PROCEEDING

2016 International Conference on Education and Social Science (UK-ICESS)
“Educational and Social Issues in the Changing Asia”

ISBN: 978-602-19859-7-7

Malang, Indonesia
November 9-10, 2016
PROCEEDING
2016 International Conference on Education and Social Science (UK-ICESS)
“Educational and Social Issues in the Changing Asia”

ISBN: 978-602-19859-7-7

Reviewers
Prof. Dr. Sudijono, M.Hum
Prof. Dr. Laurens Kaluge
Dr. Supriyanto
Umi Tursini, Ph.D
Umiati Jawas, Ph.D
Rusfandi, Ph.D

Editors
Ayu Liskinasih, M.Pd
Uun Muhaji, M.Pd
Dr. Permata Ika Hidayati
Hena Dian Ayu, M.Si, M.Pd

Cover Design
Susiati

Printed and Published by
Universitas Kanjuruhan Malang
Jl. S. Supriadi No. 48 Malang, Indonesia – 65148
Tel. (+62)341-801488; Fax. (+62)341-831532
www.unikama.ac.id; www.uk-icess.org; uk-icess@unikama.ac.id

First printing, November 2016
Copyright ©2016 by Universitas Kanjuruhan Malang

The texts of the papers in this volume were set individually by the authors or under their supervision. Only minor corrections to the text may have been carried out by the publisher. By submitting the paper to the 2016 International Conference in Education and Social Sciences (UK-ICESS), the authors agree that they are fully responsible to obtain all the written permission to reproduce figures, tables, and text from copyrighted material. The authors are also responsible to give sufficient credit included in the texts, figures, legends, or tables. The organizer of the conference, reviewers of the papers, editors, and the publisher of the proceedings are not responsible for any copyright infringement and the damage they may cause.
PREFACE

The 2016 International Conference on Education and Social Science (UK-ICESS) is the first international conference hosted by Universitas Kanjuruhan Malang as a part of its XLI Dies Natalis commemoration. This international conference invites all educators and researchers in the field of education and social sciences to share latest issues, research, and information in these areas. Thus, as an important part of this academic forum, the organizing committee is pleased to present the Proceeding of 2016 International Conference on Education and Social Sciences which brings up the main theme of Educational and Social Issues in the Changing Asia.

There are 65 papers in this compilation, covering various topics around the theme of educational and social issues in the changing Asia which were studied from vast research areas; such as economics, health, education, language, arts, technology, geography, civics, and entrepreneurship. It is expected that all papers in this proceeding will enrich our knowledge and broaden our insights of current issues, trends, research, and information in the areas of education and social sciences.

Lastly, the organizing committee would like to deliver great appreciation to writers, presenters, and all parties who have been contributing to the publication of this proceeding.

Malang, November 2016

The Committee
# TABLE OF CONTENT

Preface..........................................................................................................................iii
Table of Content............................................................................................................iv

