadzan (2022), advertising is a way for marketers to persuade consumers. Ramadzan (2022) defines advertising as a non-personal method of presenting and promoting concepts, products, and services that is funded by sponsors.

H6. Advertising has an influence on Marketing Innovation

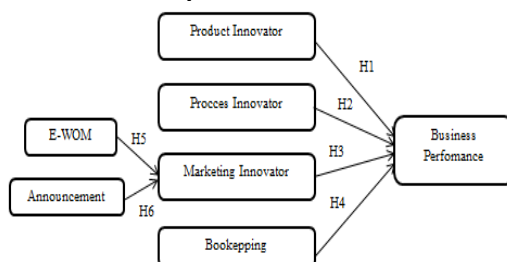## Research Concept Framework

Figure 1. Test Results for the Effect of Product Innovation, Process Innovation, Marketing Innovation and Bookkeeping on Business Performance

Source: Abdilahi et al (2017) and Musah (2017)

2. Research Method

This study covers the business performance in Bread & Cake SMEs in Payakumbuh City based on the context, issues, and goals outlined by the author. This research is required because the challenges that arise in Bread & Cake SMEs that call for innovation in the areas of product, process, marketing, and bookkeeping gave rise to the topic. This study employed a quantitative methodology same with Marlina (2018), (2020), (2021), (2022).

All of the 109 Bread & Cake SMEs in Payakumbuh City with a business age >5 years comprise the population to be tested in this study. Using the Solvin formula, it was decided how many samples will be used in this investigation, as follows:

$$n = N / (1 + N.(e)2)$$

formula description:

n = number of samples, N = total population, e = error tolerance limit

e is the percentage of error that can be tolerated in sampling.

So :

Slovin formula= $109 / (1 + (109 \times 0.05^2))$

n = 109 / (1 + 1.21)

n = 109 / 2.2

n = 49 sample units.

By comparing the value of the T statistic > T table, with a t table value of 1.67, this relationship can be seen from the p value column; if the p value is the value of the relationship between variables 0.05, then the relationship is stated to be significant (Hair et al., 2017). Hypothesis testing is used to determine the influence of the variables in the research model by comparing the value of the T statistic > T table.

The data quality test aims to test or see whether the data and samples studied meet the validity and reliability standards. Validity is a statement that can be seen from the outer loading value test, data can be said to be valid if it has an outer loading value > 0.7 and an AVE > 0.5 (Hair et al., 2017). The reliability test aims to determine the consistency value of the data used as seen from Cronbach's alpha and composite reliability with a value of > 0.7 (Hair et al., 2017). Hypothesis testing is used, to see how the influence of the variables in the research model is determined by comparing the value of the T statistic > T table, with a t table value of 1.67, this relationship can be seen from the p value column, if the p value is the value of the relationship between variables <0.05, then the relationship is stated to be significant (Hair et al., 2017).

3. Result And Discussion

Characteristics of Respondents

The sample of people who agreed to participate in the study was divided into a number of categories, including respondents based on gender, age, final educational attainment, annual revenue, length of operation, social media, kind of cake, and number of variants.

Table 2. Characteristics of Respondents

	Information	Percentage
Gender	Woman	44%
	Man	56%
Respondent Age	20 years	0%
	22-23 Years	5%
	30-40 Years	17%
	>40 Years	27%
Last education	SD	29%
	JUNIOR HIGH SCHOOL	36%
	SENIOR HIGH SCHOOL	27%
	D1	3%
	D2	5%
	D3	0%
Annual Income	<300,000,000	59%
	300,000,000 – 1,500,000,000	37%
	1,500,000,000 – 2,500,000,000	4%
	2,500,000,000 – 5,000,000,000	0%
Length of Business	<5 Years	8%
	5 – 12 Years	42%
	>22 Years	50%
Social media	Instagram	6%
	Facebook	16%
	YouTube	2%
	Website	3%
	Other	25%
Cake Type	Cake	37%
	Pastry	17%
	Muffin	38%
	Traditional cake	8%
Flavor Variants	1 – 3 variants	14%
	3 – 5 variants	20%
	6 – 10 variants	27%
	> 10 variants	39%

Source: Data Processing Research Results (2023)

Validity and Reliability Test

An indicator or variable is deemed valid in the outer loading and average variance extract (AVE) tests used to determine the validity of research data if it has an outer loading value > 0.7 and an AVE value > 0.5 (Hair et al., 2017).

