

The Effect of Strategic Planning and Market Orientation on Performance through Innovation

Rofiaty^{a*}, Sumarni S^b, Rora Amelia A^c, Gadis G^d, ^{a,b,c,d}University of Brawijaya, Email: rofiaty@yahoo.com

The business world, especially small and medium businesses, faces various challenges and must be able to achieve performance that will be able to increase competitiveness and maintain the sustainability of their businesses. For this reason, companies must be more market-oriented, intensively carry out strategic planning to be able to encourage creative thinking, and be able to carry out innovative strategies both through the use of financial technology and implement digital marketing, product innovation, processes, which in turn can improve organisational performance. The purpose of this research is to examine and analyse the relationship between strategic planning, market orientation and innovation on performance. Business in the information technology era requires organisations to adapt to changes in the environment and business competition, which increasingly requires SMEs to create products and services that are more market-oriented, to be able to bring up innovations that are in line with technological advances and market segments, so performance will increase. The population are owners, and organiser culinary SMEs is Java. The samples used are 133 respondents. Data is collected by questionnaire 5 point Likert scale. Data were analysed by SEM using Warp-PLS software. The findings were indicated that strategic planning has a direct effect on performance; strategic planning has no effect on innovation, and innovation is not able to mediate the effect of strategic planning on performance. Market orientation has a direct effect on performance, and market orientation also has a significant effect on performance through innovation mediation, so innovation acts as a partial mediation.

Keywords: *Strategic planning, market orientation, innovation, performance, and culinary SMEs*

Introduction

The main key to a company's success in the increasingly fierce competition is its ability to increase the intensity of strategic planning. In line with the changing business environment, SMEs are required to innovate and improve performance optimally with the intensity of strategic planning. This is because optimally increasing performance can be achieved with good strategic planning. Research by Agyapong and Muntaka (2012), who examined the effect of strategic planning on business performance in Ghana, shows that strategic planning is positively and significantly related to firm performance at the micro-level. Furthermore, Donkor et al. (2018) which also examined that the effect of strategic planning on SME performance in Ghana, shown that strategic planning has a positive and significant effect on SME performance (Donkor and Kwarteng, 2017; Shammari, 2007; Zehir et al., 2015).

Generally, the research stated that the strategic planning process in small companies is far more informal than that of large companies. Even some studies show that the formality of a process will result in a decrease in performance (Wheelen & Hunger, 2018). Emphasis on plans that are too structural and written may be dysfunctional for small companies because it reduces flexibility which is an important factor in its success. Kraus, S (2006) stated that the formalisation of strategic planning has a high positive and significant effect on profitability/performance.

Glaister et al. (2008), stated that formal strategic planning has a positive and significant effect on company performance (Dibrell; 2013, Aldehayyat, Khattab, & Anchor, 2011; Lasminiasih, Utomo, & Dianto, 2018; Aldehayyat & Al Khattab, 2013). Correct implementation of strategic planning in companies can improve performance (Donkor, Donkor, & Kankam-Kwarteng, 2017; Agyapong, Ahmed et al. 2012; Falshaw et al., 2006). The power to do strategic planning can affect to the performance, including even in family businesses (Donkor et al., 2017; Muslikah; Haryono & Hirini, 2018; Cieřlik, Michałek, & Szczygielski, 2016), states that SMEs are required to improve themselves by always being market-oriented to create business competitiveness and sustainability. Kuratko (2016) stated that SMEs are the main movers in economic growth and part of market participants, also as a pioneer in new concepts, given that SMEs have an important contribution in the economy of one country.

Idar et al. (2012) examined the market orientation towards the performance of SMEs in Malaysia. The results show that market orientation has a significant effect on SME performance. (Chao and Spilan, 2010; Voola et al. 2012; Haryanto et al. 2017; Abdulal et al. 2016; Zehir et al. 2015). But, there is still inconsistency of research results that there is no effect of market orientation on performance (Merlo and Auh, 2009; Han et al. 1998; Jaworski and Kohli, 1993).