## Conference Papers

1. The Application of Cooperative Learning Model (Tutor and Tutee) in the Playing Outdoor Activities for Early Childhood  
   **Achmadi; Aisyah** .................................................................................................1
2. Parenting Parents in Developing Character Education in Early Childhood  
   **Aisyah; Isabella Hasiana** ..................................................................................8
3. Looking beyond Teacher’s Classroom Management: EFL Teachers’ Pedagogical Knowledge from Different Backgrounds in Teaching Autistic Students in Different Settings  
   **Alam Aji Putera, M. Adnan Latief, Ali Saukah, Sri Rachmajanti** ......................15
4. Student Activities in Learning NCTM Standards with Cognitive Load Theory Concept of Rank in Grade X Vocational High School  
   **Arika Indah Kristiana, Suharto** .........................................................................25
5. Effect of Betel Leaves Decoctionin to Speeding Perineum Healing for Postpartum Women in BPM Endang Sutikno Kediri  
   **Candra Wahyuni** ..............................................................................................30
6. The Importance of Entrepreneurship Education for Farmer  
   **Darmadji** ............................................................................................................36
7. Is Internal Corporate Social Responsibility Related to Employee Engagement?  
   **Dianawati Suryaningtyas** ..................................................................................46
8. Implementation of Entrepreneurial Learning Model Based on Local Wisdom through Mind Mapping Method to Achieve the Effectiveness of Learning  
   **Endah Andayani; Lilik Sri Hariani; Suko Winarsih; Rusno** ...............................54
9. Entrepreneurship Learning Model Involving the Businessman (Entrepreneur in Residence); Implementation of Social Entrepreneurship at Ciputra University  
   **Wina Christina, Herry Purwoko, Astrid Kusnumowidagdo** ..............................64
10. The Implementation of Social Science Inquiry Learning Strategy in Civics Education  
    **Hernawaty Damanik, I Nyoman S Degeng, Punaji Setyosari, I Wayan Dasna..** 71
11. Flores Local Genius on Move (Integrating both Character Education and Manggarai Local Genius in Teaching English Speaking)  
    **Hieronimus Canggung Darong** .......................................................................78
12. The Effectiveness of Jengah Conception to Control the Students’ Communication Anxiety in Mathematics Learning  
    **I Made Ardana** ..................................................................................................88
13. The Impact of Blended Learning towards Teaching Learning Process and Student’s Maturity  
    **R. Jacobus Darmanto; Agustinus Fahik** ............................................................95
14. The Use of Google Slides to Build Students’ Collaborative Work in Reading Comprehension Skill to Master the Report Texts  
    **Jastman** ...........................................................................................................103
15. Good Behaviour Game to Reduce Aggressive Behaviours on Children
   Gracia Sudargo, Laura Makaria Sudargo .................................................. 113

   Lilik Sri Hartiani; Endah Andayani ............................................................... 122

17. Students’ Perception of Interactive Multimedia Mediated Web-based Learning
   Mclean HY, Isnawati ................................................................. 128

18. Building Student’s Character through Indirect Teaching in Indonesian High Schools
   Mirjam Anugerahwati ........................................................................... 138

19. The Relationship between Gender, Age, and Attitude toward Mathematics among Malaysian Gifted Students
   Mohd Fadzil bin Kamarudin; Mohd Hasrul bin Kamarulzaman; Noriah Mohd Ishak ............................................................... 143

20. The Development of Learning Model for Accounting Education Based On Islamic Ethics in Higher Institutions
   Muslichah, Evi Maria ........................................................................... 154

21. Integrating Sustainability Education into Higher Institutions
   Muslichah; Shabrina Ramadania ................................................................. 167

22. Perceptions of Novice English Teachers on Student-Centre Approach in Teaching English
   Neni Nurkhamidah; Sinta Dewi Yuliandi ........................................................ 176

23. What is so Difficult about Learning Science through English?
   Novriani Rabeka Manafre ........................................................................ 182

   Permata Ika Hidayati, Soetjipto ................................................................. 188

25. Micro-Hydro Power Plant Realia as Media to Enhance Students’ Understanding on Power Plant
   Radina Anggun Nurisma, Hendrik Elvian Gayuh Prasetya, Teguh Hady Ari Wibowo ........................................................................... 197

26. Self-Control and College Adjustment: Aspect and Measurement
   Rahmah Hastuti ...................................................................................... 204

27. The Motivation and Performance of Health as Consequence the Welfare Employees
   Ratna Wardani .......................................................................................... 213

28. Connection and Mathematical Disposition toward Advanced Mathematical Thinking in APOS Mathematics Learning
   Retno Marsitin ...................................................................................... 221

29. An International Group Membership on Facebook and Its Effect on Giving Feedback during Peer Review
   Riza Weganofa; Henni Anggraeni; Rofiu’ul Huda ........................................ 232

30. Community Service: Empowering the Deaf
   Riza Weganofa, Siti Mafulah, Fitri Anggraini ............................................. 239

