

## Measurement of Company Performance Based on Innovation (Study on Restaurant and Cafe in Padang City)

Asnimar<sup>1\*</sup>, Ratni Prima Lita<sup>2</sup>, M. Ma'ruf<sup>3</sup>

<sup>1</sup>Master of Management Program, Faculty of Economics, Andalas University, Padang, Indonesia

<sup>2,3</sup>Lecturer of the Master of Management Program, Faculty of Economics, Andalas University, Padang, Indonesia

### Abstract

This study aims to analyze the role of product innovation, process innovation and organizational innovation on company performance in restaurant and cafe businesses in Padang City. This explanatory research uses surveys, explanatory surveys with a quantitative approach. Data collection on 136 restaurant and cafe business actors in the city of Padang was carried out using the purposive sampling technique. The data were then analyzed using Structural Equation Modeling - Partial Least Square (SEM-PLS). The results show that product innovation has a significant effect on company performance, process innovation has a significant effect on product innovation, process innovation has no significant effect on company performance, organizational innovation has a significant effect on process innovation, and organizational innovation has a significant effect on company performance. This study has several important findings for restaurants and cafes in the city of Padang, to pay more attention to the innovations carried out in their business, especially process innovation and organizational innovation, because process innovation significantly affects product innovation of restaurant and cafe business actors in the city of Padang. Furthermore, organizational innovation significantly affects process innovation, and the performance of restaurant and cafe business actors in the city of Padang.

**Keywords:** company performance; product innovation; process innovation; organizational innovation

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\*Corresponding author: asnimar86@gmail.com

### Introduction

The food and beverage industry is one of the fastest expanding sectors of the service sector. In the community, the food and beverage industry is referred to as a culinary business. The restaurant and cafe industry is one area of the food and beverage industry currently growing. However, most businesses in the sphere of food and beverage products continue to fall short of implementing sustainable innovations for their products. This signifies that no innovation has been made to its products since the company's beginning. As a result, it is critical to reinvent food and beverage products, particularly for restaurants and cafes, to keep up with the competition, current trends, changing tastes, display and packaging designs, and manufacturing procedures. According to Gie (2020), the restaurant and cafe industry is one of

the least innovative due to market "saturation." With so many various types of food and an abundance of restaurants and cafés on every corner, it might be challenging to differentiate themselves.

Culinary business entities that previously did not practice sustainable innovation have attempted to implement some essential adjustments in their business operations in response to changes in consumer purchasing power. This includes restaurant and cafe owners who are serious about increasing their customer base while maintaining their business's performance. Entrepreneurs of restaurants and cafes innovate in order to keep their businesses afloat.

Typically, company performance is used as a barometer to determine success or failure.

According to Astuti, Isharijadi, & Amah (2017), business performance is the consequence of a succession of business processes that use various resources, including human and financial resources. Morgan & Berthon (2008) defined new features as improvements or benefits associated with new products that have the potential to raise consumer satisfaction, attract new customers, generate new market segments, and increase sales and performance.

Naranjo-Valencia et al. (2016) argued that innovation can boost company performance and that organizational learning is critical for their development. Innovation is widely regarded as a critical component of a company's competitiveness, organizational structure, products, and services. According to Nemati et al. (2010), product innovation refers to a company's ability to design, develop, and implement new, unique, and attractive product or service offerings to improve efficiency and effectiveness and establish a sustainable competitive advantage.

Apart from product innovation, restaurants and cafes also innovate in processes. According to Brem et al. (2016), process innovation is a cumulative improvement in the entire production process that results in the creation of products and services. According to Lee, Lee, & Garrett (2016), organizational innovation uses novel methods in business processes, work organizations, or external relations. Organizational innovation tends to enhance business performance by lowering administrative and transaction expenses, boosting work satisfaction and labor productivity, and lowering inventory costs. Based on an initial survey conducted in June 2020 at many restaurants and cafes in Padang City, it was found that several restaurant and cafe businesses are rebranding in order to grow their businesses. The reason for rebranding is that every business has cycles, and restaurants and cafes have their own, including renovating their organization and menu. Rebranding can be accomplished by establishing a new business, allowing business entities to operate

multiple businesses. Additionally, some create new outlets but first rebrand due to the lack of brand legalization. Furthermore, some business entities rebrand solely to reflect a shift in business orientation but do not establish new businesses.

Restaurant and café businesses in Padang pursue business development strategies that target all segments or groups, while some of them only concentrate on a single segment. For product innovation, business entities add a variety of food and beverage menus to their offerings, with prices established according to a price list, while some use custom pricing. Additionally, businesses can develop methods of conducting transactions using credit cards and digital money. Moreover, there are business entities that are solely focused on Instagram, but others utilize websites or campaigns in the arts and music community and engage in events.