The dependability of the study's variables was then examined using the Cronbach alpha and composite reliability tests.If a variable satisfies the criteria for Cronbach's alpha value, specifically > 0.7 and composite reliability with a value of > 0.7 (Hair et al., 2017).

Table 3. Validity and Reliability Test

Variable	Indicator	Outer Loading	AVE	Cronbach's Alpha	Composite Reliability
Product Innovation	GPA 1 <- Product Innovation	0.869	0.828	0.897	0.893
	GPA 2 <- Product Innovation	0.937			
	GPA 3 <- Product Innovation	0.923			
Process Innovation	IPS 1 <- Process Innovation	0.721	0.719	0.804	0.884
	IPS 2 <- Process Innovation	0.896			
	IPS 3 <- Process Innovation	0.914			
Marketing Innovation	IPN 1 <- Marketing Innovation	0.796	0.725	0.873	0.913
	IPN 2 <- Marketing Innovation	0.850			
	IPN 3 <- Marketing Innovation	0.896			
	IPN 4 <- Marketing Innovation	0.860			
Book keeping	P 1 <- Bookkeeping	0.884	0.825	0.791	0.904
	P 6 <- Bookkeeping	0.932			
E-WOM	E-WOM 1 <- E-WOM	0.882	0.720	0.807	0.885
	E-WOM 2 <- E-WOM	0.874			
	E-WOM 3 <- E-WOM	0.786			
Advertisement	IK 1 <- Advertisement	0.905	0.739	0.835	0.894
	IK 2 <- Ad	0.935			
	IK 3 <- Advertisement	0.725			
Business Performance	KU 1 <- Business Performance	0.890	0.784	0.863	0.916
	KU 2 <- Business Performance	0.887			
	KU 3 <- Business Performance	0.879			

Source: Data Research Results (2023)

The values for outer loading, AVE, Cronbach Alpha, and Composite Reliability have met the criteria for validity and reliability values, as can be seen in the table above. in order to declare all of the variables in this study model valid and dependable.

Adjusted R Square Test

To determine how well the independent variables that make up the research model can explain the dependent variable, the modified R Square test is employed (Hair et al., 2017).

Table 4. R Adjusted Square Test

Variable	R Adjusted Square
Business Performance	0.698
Marketing Innovation	0.491

Source: Data Processing Results (2023)

From the results of the adjusted r square test in the table above, it shows that the dependent business performance is explained by the independent variables contained in the research model of 0.698 (69.8%), while the remaining 0.401 (40.1%) is explained by external variables or factors that are not related. Then the marketing innovation variable is explained by the dimensions contained in the research model of 0.491 (49.1%), while the remaining 0.608 (60.8%) is explained by dimensions or factors that are not in the research model.

Hypothesis test

Hypothesis testing is a test that has the objective of seeing how the influence of variables in the research model is by comparing the value of the T *statistic* > T table (Hair *et al.,* 2017). The hypothesis can be accepted on condition that the T *statistic* > T table with a value of 1.676 and a P value <0.05 (Hair *et al.,* 2017).
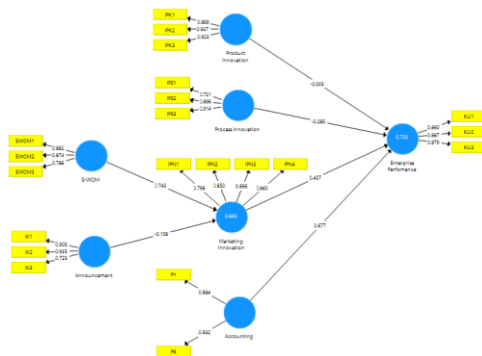

Figure 2. Test Results for the Effect of Product Innovation, Process Innovation, Marketing Innovation and Bookkeeping on Business Performance

(Source: Data Processing Research Results, 2023)

Table 4. Path Coefficient Test

Track	Sample Average	T Statistics	P Value	Results
Product Innovation -> Business Performance	0.021	0.002	0.983	Not significant
Process Innovation -> Business Performance	-0.314	1,889	0.060	Significant
Marketing Innovation -> Business Performance	0.462	3,282	0.001	Significant
Bookkeeping -> Business Performance	0.681	6,907	0.000	Significant
E-WOM -> Marketing Innovation	0.736	4,369	0.000	Significant
Advertising -> Marketing Innovation	-0.085	0.617	0.538	Not significant