31. Critical Thinking about Education and Tax Policy in Indonesia: Study on Cases of Tax Evasion in European Countries
   Rostamaji Korniawan ........................................................................... 243
Rusfandi ..............................................................248
33. The Use of Videos to Improve Students’ Ability in Listening to Narrative Texts
Widia Purnamasari; Sakti Nugroho .............................................255
34. The Use of Online Media to Enrich Student’s Vocabulary
Siti Mafulah, Fitri Anggraini Hariyanto ...........................................268
35. The Development of Learning Physics Device Based on KKNI to Increase Students’ Mastery Concept and Critical Thinking
Sudi Dul Aji, Choirul Huda, Chandra Sundaygara, Muhammad Nur Hudha .................................................................277
36. A Survey Study on the Independence and the Openness of the Will be Teacher
Sudiyono; Maris Kurniawati ..................................................................285
37. Arts-based Responses to Cultural and Religion Identity to Inform Initial Teacher Education
Sue Erica Smith; Ratna Suryaratri; Deasyanti Adil ..................................292
38. Economic Empowerment Community to Economic Institutions Pesantren Supriyanto... .................................................................300
39. Critical Thinking of the Elementary School Students in Coffee Plantation Area Based on Math Science Exemplars Task through Performance Assessment
Suratno; Dian Kurniati ........................................................................307
40. The Implementation of the Scientific Approach of Curriculum 2013 in English Classes at Sekolah Menengah Atas Negeri 6 Malang
Surya Fajar Cahyo Nuraeni ..................................................................313
41. Urgency of Education Based Socioecopreneurship in Indonesia (Analysis on Elementary Education)
Susan N H Jacobus ............................................................................324
42. Knowledge Management Model in the Achievement of Effectiveness of the Organization of Private Higher Education in Malang
Tanto Gatot Sumarsono; Abdurrabi ......................................................329
43. Self-Assessment of Speaking Proficiency: Students’ Criteria and Attitude
Umi Tursini ..........................................................................................341
44. Managing Instruction: Leadership Practices for Instructional Improvement in Indonesian School Reform
Umiati Jawas ......................................................................................350
45. The Use of Creative Writing Handbook in Developing Ideas and Creativity of English Education Department Students in Writing Class
Uun Muhaji; Irene Trisisca .................................................................365
46. The Analysis of Banking Systemic Risk in Indonesia
Vinus Maulina, Riril Mardiana Firdaus ..................................................372
47. The Analysis of Banking Systemic Risk and Financial Linkages in Indonesia
Vinus Maulina; Sri Wilujeng ..................................................................382
Waseso Segoro, Andri Kartika ................................................................. 390

49. Improvement of Motivation and Learning Outcomes through Assessment of Social Sciences Student Portofolio in State Junior High School 5 Malang
Yuli Ifana Sari, Siti Halimatus Sakdiyah, Hermina Mulyati Sudir ..................... 398

50. Couched Peer Feedback: Teacher’s Intervention in Collaborative Peer Feedback Writing Activities
Annisa Astrid .................................................................................................. 404

51. The Implementation of Fanpage in Creating Positioning Product for UMKM in Jakarta And Yogyakarta
Tjipto Djuhartono, Annisa Utami, Wening Estiningsih ...................................... 416

52. The Implementation of Bureaucracy Reform: Role of Transformational Leadership, Organizational Culture and Employees Quality Competence as the Mediator
Christea Frisdiantara; Harinoto ....................................................................... 424

53. Knowledge Management and Transformational Leadership on Employees’ Performance Mediated by Organizational Culture
Harinoto ........................................................................................................... 437

54. Establishing Reading Comprehension on Report Text through the Presence and Absence of the Text Itself
Veranika ............................................................................................................ 448

55. Counseling Families through Parenting Positive Techniques in Dealing with Authoritarian Parenting
Wiwit Wahyuatiningi ....................................................................................... 455

56. Ibu W Kecamatan Kedopok Kota Probolinggo
Irma Tyasari, Enike Dwi Kusumawati, Suryaningsih, HB Sujiantoro ............... 461