While some restaurants and cafes in Padang partner with delivery services such as Gojek, others rely on Google maps and accept delivery service orders without a partnership. Meanwhile, raw material distribution was done via its distribution system. Business entities give monthly briefings to address employee faults and analyze client complaints about organizational management. Additionally, some manage the organization through daily, weekly, and monthly reports. Another business innovation is to make the business location as attractive as possible so that consumers feel at ease for an extended period while enjoying the atmosphere in restaurants and cafés.

The discussion stated that each restaurant and cafe business needs a distinct approach to business innovation to stay afloat. However, not all innovations are fully implemented; for example, some organizations focus exclusively on product innovation, while others focus on process and organizational innovation. Additionally, some restaurants and cafes embrace innovation on a broad scale. This demonstrates that while

restaurant and cafe businesses in Padang are not committed to innovation, whether a product, process, or organization, this does not indicate that there is no innovation. According to the author's observations, many restaurants and cafes in Padang share information about their products with consumers via digital marketing channels such as social media to reach a larger market or partner with delivery services to increase their company's sales volume. As a result, it is vital to evaluate the performance of the business.

In essence, innovation can help businesses perform better in various ways. Four distinct performance dimensions are utilized in the literature to describe company performance (Hagedoorn & Cloudt, 2003; Yilmaz et al., 2005). Innovation has a significant impact on business performance, as it can help a business achieve a stronger market position through competitive advantage and superior performance (Walker, 2004).

## **Literature Review**

### **Effect of Product Innovation on Company Performance**

Hernández-Espallardo & Delgado-Ballester (2009) confirmed in their research that product innovation improves company performance. Similarly, Varis & Littunen (2010) asserted that the launch of new products positively affected a company's performance. Therrien et al. (2011) examined the effect of innovation on company performance in a specific service industry. The findings indicate that businesses must enter the market early or introduce entirely new products to maximize revenues from innovation.

Additionally, Atalay et al. (2013) discovered that product innovation has a significant and positive effect on company performance. Similarly, Rosli & Sidek (2013) discovered that product innovation had a significant impact on company performance. Furthermore, Ukpabio et al. (2018) revealed a significant positive

association between product innovation and company performance. Therefore, the authors formulate the following based on the findings of various previous studies:

H1: Product innovation has a significant effect on company performance of restaurants and cafes in Padang City

### **Effect of Process Innovation on Product Innovation and Company Performance**

Based on the research results on British companies, Oke (2007) claimed that the development of a formal implementation process is required to pursue new product or service innovations. This demonstrates that process improvement can act as a catalyst for output success in the form of product and service innovation. Thus, innovative solutions that give phases of the manufacturing process with new advantages, such as increased production quality, lower costs, and increased value and speed, can be improved. This can result in the expanded potential for developing new product components, technical specifications, and functionality that better suit customer needs and expectations.

Kratzer et al. (2017) demonstrated a strong correlation between process and product innovation. Similarly, Gunday et al. (2011) asserted that process innovation influences product innovation. Additionally, Lita et al. (2018) revealed that process innovation has a significant positive effect on product innovation. Conditions favorable to efficient and high-volume process innovation are distinct from those favorable to product innovation. The implementation process's innovation emphasizes efficiency, with a particular emphasis on cost savings. While product innovation is concerned with effectiveness, not with efficiency. This is because new products require additional resources and impose new procedures, resulting in modifications to the manufacturing process. However, companies that excessively emphasize process innovation will limit the product

innovation potential. The authors formulate the following based on various past studies:

H2: Process innovation has a significant effect on product innovation of restaurants and cafes in Padang City.

Process innovation is a broad term that refers to reengineering and optimizing internal operations within a business process (Rosli & Sidek, 2013). Process innovation is concerned with the development and improvement of techniques and the processes or systems used. For instance, the input to output process incorporates advancements in technology, skills, techniques, systems, and procedures. Process innovation can refer to new or improved procedures, equipment, devices, and information used to manufacture a product (Oke, 2007). The manufacturing industry must emphasize process innovation as a unique, essential competence (Rosli & Sidek, 2013). Such innovation is associated with increased business growth (Morone & Testa, 2008).