While Roffe (1998) conducted a study that examined the effect of strategic planning on innovation and the results showed that there was a significant positive effect. Rapp et al. (2008) examined the effect of market orientation on innovation in Belgium; the results showed that market orientation had a positive effect on business innovation (Zehir & Yildiz, 2015; Ozkaya et al. 2015; Haryanto et al. 2017; Abdulai et al. 2016). The influence of strategic planning on innovation has received attention as Ilyina and Sergeeva put it that integrating innovation instruments can serve as a stimulus for the development of innovative small entrepreneurship, educational and research institutions or the demand for innovation (Ilyina & Sergeeva, 2016). Innovation has been considered as the ability to develop products that can meet consumer needs or the ability to use existing technology to develop new products.

Zehir et al. (2011) tested the effect of innovation on performance and market orientation on performance through innovation in family companies in Turkey. The results showed that a significant influence between innovation on organisational performance, market orientation on performance through innovation ability. Jaesik et al. (2019) examined the effect of financial innovation on the performance of SMEs shown that financial innovation can improve the performance of SMEs. Financial innovation through the technology that was innovated by SMEs has the potential value to develop into a more efficient financial policy (Nelson et al. (2012).

Campo and Yague (2014), which tested innovation on performance, show that innovation has a positive effect on performance (Azar & Ciabushi, 2017). The financial innovation in SMEs has proven to be able to reduce operational costs, and facilitate networking with suppliers, for example in the form of peer-to-peer lending and crowdfunding that can facilitate business funding because it is without collateral. This is a solution for SMEs, which has been difficult to get in touch with bank financial institutions due to demands from the bank to have collateral. Yadav, Tripathi, and Goel (2019) argued that SMEs need to innovate both product and process innovation. Innovation in Culinary SMEs is a reasonably complex process from raw materials to final products and distributed to consumers (Colurcio & Russo-Spe, 2013; Rizal et al. 2018; Ayupp, Ling, & Tudin, 2013; Baregheh, Rowley, Sambrook, & Davies, 2012).

The role of digital marketing in supporting to the success enlargement and distribution strategy has been shown to play a significant role in culinary SMEs in East Jakarta (Krisnawati, 2018). The digital marketing in SMEs in Indonesia has begun to be applied, in general through social media using Facebook, Twitter, Line, personal Instagram, and WhatsApp. Whereas, social media such as Instagram for the business feature, which costs are relatively low is still not available data on the number of SMEs. Business in the e-commerce era and information technology era requires SMEs, especially culinary, to carry out intensive

strategic planning, innovate following the current business era and be more market-oriented by adjusting product variations, processes, financial technology and digital marketing to suit their market tastes. Business in the culinary field faces challenges that keep changing in accordance with business developments in the e-commerce era, which require various innovations to be able to grow and develop and be sustainable.

Technological capability and product innovation on performance are significantly enhanced with support from other partners which is usually obtained from effective technology collaboration (Yakubu Salusi, 2018). Research with different results was found in biotechnology companies for three years of financial data, that overall organisational innovation did not affect financial performance in the sector under study. However, there are dimensions related to human resource policies that appear to have more potential to have a positive impact on financial performance (Jaakson et al., 2019).

Theoretical

Planning and Performance Strategy

Generally, the research stated that the strategic planning process in small companies is far more informal than large companies. Even some studies showed that the formality of a process would result in a decrease in performance (Wheelen & Hunger, 2018). Emphasis on plans are too structural and written may be dysfunctional for small companies, because it reduces flexibility which is an important factor in its success. Kraus (2006) stated that the formalisation of strategic planning has a high positive and significant effect on profitability/performance. Glaister et al. (2008), stated that formal strategic planning has a positive and significant impact on company performance (Dibrell, 2013); Aldehayyat, Khattab, & Anchor, 2011; Lasminiasih, Utomo, & Dianto, 2018; Aldehayyat & Al Khattab, 2013). Correct implementation of strategic planning in companies can improve to performance (Donkor, Donkor, & Kankam-Kwarteng, 2017; Agyapong, Ahmed et al., 2012; Falshaw et al., 2006). The power to do strategic planning can affect performance include even in family businesses (Donkor et al., 2017). Muslikah, Haryono and Hirini (2018) and Cieřlik, Michalek, and Szczygielski (2016), stated that SMEs are required to improve themselves by always being market-oriented to create competitiveness and business sustainability.