57. Revitalising Anti Corruption Values in Economy Development as The Learning for Pre-service Teachers
Ninik Indawati .................................................................................................... 466
58. Innovation And Business Strategies To Enhance Firm Performance: Study of SMEs Cluster In Malang
   Rita Indah Mustikowati, Iva Nurdiana Farida .......................................................... 472
59. The Development of Policy Evaluation Model of Bank Indonesia(BI) and Otoritas Jasa Keuangan (OJK) for Mandatory Audit of BPRS
   Koenta Adji Koerniawan, Irma Tyasari ............................................................. 481
60. Community as the Actor in Empowerment: The Role of Community Information Group of Surabaya in Building Well-informed Community
   Nurul Ratna Sari ........................................................................................................ 487
61. The Air Flow as Function of Temperature in Rectangular Heated Chamber in Solar Thermal Cyclone Wind Turbine Generator
   Sugiono, A. Raharjo, Sujatmiko ............................................................................. 499
62. Development of Android-Based Blended Learning Accompanied with Video Tutorials To Improve Students’ Understanding And Skill Of Computer Programming Course
   Choirul Huda, Nurul Ain .......................................................................................... 504
63. Evaluation of Placement Policy: Correlation between Placement Test Score and Students’ Achievement in Integrated Course
   Ayu Liskinasih, Rizky Lutviana ............................................................................... 513
64. Application of Multiculturalism Based Approach to Improve Students’ Understanding in Literary Critism (Case Studies in English Literature Department of Kanjuruhan University, Malang)
   Sujito ....................................................................................................................... 519
65. Financial Performance Evaluation Department of Industry, Trade, and District in Indonesian Market Developments in Optimized SMEs
   Ida Nuryana ............................................................................................................ 527
INNOVATION AND BUSINESS STRATEGIES TO ENHANCE FIRM PERFORMANCE: STUDY OF SMEs CLUSTER IN MALANG

Rita Indah Mustikowati, Iva Nurdiana Farida  
rita_fairuz@yahoo.com  
University of Kanjuruhan Malang

Abstract: This research aims to know the direct influence of innovation against the performance of the company and to find out the direct influence of business strategy on performance of the company. The population of this research was the whole SME Centre In Malang. The number of samples used was 100 SMEs. Sampling procedure was done by using the method of probability sampling, with Proportional Random Sampling techniques namely sampling proportionately to each region. Data analysis used in this research was Multiple Regression method. Based on the results of hypothesis testing, it shows that innovation directly and positively effects performance of the company. Furthermore, the results of this study also found that business strategy will affect the achievement of the company's performance. This means that if the companies do innovation and business strategy, it will improve the company's performance

Keywords: Innovation, Business Strategy, Firm Performance, SMEs Cluster

INTRODUCTION

SMEs have an important role in the economic and industrial growth of a country (Husband &Purnendu, 1999; Mahemba, 2003; Tambunan, 2005). SMEs also have a contribution to the absorption of Labor (Tambunan, 2005). The contribution of SMEs against the absorption of labour, both in developed countries or developing countries, including Indonesia, have a significant role in tackling the problem of unemployment.

During this time, the potential of the SMEs are not offset by the ability to compete. The SMEs competitiveness has been low thus causing the difficulties in raising output (Tambunan, 2008). Inability of SMEs to improve the competitiveness of SMEs is due to various limitations, such as lack of ability to adapt to the environment, less sure-footed in opportunities – business opportunities, and lack of creativity and innovation in anticipation of the wide range of environmental challenges. In addition, internally the SMEs are lack of managerial ability and skills as well as capital and markets.

On one hand, the literature review explains that there are three key aspects that will determine the competitiveness and having an impact on the firm performance, namely the company's internal environmental factors, the external environment and entrepreneurship. Results of a study conducted by Hadiyati(2008) which states that the factors - environmental factors that distinguished the internal and external factors either directly or
indirectly affect the competitiveness strategy. The right strategy is necessary for SMEs, given the effort required in developing the ability to identify opportunities and threats that exist in the business environment. The determination of a good business strategy will have an impact on achieving superior performance. Some of the results of empirical studies show that the strategy of the business will be able to produce the performance for the company (Ritter & Gemünden, 2004; Hankinson, 2000). This research aims to know the innovations and business strategies on performance.

**Innovation**

In the study of literature, Schumpeter (1934) mentions that there are five possible types of innovation that can be done by the company, namely: (1) the introduction of a new product or a qualitative change of an existing product; (2) the process of innovation for the industry; (3) the opening of new markets; (4) the development of sources – sources of supply of raw materials or other inputs; and as well as (5) changes in the organization. Based on the source, Tidd, et al., (2001) describes several classifications of innovation, Emergent, (Imported) and imposed. Definitively, Amabile (1996) describes innovation as a concept that addresses the application of the idea, a product or process that is new. Therefore the company is expected to form a thought – new thinking in the face of good competitors, customers and markets. Robbins (2002) defines innovation as a new idea being applied to initiating or improving a product or process or service. Based on that explanation, innovation focused on three major things, namely: (1) new ideas, that is a sport thought in observing a phenomenon that is happening; (2) product or service, namely the advanced steps of the new idea that follow up with a variety of activities, studies, and experiments so that gave birth to the concept more concrete in the form of products and services that will be developed and implemented; (3) improvement efforts, i.e. systematic efforts to perform refinement and make improvements continuously.