According to Atalay et al. (2013), process innovation has a significant positive effect on company performance. Similarly, Rosli & Sidek (2013) found that process innovation significantly affects company performance. Additionally, Ukpabio et al. (2018) revealed that process innovation has a significant and positive effect on company performance. Tuan et al. (2016) showed that process innovation improves company performance. Their findings indicate that the more process innovation activity a company engages in, the more its performance. Additionally, Zhang et al. (2017) stated that process innovation helps companies perform better. The authors formulate the following based on the findings of various previous studies:

H3: Process innovation has a significant effect on company performance of restaurants and cafes in Padang City.

Effect of Organizational Innovation on Process Innovation and Company Performance

Organizational innovation, or, in other words, organizational reform in the form of structural improvements that result in enhanced intra-organizational coordination and cooperation mechanisms, will contribute to the establishment of a conducive environment for other types of innovation, namely process innovation and innovation performance (Gunday et al., 2011). Cozzarin (2016) discovered the same thing, stating that organizational innovation positively impacted process innovation. Therefore, the authors formulate the following based on various past studies:

H4: Organizational innovation has a significant effect on process innovation of restaurants and cafes in Padang City.

According to Tuan et al. (2016), organizational innovation positively affects company performance. These findings indicate that the more innovative a business is, the greater the company's performance. Additionally, Ukpabio et al. (2018) showed that organizational innovation could boost company performance by lowering transaction and administrative expenses, increasing job satisfaction. Additionally, organizational innovation can be incorporated into business processes by using novel strategies for regulating routines and procedures used in the implementation of activities. This entails implementing new methods for allocating responsibilities and making decisions among employees. Therefore, the authors formulate the following based on various past studies:

H5: Organizational innovation has a significant effect on company performance of restaurants and cafes in Padang City.

The conceptual framework for this study is as follows:

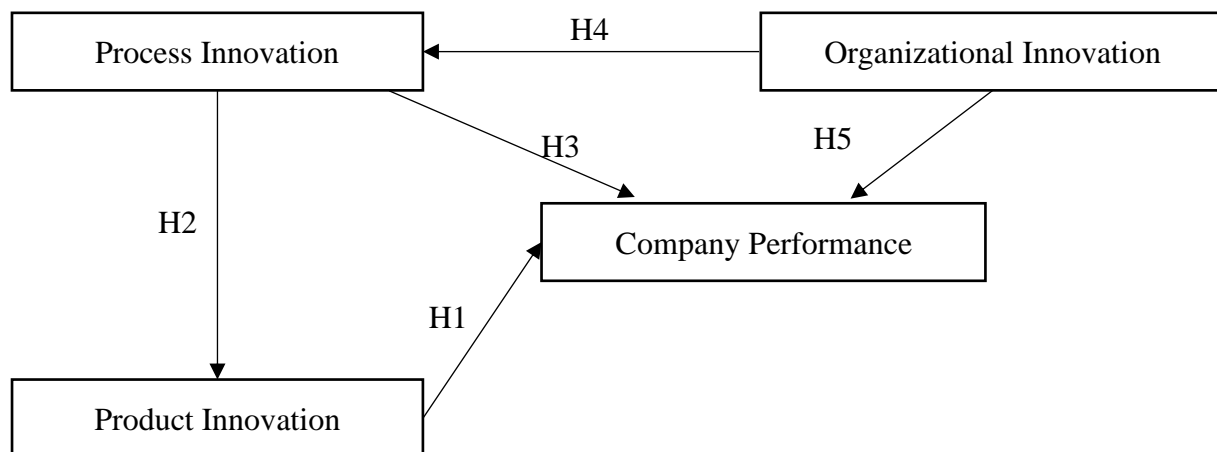


Figure 1 Conceptual Framework

## Methods

This study utilizes explanatory research. While the study approach employed is an explanatory survey that uses quantitative methods. This study uses hypothesis testing (Sekaran & Bougie, 2016). The population is made up of all restaurant and cafe owners in Padang. Hair et al. (2010) defined a study as a representative if the number of samples employed equals the number of indicators multiplied by 5-10 or at least 100 (one hundred) samples. The number of indicators in this study is 17. Thus  $17 \times 8 = 136$ . As a result, a sample of 136 restaurants and cafe businesses in Padang was used. Purposive sampling was utilized to collect data. The respondent's criteria include restaurant and cafe businesses in Padang who are either the owner or manager of restaurants and cafes in Padang or both the owner and manager of restaurants and cafes in Padang. The criteria for a restaurant or café are not for franchising. The business types must one of restaurants, cafes, restaurants and cafes, and coffee shops. Field research is used to collect data. Respondents completed questionnaires online using a google form. The questionnaire employs a Likert scale for measurement. Structural Equation Modeling - Partial Least Squares (SEM-PLS) was used to analyze the data.