H1: The intensity of strategic planning can increase performance

Market Orientation and Performance

Idar et al. (2012) examined that the market orientation towards the performance of SMEs in Malaysia. The results shown that market orientation has a significant effect on SME

performance (Chao & Spilan, 2010; Voola et al. 2012; Haryanto et al. 2017; Abdulal et al. 2016; Zehir et al. 2015). But, there is still inconsistency of research results and no effect between market orientation and performance (Merlo & Auh, 2009; Han et al. 1998; Jaworski and Kohli, 1993).

H2: Application market orientation can increase SMEs performance

Planning and Innovation Strategy

The culinary business sector pretty more promises hope for success the culprit, so it becomes one of the fields that much pretty as the mainstay for profit. The example of success shown in this culinary business is an attraction to play a role, although to reach that level requires perseverance, careful planning, market-oriented, and always doing innovation. Strategic planning can be defined as a procedure for creating and enforcing consistency between the goals and assets of a company and changing prospects (Grant, 2014). The strategic planning process, in general, are consists of clear business goals, visions, and designs for achieving ideas and achieving goals (Ehrhart, 2013). The strategic planning process also required that environmental scanning (Saunders, 2015) and helps organisations prepare appropriate actions based on information. The main constituents of the practice of strategic planning involved that the question of where the business is going, how a current situation for the organisation, how the organisation reaches its goals and what changes or fluctuations and occur in the corporate environment (Grant & Jordan, 2015).

Strategic planning covers all aspects of a business venture, both related to marketing as well as in terms of making decisions about production and operations, in terms of finance, human resource management, and other business matters. The main purpose of a strategic plan is to set the direction for the business, create and set a strategy, so many products and services provided by overall business objectives. The strategic management model showed that a complete strategic management and marketing process, which starts with identifying customer needs, evaluating different environments with SWOT analysis to make strategic choices, and making effective strategic marketing plans.

According to a Small Business Administration report in the United States, it is known that 24 per cent of new companies fail within the first two years, and 63 per cent will experience the same thing in five years (Bowers, 1993). Similar failure rates occur in the UK, the Netherlands, Japan, Taiwan and Hong Kong. Several studies have shown that the survival rate of new companies is greater, but has a high level of risk. The causes of failure of some small companies ranging from the inadequacy of the accounting system to the failure to anticipate growth. The fundamental problem is from the inability to plan effective strategies to failure and to develop performance measurement and control systems. The practice of

strategic planning carried out by owners or managers of small companies with minimal or in-depth, only as a routine (El Namacki in Hunger et al., 2003, p. 502).

Market-oriented companies always make efficiency and always try to create more value for their customers, which is expected to provide long-term benefits for the company (Narver and Slater, 1990). Cravens, 2000 said that a market orientation is a business orientation, so customers are used by vocal points and the totality of the company's operations. Whereas, according to Kohli and Jarowski (1990), market orientation is intelligence generation or market research to all companies to determine the needs of current and future customers, the spread throughout the company (intelligence dissemination), then the responsibility is the market intelligence.

Conventionally the term innovation is defined as a breakthrough relating to new products. Drucker, quoted by Hitt, Ireland and Hoskisson (2002, p. 216), stated that innovation is creating new resources that produce wealth or utilise existing resources by increasing their potential to produce wealth. Rogers was quoted by Simamora (2003, p. 235) said that innovation as a new idea.

Besides, innovation is an activity that leads to changes in products or services (technical) and administrative (managerial) offered by companies to adapt and to a dynamic environment. The form of innovation is in addition to product innovation, process, and financial technology, then digital marketing in business activities.