Furthermore, Gatignon and Xuereb (1997) explained that in doing product innovation, there are 3 important things to be aware of, namely the excellence of the product, the product uniqueness, as well as the cost of the product. Product innovation can fail for many reasons. Error in applying the strategy into a cause that often happens, other causes include product design that is not innovative, wrong estimate competition, the problem lies in the design or production costs are much higher than expected.

**Business Strategy**

In the literature, small business strategy has presented a continuum ranging from conservative to be proactive-reactive (Covin and Slevin, 1991). From the study of literature on strategic planning and performance shows that companies proactively invest time in developing the strategy and showed a higher level of performance than a proactive company but do not develop strategies (Covin and Slevin, 1991).

In the long term, planning strategies derived from the company's efforts to create a competitive advantage through a generic strategy (Pearce and Robinson, 2007): (1) Overall Cost Leadership, (2) Finding, and (3) Focus. Miles and Snow (1978) formulate a typology of business level strategy involving four types of strategic; (1) the Defenders, Prospectors (2), (3) Analyzer, and (4) Reactor.

Hisrich, et al. (2008) used the term strategy entrepreneurship which is defined as a number of decisions, actions, and reactions that are first created, and then exploit a business with how to
maximize the benefits of novelty as well as minimize costs. Entrepreneurial strategies include new business strategies or growth strategy.

1. New business strategy
   - Is the creation of a new business opportunity, include
     a. resources as a source of competitive advantage
     b. entrepreneurship resources

2. Growth strategy
   - Strategies that focus on where it should look for opportunities to develop which the company may have had a basis for a sustainable competitive advantage. This growth strategy includes
     a. penetration strategy
     b. market development strategy
     c. product development strategy
     d. diversification strategy

Firm Performance

From the theoretical view, some authors provide articulation of the company's performance in different ways. Comprehensively, Mwita (2000) describes the performance as a link between behavioral variables (processes), outputs and outcomes (value added or impact). Chakravarthy (1986) stated that the company's performance is an invalid constructs which are generally used to measure the impact of a company's strategic orientation. Pelham and Wilson (1996) defined the company's performance as a successful new product in the development of the market, where the company's performance can be measured through the growth of sales and share of the market.

Based on these measures, Neely (1999) describes the measurement of business performance can be done by combining two factors, namely; (1) firm performance measurement can adopt the existing size, (2) performance measurement should be relevant so that companies must always make changes any time. Sang et al., (1999) explains that performance can be measured through financial performance, customer satisfaction, internal processes, and learning and growth. Studies conducted by Bititci, et al. (2000) explains that the performance of a business can be measured; the level of sales, cost of sales, assets owned, brand image and fixed assets owned by the company.

Conceptual Framework

Several empirical studies indicate that innovation is directly and positively effect on the firm performance. The research conducted by Bharadwaj et al. (1993) found that the company's ability to continue to product innovation will keep the product is fixed in accordance with the wishes and needs of customers. Study conducted by Prajogo (2006) explores the relationship between innovation and business performance. The results showed that (1) there are no significant differences between manufacturing companies and service companies from both the product innovation as well as innovation process; (2) innovation process demonstrates a relatively stronger relationship with business performance rather than product innovation in the manufacturing sector.

Different results about the influence of innovations and performance found by Darroch (2005). In their study, the researchers used a variable knowledge management, innovation and
performance. The results showed that innovation has no relationship with the performance significantly. Research conducted by David, et al., (2007) aiming to explore the nature of the interaction between two strategies, innovation and market orientation on performance. The results showed that innovation is positively correlated with the market orientation and the invalid constructs both correlated positively with the company's performance in a competitive environment. Damanpour (2001) research carried out for the purpose of testing the dynamics that determine the adoption of innovations in products and processes in the company. The results showed that the adoption of innovation products faster than the adoption process at the bank, and the adoption of product innovation have a positive relationship with the adoption of the innovation process.