## Results and Discussion

### Characteristics of Respondents

This study's restaurant and café business entities were primarily managers, reaching up to 87 persons (64%). This indicates that restaurants and cafes in Padang are primarily managed by managers (managers) rather than owners. Many restaurant and cafe owners prefer to work behind the store and monitor the manager's work frequently to avoid the emergence of bad service to consumers. Additionally, men led business entities of 79 persons (58.1%), with the majority of age groups ranging from 24-28 to as many as 61 persons (44.9%). The length of business conducted by business entities is mainly between 1-5 years, comprising up to 88 persons (64.7%).

The type of business operated by business entities is nearly balanced, with cafes accounting for up to 55 businesses (40.4%) and coffee shops accounting for up to 52 businesses (38.2%). Monthly net income < Rp5,000,000 for 54 businesses (39.7%), and between Rp5,000,000-Rp10,000,000 for 60 businesses (44.1%). In general, business entities have never had formal education/training related to the business they run, accounting for up to 123 persons (90.4%), with the last education level for high school accounting

for up to 69 people (50.7%) and 46 people (33.8%) with bachelor's degree.

**Data Analysis Results**

**Measurement Model (Outer Model)**

**Convergent and Discriminant Validity Test**

Individual indicators are considered valid when their correlation value (outer loading) exceeds 0.70 and their AVE > 0.50. Additionally, if the AVE > 0.50, the outside loading can use a value > 0.50 (Hair et al., 2014). The following are the findings from the instrument testing for convergent validity:

Table 1 Results of AVE Preliminary Instrument Test

	AVE
Organizational innovation	0.662
Product Innovation	0.671
Process Innovation	0.663
Company Performance	0.643

Source: Primary data processing results (2022)

According to Table 1, the Average Variance Extracted (AVE) value for all variables > 0.50 indicates that the statement is valid based on the convergent validity criteria. Additionally, the validity test is reflected in each statement's outer loading value. To make it easier to understand, Table 2 shows the outer loading value of the variable indicators:

Table 2 Results of Outer Loading Instrument Test

	Organizational innovation	Product Innovation	Process Innovation	Company Performance
IO1	0.852			
IO2	0.778			
IO3	0.797			
IO4	0.825			
IO5	0.814			
IP1		0.765		
IP2		0.861		
IP3		0.821		
IP4		0.828		
IPR1			0.827	
IPR2			0.792	
IPR3			0.853	
IPR4			0.782	
KP1				0.750
KP2				0.762
KP3				0.854
KP4				0.837

Source: Primary data processing results (2022)

As shown in Table 2, all indicator statements have an outer loading value > 0.50, indicating that they are all valid. As a result, it can proceed to the following stage, which is the discriminant validity test.

The assessment employs a cross-loading construct to determine discriminant validity. Suppose the

correlation between the construct and the measurement item is greater than the correlation between the other constructs. In that case, the latent construct better predicts the size of their block than the other blocks.

Table 3 Results of Cross Loading of the Discriminant Validity Test

	Organizational innovation	Product Innovation	Process Innovation	Company Performance
IO1	0.852	0.585	0.533	0.657
IO2	0.778	0.545	0.580	0.580
IO3	0.797	0.441	0.496	0.555
IO4	0.825	0.587	0.448	0.610
IO5	0.814	0.541	0.466	0.674
IP1	0.476	0.765	0.546	0.457
IP2	0.589	0.861	0.682	0.606
IP3	0.485	0.821	0.650	0.482
IP4	0.615	0.828	0.668	0.602
IPR1	0.508	0.617	0.827	0.459
IPR2	0.449	0.666	0.792	0.484
IPR3	0.556	0.626	0.853	0.462
IPR4	0.509	0.630	0.782	0.546
KP1	0.522	0.402	0.406	0.750
KP2	0.543	0.425	0.377	0.762
KP3	0.659	0.601	0.514	0.854
KP4	0.683	0.645	0.592	0.837

Source: Primary data processing results (2022)

Cross loading indicates that the indicator's correlation with the variable is greater than the indicator's correlation with other variables. As shown in Table 3, all indicator values examined in this investigation were determined to be valid.