H3: The intensity of strategic planning can affect implementation on innovation

Research conducted by Jaakson et al. (2019) entitled that the organisational innovation dimensions and company financial performance in the biotechnology sector in 26 biotechnology companies. The performance was measured by objective financial data, and OI was not expressly influenced the financial performance in the sector under study. However, there are dimensions related to human resource policies that appear to have a positive impact on financial performance. Research conducted by (Eggers, Niemand, Filser, Kraus, & Berchtold, 2018) entitled that on the effect of networking intensity and strategic orientation on innovation success. In 451 SMEs in Austria, the results showed that networking activities between companies and stakeholders had a significant impact on innovation success.

Nelson et al. (2012) titled that relationship between entrepreneurship, innovation and performance Comparing small and medium-size enterprises examined that the relationship of entrepreneurship (risk-taking, proactivity and autonomy) to the quality performance with innovation as a mediating variable and company size (small and medium) at 124 SMEs in Pakistan. In general, the results are indicated that there is a significant direct relationship

between entrepreneurship (risk-taking, proactivity and autonomy) and innovation. There is a significant positive direct effect between entrepreneurship (risk-taking, proactivity and autonomy) and performance quality. Innovation has a direct influence on quality performance and mediates entrepreneurial. The results also showed that there is no difference between small and medium enterprises. Therefore size is not a major factor in explaining the contribution of entrepreneurship to innovation and SME performance.

Methodology

This research was conducted by a quantitative approach. The description of respondents in each region is shown in Table 1 below.

Table 1: Description of Research Respondents

No	Research Place	Respondents
1	Malang (UB, UM, Polinema, IAIN Maulana Malik Ibrahim)	63
2	Surabaya (UNAIR, ITS, UNESA)	52
3	Tulungagung (IAIN Tulungagung)	18
	Total	133

Source: Primary data processed (2019)

Based on the table above, a majority of respondents are in the city of Malang. This is due to the number of universities domiciled in the Malang area more than in the two cities. To examine more deeply the characteristics of respondents, it needs to be elaborated and explained in more detail to obtain a complete picture.

The subjects were small and medium entrepreneurs in the culinary field. The object was culinary UKM that operates around campuses in Malang, Surabaya and Tulungagung.

The population is small and medium entrepreneurs in the culinary field who have businesses. The sample units used by SME managers with many considering that they are the parties directly involved in decision making and business management. The population number is accurately unknown because statistics are not available regarding the number of culinary SMEs in East Java. Based on these conditions, the researchers went directly to the three selected cities and visited the area around the University. It to find out the distribution conditions and variations of culinary UKM in the area.

The number of samples was 133 respondents with a purposive sampling, which is researchers will deliberately choose culinary SMEs such as operating around University in the cities of Malang, Surabaya and Tulungagung, have employees greater than one person, sounds

business that is still productive and growing, willing to be interviewed, willing and proactive in answering questions.

Determination of the size and number of samples to be observed in this research is samples were taken as much as approximately 50% of the population. Data collected in this study include two types, primary data and secondary data. The data collection techniques are carried out through surveys and interviews in three regions such as Malang, Surabaya and Tulungagung.