Source: Data Research Results (2023)

Based on the results of the path coefficient test table above, the product innovation variable has no significant effect on business performance, this relationship is indicated by a t-statistic value of 0.002 (> 1.676) and a p-value of 0.938 (<0.05). The process innovation relationship has a significant influence on business performance, this relationship is indicated by a t-statistic value of 3.519 (> 1.676) and a p-value of 0.060 (<0.05). The marketing innovation relationship has a significant influence on business performance, this relationship is indicated by a t-statistic value of 3.282 (> 1.676) and a p-value of 0.001 (<0.05). Bookkeeping relationships have a significant influence on business performance, this relationship is indicated by a t-statistic value of 6.907 (> 1.676) and a p-value of 0.000 (<0.05). The e-wom relationship has a significant influence on marketing innovation, this relationship is indicated by a t-statistic value of 4.369 (> 1.676) and a p-value of 0.000 (<0.05). The e-wom relationship has no significant effect on marketing innovation, this relationship is indicated by a t-statistic value of 0.617 (> 1.676) and a p-value of 0.538 (<0.05).

Discussion

H1. Product Innovation has no significant effect on Business Performance in Bread & Cake SMEs in Payakumbuh City

Product innovation has no impact on business performance in Bread & Cake SMEs in Payakumbuh City. This is due to the lack of introduction of product innovation by the SMEs themselves, a lack of focus on innovations carried out, and a also lack of product promotion. This research is in line with research conducted by Osei et al., (2016).

H2. Process Innovation has a significant effect on Business Performance in Bread & Cake SMEs in Payakumbuh City

Process innovation is believed to have a strong influence on the business performance of bakery and cake SMEs in Payakumbuh City. Making innovations in the process means accelerating the production process so that it can produce more output within a certain period of time.

This research is in line with research conducted by Ndesaulwa & Kikula (2016) , Perwiranegara (2015) , and Abdilahi et al., (2017) .

H3. Marketing Innovation has a significant effect on Business Performance in Bread & Cake SMEs in Payakumbuh City

The existence of marketing innovations in Bread & Cake SMEs in Payakumbuh City will affect business performance. Marketing innovation is important to increase purchases of a product to be sold. With the renewal of marketing strategies such as packaging and product design, it is hoped that consumer tastes that change according to trends can be fulfilled. This is in line with research conducted by Abdilahi et al., (2017).

H4. Bookkeeping has a significant effect on business performance in Bread & Cake SMEs in Payakumbuh City

Bookkeeping is very necessary for improving business performance, especially in Bread & Cake SMEs in Payakumbuh City. The results of the study indicate that the better the practice and knowledge of bookkeeping, the better the business performance of MSMEs. This research is in line with research conducted by Wahid (2017) and Abdul-Rahamon & Adejare (2015).

H5. E-WOM has a significant effect on Marketing Innovation in Bread & Cake SMEs in Payakumbuh City

E-Wom has an influence on marketing innovation, and the existence of E-Wom can make MSMEs grow. E-WOM is one of the factors that can foster buyer interest in using business products due to the opportunity that consumers get in obtaining information about the goods, services, or products described (Putro *et al.,* 2023).

H6. Advertising has no significant effect on Marketing Innovation in Bread & Cake SMEs in Payakumbuh City

In this study, advertising has no influence on marketing innovation in Bread & Cake SMEs in Payakumbuh City .

4. Conclusion

The purpose of this study is to look into and assess the issue of business performance in Payakumbuh City's SMEs for bread and cakes. This study focuses on the impact of the interaction of bookkeeping, marketing, process, and product innovation on business performance. This study also investigates how dimensions affect marketing innovation variables. Data processing and analysis findings reveal that while product innovation has little impact on corporate success, process innovation, marketing innovation, and bookkeeping innovation do. As a result, marketing innovation is positively impacted by e-wom despite being unaffected by advertising.

Limitations and Recommendations

The limitations of this study are that the scope of this research is only the Payakumbuh City ar-
ea, so the results of this study can only be a reference for MSMEs in Payakumbuh City. The number of population members and samples is limited, with a sample size of 49 SMEs, it is hoped that further researchers can conduct research with a wider scope and a larger population so that the samples that can be taken exceed the number of samples in this study.

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