Another method of determining discriminant validity is to compare the square root of the AVE

for each variable to the correlation between variables and the other variables in the model. Additionally, suppose each construct's AVE square root value is greater than the correlation value between the constructs and the other constructs in the model. In that case, the construct is said to have a good discriminant validity value. Where the AVE must > 0.50 (Hair et al., 2014)

Table 4 Results of AVE Root of the Discriminant Validity Test

	Organizational innovation	Product Innovation	Process Innovation	Company Performance
Organizational innovation	0.813			
Product Innovation	0.665	0.819		
Process Innovation	0.622	0.780	0.814	
Company Performance	0.758	0.661	0.600	0.802

Source: Primary data processing results (2022)

As illustrated in Table 4, the AVE root value for each variable is greater than the correlation between variables. As a result, the discriminant validity test has been confirmed valid. Where the latent construct assumes that the indicators included within the block are better than those included within other blocks.

### Reliability Test

The reliability of a construct may be determined in two ways: through composite reliability and through Cronbach's alpha from the indicator block that measures the construct. Additionally, a reliable construct may be observed by the value of composite reliability and

Cronbach's Alpha, greater than 0.70 (Hair et al., 2014).

Table 5 Results of Cronbach's Alpha and Composite Reliability Test

	Cronbach's Alpha	Composite Reliability
Organizational innovation	0.872	0.907
Product Innovation	0.837	0.891
Process Innovation	0.830	0.887
Company Performance	0.816	0.878

Source: Primary data processing results (2022)

Cronbach's Alpha and composite reliability values for all variables are greater than 0.70 in Table 5, indicating that all variables are declared reliable.

### Structural Model (Inner model) and Hypotheses Testing

#### R-Square Test

The R-square value determines if the independent latent variable can adequately explain the latent dependent variable (Hair et al., 2014).

Table 6 R-Square Test Results

	R Square
Product Innovation	0.609
Process Innovation	0.387
Company Performance	0.621

Source: Primary data processing results (2022)

As shown in Table 6, the acquisition of the R-Square value for the variable of product innovation is 0.609. This value indicates that 60.9% of the product innovation variable is explained by the process innovation variable, while the remaining 39.1% is controlled by other variables not included in this study.

The R-Square value of the process innovation variable is 0.387. This value indicates that 38.7% of process innovation variables can be described by organizational innovation variables, while other variables outside this research influence the remaining 61.3%.

The company performance variable has an R-Square value of 0.621. This value suggests that 62.1% of the variables affecting the company performance can be explained by organizational, process, and product innovation, while the remaining 37.9% are influenced by other variables not included in this study.

#### Hypothesis Testing

The output path coefficient provides insight into the hypothesis/significance test. The value of the t table was determined in this study by examining ( $df = n - k$ ), where n denotes the number of respondents, k denotes the number of research variables, and df is the degree of freedom. Therefore, the obtained findings ( $df = 136 - 4 = 132$ ). As a result, the T-table value is 1.978, with an  $\alpha$  value of 5% or 0.5. Table 7 shows the hypothesis testing results.

#### Effect of Product Innovation on Company Performance at Restaurants and Cafes in Padang City

The effect of product innovation on company performance is significant, as measured by a T-statistic greater than the T-table ( $2.745 > 1.978$ ) and significance ( $0.006 > 0.05$ ). This demonstrates that product innovation has a significant effect on the company performance of restaurants and cafes in Padang because the restaurant and cafe business entities that comprise the study's sample produce products by offering a variety of food and beverage menu options based on the type of business offered, including cafes, coffee shops, restaurants, and cafes. Additionally, menu variety is a characteristic of product development in restaurants and cafes.

However, the statement "our company introduces a product with completely new attributes to the market" does not entirely apply to the restaurant and cafe business entities in Padang.



Table 7 Hypothesis Testing Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
H1 product innovation -> company performance	0.235	0.237	0.086	2.745	0.006
H2 process innovation -> product innovation	0.780	0.779	0.041	18.817	0.000
H3 process innovation -> company performance	0.070	0.061	0.086	0.807	0.420
H4 organizational innovation -> process innovation	0.622	0.624	0.063	9.948	0.000
H5 organizational innovation -> company performance	0.559	0.568	0.093	6.038	0.000

Source: Primary data processing results (2022)