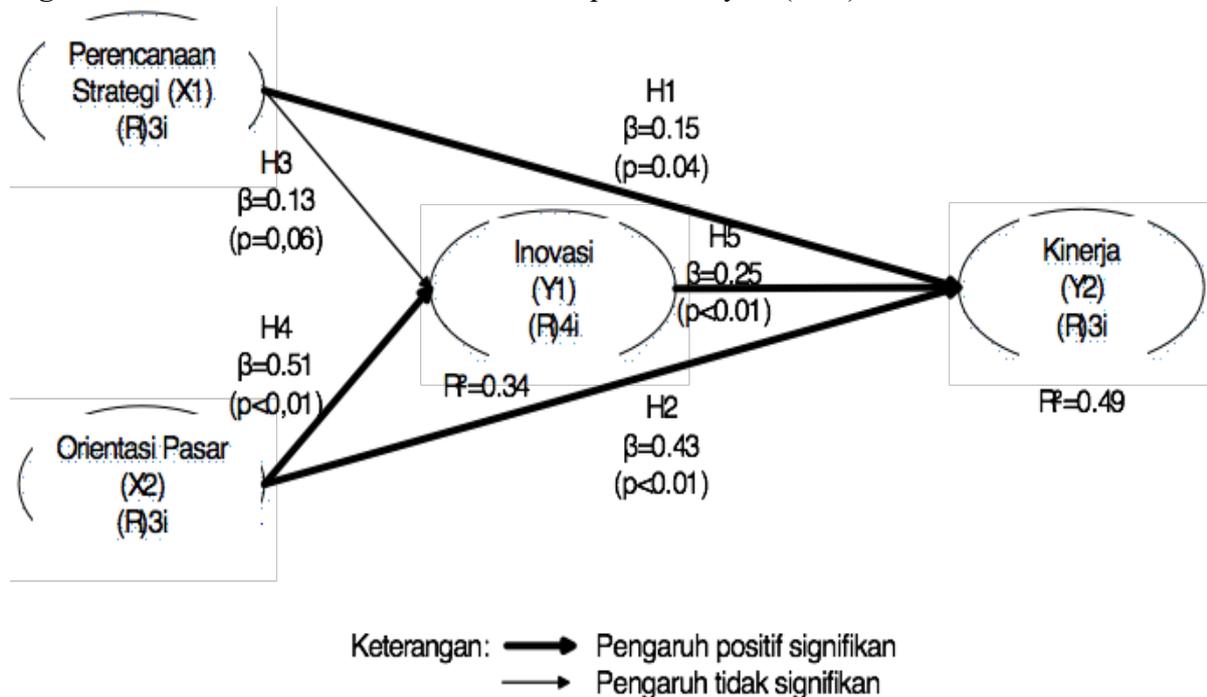
This research questionnaire was used by a quantitative approach with SEM analysis. The survey was conducted by the research team assisted by field staff. Researchers conducted an initial approach to the management of SMEs to determine their willingness to become research respondents before conducting data collection using a questionnaire that was created. Documentation was carried out to collect data by collecting all documents or records related to this study and taking photos of SMEs that were targeted by the research.

Results

A Test for Direct Effects in Structural Models

Testing the direct effect by significance a path coefficient in partial least square (PLS).

Figure 1. Path Coefficient of Partial Least Square Analysis (PLS)



There are five influences tested in this research. The results are the relationship between research variables in full are illustrated through the path coefficient in the structural model. Based on the results of the PLS analysis on the structural model, path coefficients are obtained through these coefficients can be seen as the influence between variables.

Table 2: Test Results for Direct Effect on Research Hypothesis

Variables	Path Coefficient	P-Values	Results
Strategic Planning (X1) -> Innovation (Y1)	0.129	0.064	Not Significant
Market Orientation (X2) -> Innovation (Y1)	0.509	0.000	Significant
Strategic Planning (X1) -> Performance (Y2)	0.148	0.040	Significant
Market Orientation (X2) -> Performance (Y2)	0.434	0.000	Significant
Innovation (Y1) -> Performance (Y2)	0.254	0.000	Significant

Source: data processed, 2019

Based on Table 2 obtained the coefficient of influence of each exogenous variable to endogenous and the p-value of each influence coefficient. The results of hypothesis testing in table 4.16 can be described as follows.

The effect between strategic planning (X1) and innovation (Y1) is significant at $\alpha = 0.05$, the p-value of 0.064, the value is greater than 0.05 ($\alpha = 5\%$). A coefficient of 0.129 is positive indicated that the relationship between two unidirectional, but insignificant. It means that the strategic planning undertaken by culinary SMEs does not have an impact on the innovations. Even though there is a tendency for innovation to strengthen when the strategy planning carried out gets better.

The effect between market orientation (X2) and innovation (Y1) is significant at $\alpha = 0.05$, seen through the p-value of 0.000. This value is smaller than 0.05 ($\alpha = 5\%$). A coefficient of 0.509 is positive indicated that the relationship between direct effect and significant means that the stronger a market orientation owned by culinary SMEs and increase to innovation carried out, and vice versa the weaker for market orientation owned by culinary SMEs, then reduce the innovations carried out.

The effect between strategic planning (X1) and performance (Y2) is significant at $\alpha = 0.05$, a p-value of 0.040, the value is smaller than 0.05 ($\alpha = 5\%$). A coefficient of 0.148 is positive indicated that the relationship is both unidirectional and significant, means that the stronger /

higher intensity of the strategic planning undertaken by culinary SMEs. It will improve to the performance achieved and vice versa a lower or weaker strategic planning carried out by culinary SMEs will reduce the performance achieved.

The effect between market orientation (X2) and performance (Y2) is significant at $\alpha = 0.05$, a p-value of 0,000, the value is smaller than 0.05 ($\alpha = 5\%$). A coefficient of 0.434 is positive indicated that the relationship is both unidirectional and significant, means that the stronger a market orientation owned by culinary SMEs. It will improve to the performance achieved and vice versa a weaker the market orientation owned by culinary SMEs, then reduce the performance achieved.

The effect between innovation (Y1) and performance (Y2) is significant at $\alpha = 0.05$, p-value of 0,000, the value is smaller than 0.05 ($\alpha = 5\%$). A coefficient of 0.254 is positive indicated that the relationship is both unidirectional and significant, means that the stronger for innovation carried out by culinary SMEs. It will improve to the performance achieved, and vice versa a weaker the innovations carried out by culinary SMEs, then reduce the performance achieved.

Testing for Indirect Effects

Testing is looking at the p-value on the Sobel test for indirect effects. The indirect test results are explained in the following Table 3.

Table 3: Hypothesis Testing Results for Indirect Effects

Variables	Path Coefficient	P-Values	Results
Strategic Planning (X1) Through Performance (Y2) By Innovation (Y1)	0.033	0.296	Not Significant
Market Orientation (X2) Through Performance (Y2) By Innovation (Y1)	0.129	0.016	Significant

Source: data processed, 2019

Table 3 shown that indirect effect is declared significant if the p-value of the Sobel test results $< \alpha = 0.05$ (5%) and vice versa. The detailed test results can be explained as follows.

The indirect effect between strategic planning (X1) on performance (Y2) through innovation (Y1), obtained from the product for direct influence between strategic planning (X1) on innovation (Y1) and the direct influence between innovation (Y1) on performance (Y2). So, the indirect effect of $0.129 \times 0.254 = 0.033$. Testing the indirect effect was used by the Sobel test; it is known that the p-value calculated by the Sobel formula of 0.296. It is greater than

the value of $\alpha = 0.05$ (5%), so there is no significant indirect effect between strategic planning (X1) on performance (Y2) through innovation (Y1).

There is an indirect effect between market orientation (X2) and performance (Y2) through innovation (Y1). It was obtained from the product in direct influence between market orientation (X2) on innovation (Y1) and the direct influence between innovation (Y1) and performance (Y2). An indirect effect of $0.509 \times 0.254 = 0.129$ which is the p-value calculated by the Sobel formula of 0.016, more smaller than the value of $\alpha = 0.05$ (5%). It is stated that there is a significant indirect effect between orientation market (X2) and performance (Y2) through innovation (Y1).

Convergent Validity Test Results at First Order Level

The value of the loading factor is > 0.5 , and an indicator declared by valid or form a variable properly. The convergent validity test results at the first-order level are presented in Table 4 below.