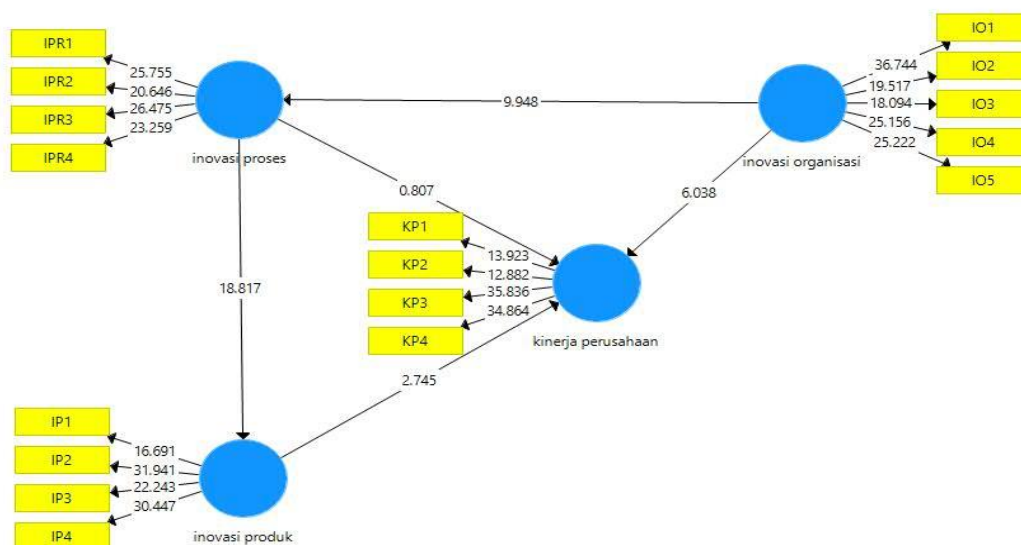


Figure 2 Bootstrapping Results for Hypothesis Measurement Model

They were sampled in this study, as 32 business actors responded neutrally, indicating that the products they create do not have completely new attributes. They frequently produce the same product as before with a slight deviation in packaging.

Additionally, when adding new products, such as in the coffee shop business, some have a similar menu but slightly different packaging and content mix. Similarly, when a restaurant or cafe’s food and beverage menu is updated, the same menu is also available with a different appearance, even if the menus are distinct. As a result, there is little innovation in the product, and they continue

to struggle with developing completely new products that affect the company performance.

Additionally, the statement “restaurant and cafe business actors quickly introduce new products to the market” does not accurately reflect the reality of restaurant and cafe companies. This is because 44 business entities responded neutrally with this statement. Suppose a restaurant or cafe introduces a new product with the same name or packaging and appearance as other similar businesses. In that case, it will be difficult for them to enter the market since consumers will assume the products are identical. Additionally, because consumers can only know about these new products through partnerships with delivery

services or through product menu lists posted on social media platforms such as Instagram, product introduction to the market remains limited, negatively impacting company performance.

This finding confirms research conducted by Atalay et al. (2013), which found that product innovation has a significant and positive effect on the company performance in the automotive supply industry. The industry's characteristics can explain the cause of this. The automotive supply industry is a capital-intensive, mass-production-oriented industry. The sample company market is dominated by the after-sales market in the industry (renewal market). Only a few businesses sell directly to consumers. As a result, businesses tend to concentrate on new product innovation and product line expansion. This requires a particular level of involvement in product innovation to enhance performance.

The findings of this study are also confirmed by Rosli & Sidek (2013), who revealed that product innovation had a significant effect on the performance of Small and Medium-Sized Enterprises in food and beverage, textile and clothing, and wood-based industries in Malaysia. Ukpabio et al. (2018) showed the same result, namely that product innovation had a positive and significant effect on the performance of Small and Medium-Sized manufacturing companies in Nigeria.

### **Effect of Process Innovation on Product Innovation in Restaurants and Cafes in Padang City**

The effect of process innovation on product innovation is significant, as measured by a T-statistic greater than the T-table ( $18.817 > 1.978$ ) and a significance level of  $0.000 > 0.05$ . This demonstrates that process innovation significantly affects product innovation in restaurants and cafes in Padang. As a result, restaurant and cafe businesses must emphasize process innovation, as

this type of innovation has a significant effect on product innovation.

The process innovation variable affects product innovation; for example, the company gains knowledge about new process developments, so the rising process innovation applied by the company contributes to work efficiency improvement. A type of process innovation that restaurant and cafe business entities engage in is a technological innovation by installing a coffee machine. Some business entities provide coffee roasting devices to grind coffee beans into coffee grounds. Furthermore, innovation occurs through the supply of raw materials for food and beverage menus sold directly through their distribution chain. Moreover, restaurant and cafe businesses partner with delivery services or can be contacted via telephone. This is performed to make it easier for customers to receive information about the menus offered and reduce time for business offering products to consumers who choose to consume menus outside of the business location, hence increasing the efficiency of serving products.