Table 4: Convergent Validity Test Results at First Order Level

Variables	Indicators	Loading Factor	Results
Strategic Planning (X1)	Vision and Mission (X1.1)	0.863	Valid
	Purpose (X1.2)	0.807	Valid
	Policy (X1.3)	0.579	Valid
Market Orientation (X2)	Competitor Orientation (X2.1)	0.748	Valid
	Customer Orientation (X2.2)	0.840	Valid
	Collaboration Inter-function (X2.3)	0.847	Valid
Innovation (Y1)	Process Innovation (Y1.1)	0.796	Valid
	Product Innovation (Y1.2)	0.780	Valid
	Financial Technology Innovation (Y1.3)	0.817	Valid
	Digital Marketing Innovation (Y1.4)	0.777	Valid

Performance (Y2)	Marketing Performance (Y2.1)	0.896	Valid
	Finance Performance (Y2.2)	0.893	Valid
	Human Resource Management Performance (Y2.3)	0.774	Valid

Source: data processed, 2019

The test results in Table 4 show that all construct indicator loading values have values above 0.5. Therefore, all indicators in the research variables can be used for the next stage of analysis.

Discussion

This research develops and explores the effect between strategic planning, market orientation, innovation and culinary SMEs. It can improve to the organisational performance. From the results of statistical analysis with WarpPLS measurement and testing models, there are five hypotheses that provide interesting findings both theoretically and practically for culinary SMEs. The summary of findings will be discussed by providing explanations that are related to theories and facts regarding the causality of strategic planning relationships, market orientation, innovation, and organisational performance.

The Effect between Strategic Planning on Performance

Strategic planning is needed for every culinary UKM to achieve the higher or desired performance. In this research, the intensity of strategic planning is increasingly realised by the ownership of vision and mission, goals and policies. There are getting stronger will improve to the performance of culinary UKM. From the results of the analysis founded that strategic planning has a positive and significant effect on performance. The results proved that strategic planning could increase the performance of Culinary SMEs. The findings are indicated that ownership of a vision, mission, goals and policies will improve to the performance of Culinary SMEs. The results are accordance with previous studies, such as Gomera et al. (2018); which used by strategy formulation indicators as a tool to measure strategic planning variables carried out in South Africa, but performance variables are only measured from the financial performance of SMEs. Likewise, the results support Monday et al. (2015) said that there is a slight difference that Monday only uses indicators of operational performance and marketing performance. The results also support and broaden on previous

empirical studies such as the research from Dibrell (2013), Ahmed et al. (2012), Falshaw et al. (2006), Donkor et al. (2017), Nzew, Ebele, Jesuwunmi, Daniel, & Stanley (2017), Donkor et al. (2018), Van Scheers and Makhitha (2016), Shammari (2007), and Glaister et al. (2008).

The Effect between Strategic Planning and Innovation

Strategic planning is measured by indicators of vision and mission, goals and policies do not affect innovation. Based on culinary SMEs in strategic planning, they have a vision and mission, strong goals and policies do not guarantee culinary SMEs to innovate by culinary SMEs owners or managers. Besides that, the market segment is students (middle-low level market segment), so innovation is also not necessary to be supported by strategic planning. These results are consistent with previous research conducted by (Song et al., 2011) in 227 high-tech industries. The results are indicated that strategic planning impedes innovation, but enhances business performance. This is caused by strategic planning and considered to be able to limit the company's ability to explore ideas. Similarly, culinary SMEs included in the informal sector category also showed that strategic planning did not affect innovations carried out by SME managers, especially in financial technology, and digital marketing. This research does not support research (Fréchet & Goy, 2017) which stated that strategic planning has a positive influence on innovation mediated by the openness of each manager and employee. Furthermore, research by (Batra et al., 2017) whose results indicated that strategic planning has a significant positive effect on innovation both directly and through moderation of learning commitments.

The Effect between Market Orientation and Performance

Market orientation as measured by competitor orientation indicators, customer orientation and coordination between functions significantly influence the performance improvement. This means that if culinary SMEs are getting stronger in understanding and adjusting to competitors, the stronger in understanding customer desires, then it is proven to be able to improve performance. This research also supports and reinforces the results from Zehir and Yildiz's (2015) research conducted on 186 SMEs in Turkey, then using the same indicators. This finding broadens and with previous research conducted by Lita et al. (2018) said that on textile SMEs in West Sumatra, Indonesia, using additional indicators such as resource orientation, Voola et al. (2012), Abdulai et al. (2016), Idar et al. (2012), Chao and Spilan (2010), Jaworski and Kohli (1993). This means that research at culinary strengthens and extends previous research even though it uses different indicators and is carried out in different industries.

The Effect between Market Orientation and Innovation

Market orientation, as measured by competitor orientation indicators, customer orientation and coordination between functions, has a significant effect on innovation. This means that the stronger for market orientation and culinary SMEs will increase to the product innovation, process, financial technology, and digital marketing carried out by culinary SMEs. The form of market orientation strategy is realised by an ability of SME managers in understanding competitors and customers, coordination between functions in the culinary of UKM. This research conducted by Rapp et al., (2008), Haryanto et al., (2017), and Abdullah et al. (2016). The effect between market orientation and innovation in culinary UKM, which is the object research is located around the universities in Malang, Surabaya, and Tulungagung. Another market segment is students (low, middle-level market segment).

The Effect between Innovation and Performance

Innovation is measured by indicators such as process innovation, product innovation, financial technology innovation, and digital marketing innovation. There is a significant effect on performance. This means that innovation carried out by culinary SMEs will improve to the performance in terms of marketing, finance, and human resources. This form of innovation is manifested by the ability of SME managers to innovate in culinary SMEs. This research was conducted by Andrzej Cieslik, Yi Qu, (2018) said that on companies were used indicators such as product innovation, process innovation, and managerial innovation. This research is also conducted by Nelson et al. (2012), Campo et al. (2014), Jaesik et al. (2019), Yildiz (2015), Azar and Ciabuschi (2017).

Implication

Based on the results of this research, it was found that the strategic planning determined by the managers of SMEs did not affect innovation. This is because SMEs are one of the businesses in the informal sector for target middle-low market segments. Eventually, the formalisation of strategies can hamper exploration of many creative ideas for innovation. However, further research is needed to determine that it is a phenomenon and only occurs in the culinary sector or a phenomenon that is common in businesses with middle-low market segmentation. Another research development, it is the adjustment of indicators in the innovation variable, because from the research results is not many culinary SMEs in the universities area. There are innovating in the field of financial technology and digital marketing. In addition, future studies are expected to be able to use a larger sample size because of an unlimited number of SME populations.

Conclusion

Strategic planning can improve the performance of culinary UKM. This means that culinary UKM that always has a vision, mission, goals and policies will encourage to improve performance. Market orientation also getting stronger, improve the performance of culinary UKM. This means that culinary SMEs who increasingly understand and recognise the strategies carried out by competitors. It was concerned by desires for customers, as well as an ability of SMEs and employees to coordinate their business. It will be able to achieve high performance and as expected too.

There is stronger strategic planning, unable to encourage culinary SMEs to implement innovation. This means that innovation does not have to be supported by ownership between vision, mission, goals and policies. Market orientation is able to encourage culinary UKM to implement innovation. This means that culinary SMEs who increasingly understand and recognise many strategies by competitors. It also concerned about the desires of customers, as well as the ability of SMEs and employees to coordinate their business. It will be able to increase innovation in the form of products, processes, financial technology and digital marketing. Innovation can improve the performance of culinary UKM. This means that increasingly culinary SMEs do product innovation, process innovation, innovation through payments in the form of gopay, ovo, and connect to google maps, e-transport (go-send) services, it will also improve to the performance.

Suggestion

One of the innovations, the field of digital marketing, needs culinary SME managers to integrate business with Google maps. Through this step, SMEs can promote their business more easily to the wider community. Culinary SMEs need to apply financial technology more evenly because consumers are really excited to use much flexibility of payment methods to make it easier for them. To improve performance and encourage the implementation of innovation, culinary SME managers need to pay more attention and to actions or strategies taken by competitors. It is SME managers can survive in increasingly fierce to the business competition.

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