Businesses frequently adhere to the most recent (latest) process developments. In this scenario, the restaurant and cafe business entities in Padang kept informed of recent restaurant and cafe business developments. For instance, a coffee shop that once focused exclusively on coffee drinks now offers non-coffee beverage menus and cuisine. Meanwhile, restaurant and cafe businesses diversify their food and beverage menus. Additionally, business entities modify and add variants to packaging, such as plastic cup packaging in general, to create bottle packaging. In terms of food packaging, innovations include paper bowls and paper box packaging. For food distribution to consumers, consumers who are unable to visit the store in person can order meals quickly via delivery services. Meanwhile, the restaurant cafe business presently relies heavily on social media

platforms such as Instagram to share information about their menus of products and services.

According to Oke (2007), developing a formal implementation process is necessary to pursue new product or service innovations. The findings of this study confirm those of Gunday et al. (2011), who found that process innovation affects product innovation in Turkish manufacturing companies. According to Gunday et al. (2011), process innovation is the introduction of a new method or process into an operation to enhance its efficiency and effectiveness. The findings of this study are also supported by Lita et al. (2018), which discovered that process innovation had a significant positive effect on product innovation in Small and Medium-Sized Enterprises in Indonesia.

### **Effect of Process Innovation on Company Performance at Restaurants and Cafes in Padang City**

The effect of process innovation on company performance is insignificant, as indicated by T-statistic value smaller from the T-table ( $0.807 < 1.978$ ) and a significance level of  $0.420 > 0.05$ . This demonstrates that process innovation has no significant effect on company performance in restaurants and cafes in Padang.

Process innovation is a broad term that refers to reengineering and enhancing the internal operations of business processes (Rosli & Sidek, 2013). Process innovation is concerned with the development and improvement of techniques and the processes or systems used. Process innovation contributes relatively little to the restaurant and cafe industry in Padang, when it comes to improving the company's performance. Despite this lack of process innovation, the resulting product's productivity and quality continue to improve. This innovation includes advancements in manufacturing procedures, equipment, raw materials, and the method in which the product is distributed.

However, if the type of business was the same, the process innovation carried out by the restaurant and cafe business actors sampled in this study was likewise the same. Where innovation occurs differently in different types of businesses due to the categorization of restaurant and cafe business actors into four categories: cafe, coffee shops, restaurants, and cafes and restaurants. Additionally, several types of businesses, such as coffee shops, have quite significant equipment differences. For example, not all coffee shops have coffee roasting machines or machines that convert coffee beans to coffee grounds, but the raw materials available are directly in the form of coffee grounds.

The indicator of process innovation that has the least effect on the company's performance at restaurants and cafes in Padang, is that the company is a pioneer in implementing new business processes. The majority of these restaurant and cafe business entities follow the industry's processes. They do not implement the new process themselves; instead, they imitate and adapt the new process as implemented by other restaurant and cafe businesses. They are unaware that this influences their company performance. Restaurant and cafe businesses must develop new processes to increase effectiveness and efficiency.

This study showed results that differed from those established by Atalay et al. (2013), who discovered that process innovation has a significant positive effect on the performance of companies in the automotive supply industry. Similarly, Rosli & Sidek (2013) found that process innovation has a significant effect on the performance of Small and Medium-Sized Enterprises in food and beverage, textile and garment, and wood-based sub-industries in Malaysia.

This study found a significant positive correlation between process innovation and company performance in manufacturing Small and Medium-Sized Enterprises in Nigeria, which

differed from the findings of Ukpabio et al. (2018). Similarly, Tuan et al. (2016) found that process innovation improves company performance in organizations that support the mechanical, electronic, motorcycle, and automobile industries. Zhang et al. (2017) confirmed the same thing, stating that process innovation increases company performance in manufacturing enterprises in China.

According to the findings of this study, process innovation has no significant effect on restaurant and café performance in Padang. The mismatch between this study's findings and those of Atalay et al., (2013), Rosli & Sidek (2013), Ukpabio et al., (2018), Tuan et al., (2016) as well as Zhang et al., (2017) is due to the study's sample size, which was limited to 136 restaurant and cafe in Padang, with a focus on the type of business divided into four categories, namely cafes, coffee shops, restaurant, and cafe with restaurant.

### **Effect of Organizational Innovation on Process Innovation in Restaurants and Cafes in Padang City**

The effect of organizational innovation on process innovation is significant, as indicated by T-statistic value greater than T-table ( $9.948 > 1.978$ ) and significance of ( $0.000 < 0.05$ ). This demonstrates that organizational innovation significantly affects process innovation in restaurants and cafes in Padang.

The most significant organizational innovation undertaken by restaurants and cafes is updating the production and quality management systems. This demonstrates that restaurant and cafe business entities in Padang are constantly updating their production and quality management systems, such as by paying attention to the raw materials, methods, and tools used to process food and beverage to ensure the quality of the food and beverages produced. Besides, this is also presented in such a way that impacts the process

of innovation undertaken by the restaurant and café business.

Additionally, the organizational innovations implemented by the restaurant and cafe business entities in this study are updating the company's management information system, practicing information sharing, and conducting a supply chain management system. This study discovered through a preliminary survey of restaurant and cafe business entities that upgrading the practice of sharing information promotes restaurant and cafe business entities by informing the food and beverage menus. Additionally, it might provide insight into the aesthetics of the restaurant and cafe location. Currently, information is distributed mainly through businesses' social media accounts and through partnerships with delivery services that present menu options. Business entities then renew the supply chain management system by directly distributing raw materials via their distribution system. Meanwhile, if consumers do not wish to consume the menu directly at the store, they can place an order through the admin, whom the consumer can contact directly.

Organizational innovation impacts process innovation, as demonstrated by restaurants and cafes being more knowledgeable about the latest process developments. The scientists found in a preliminary survey of restaurant and cafe business entities that restaurant and cafe businesses preferred to follow the development of the latest methods for managing their restaurant and cafe businesses. However, restaurant and cafe business entities adopt the development of the latest process to the type of business, which is classified into four categories: cafes, coffee shops, restaurants, and cafes with restaurants.

Organizational innovation, or, in other words, organizational reform in the form of structural improvements that result in enhanced intra-organizational coordination and cooperation mechanisms, will contribute to the establishment of a conducive environment for the development

of other types of innovation, namely process and marketing innovation (Gunday et al., 2011). The findings of this study are also supported by research conducted by Cozzarin (2016), which indicates that organizational innovation has a positive effect on process innovation.

### **Effect of Organizational Innovation on Company Performance at Restaurants and Cafes in Padang City**

The effect of organizational innovation on company performance is significant, as indicated by a T-statistic higher than T-table ( $6.038 > 1.978$ ) and significance of ( $0.000 < 0.05$ ). This indicates that organizational innovation significantly affects restaurant and café performance in Padang.

Organizational innovation contributes significantly to improving a company performance since it enables the application of new techniques to establish routines and procedures for conducting restaurant and cafe business activities.

The most significant indicator of organizational innovation in terms of increasing the performance of restaurant and cafe businesses in the city of Padang, which served as the study's sample, is upgrading the production and quality management systems. Restaurant and cafe entities stay current by examining the raw materials, procedures, and instruments used to produce food and beverage to ensure the quality of the food and beverages served. This results in a rise in the performance of the business when business entities can achieve a high degree of customer satisfaction, as indicated by customer orders and repeat purchases.

The findings of this study confirm those of Tuan et al. (2016), who discovered that organizational innovation had a positive effect on company performance. Their findings indicate that the more innovative a company is, the higher the company performance is.

The findings of this study are also confirmed by Ukpabio et al. (2018), who discovered that organizational innovation could boost company performance by lowering transaction and administrative expenses, hence increasing job satisfaction. Additionally, organizational innovation can be incorporated into business processes by using novel strategies for regulating routines and procedures used in the conduct of activities. This entails implementing new techniques for allocating responsibilities and making decisions among employees.

### **Conclusions**

The study's findings indicate that product innovation significantly impacts company performance. Process innovation also has a significant effect on product innovation but has no significant effect on company performance. Meanwhile, organizational innovation has a significant effect on process innovation but has no significant effect on company performance. Besides, organizational innovation has a significant effect on company performance.

This research has various implications for restaurants and cafes in Padang, including a greater emphasis on business innovation, particularly process, and organizational innovation, because process innovation has a significant effect on product innovation. Additionally, organizational innovation significantly affects process innovation and company performance.

The researchers expect this research to be transformed into a plan for enhancing restaurant and café performance in Padang. Consequently, the café and restaurant business can thrive and grow into a sector of the booming culinary industry, transforming Padang into a gastronomic metropolis.

This study shows that product innovation and company performance variables have a more significant influence than other variables,

indicating that while restaurant and cafe businesses have enhanced their product innovation and company performance, they have not optimized it. It can be seen that respondents agree with statements made, but there are still a significant number of respondents who responded neutrally to statements about these variables.

Additionally, restaurant and cafe businesses in Padang must improve their product innovation, process innovation, and organizational innovation, as these innovations will enable them to improve the company's performance. Therefore, the research results can be applied to objects to paying more attention to the level of things that can be done to continue to improve the company's performance

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