Kotley, et al. (1997) aimed to examine the relationship between the variables values personal owner/manager, a strategy that was adopted in connection with the performance of the business. The result of his research showed that personal values/owner, business strategy, empirically has influence to the performance. Boohene et al. (2008) researching on gender, personal values, strategies and small business performance with the aim to test the influence of gender on performance of small businesses in Ghana by exploring the influence of personal value against business strategy. Specific questions that would like to be answered are whether the employers of women and men differ in the implementation strategy of the business, and how personal values affect the strategy and its impact on performance. The research results show that the difference in personal characteristics will determine the difference strategy is taken, which in turn affects the performance of the business. Sacred (2009) researched on performance improvements through the entrepreneurial orientation, management capabilities, and business strategy. The results of the analysis showed that the business strategy is influenced by the SME management skills and will affect performance. While the research results of Hashim (2000) found that the performance of Smash in Malaysia varies with the difference the choice business strategies adopted.

Figure1.1 The research framework
METHOD

This research was conducted on small and medium businesses that registered in Malang local government in the year of 2011. The criteria of small and medium businesses that are used are:

1. The listed SMEs have a business license and can be identified by the Department of industry and trade of Malang.
2. The SMEs produced flagship products and have the potential to be developed.

Based on these criteria, then the population of the research was centered on SMEs which engaged in the field of food processing. Population the population used in this study of 283 business unit. The sample on this research was determined based on a formula of Slovin (Husein Umar, 1997) assuming normal distributed population and sampling error rate of 10%. Based on the calculation, then the number of samples used in the study was 82.394 SMEs (SME 100 rounding). Sampling was done by the method of probability sampling, with proportional random sampling techniques.

This research used primary data and secondary data. Primary data was collected through the dissemination of the questionnaire to the respondents who were the owners or managers of SMEs, with based on the research instrument. While secondary data obtained through Government of Malang Regency and Office of small and medium businesses, BPS, and related institutions. Variables used in the study of innovation, business strategy, the company's performance. Method of data analysis that is used to answer the problem formulation in this research is the Multiple Regression. Multiple linear regression aims to show the relationship between the variables is dependent (Y) variable against a free (X 1, x 2), to know how the innovation, business strategy and performance of the company.

FINDINGS AND DISCUSSION

Statistical testing with multiple linear regression analysis tools intended to find out the influence of innovation (X 1) and business strategy (X 2), against the performance of SMEs (Y). As for the overview of research output can be seen in the table below.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Unstandardized Coefficients</th>
<th>Beta</th>
<th>t-value</th>
<th>Sign. T</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.138</td>
<td>0.419</td>
<td>0.329</td>
<td>0.742</td>
</tr>
<tr>
<td>Innovation (X1)</td>
<td>0.311</td>
<td>0.085</td>
<td>0.295</td>
<td>3.639</td>
</tr>
<tr>
<td>Business strategy (X2)</td>
<td>0.643</td>
<td>0.105</td>
<td>0.498</td>
<td>6.131</td>
</tr>
</tbody>
</table>

R = 0.661
R Square (R²) = 0.437
Adjusted, R Square = 0.425
F-value = 37.597
Sign-F = 0.000
SE = 0.397

Variable Dependent = firm performance
Hypothesis test results show that the influential innovation positively and significantly to the company's performance. These results give meaning that the more good innovations that are owned by the SMEs cluster to the achievement of the company's performance then will also be getting better. With strong innovation it will assist companies in the development of ideas about new products, focusing on efforts to produce products and always sought to market the product markedly in the market. This is due to the SMEs that are in Malang region administered by age of productive happy to challenges to create new products and develop existing products. So in his attempt to create and develop product innovation, what he has been done can be used as the basic for the company to achieve a competitive advantage in the long term. These findings provide an overview that SMEs cluster in Malang region has made efforts in applying the innovation as the basic in carrying out business activities. Through the process, the SMEs Center proved to be able to develop new products and make modifications on the market so that it is able to survive.

The findings in this study are in line with the results of a study of Baer and Frese (2003) that innovation is considered as a component that can provide benefits for the company in achieving competitive advantage. Furthermore, innovation is measured from the production process, the resulting product; new thinking in the Organization had a close relationship with the company's innovation capability so as to encourage performance improvement (Hurley and Hult, 1998; Hurley et al, 2003). The results of this research are also expanding the results of research conducted by Prajogo (2006) who discovered the existence of a positive relationship between innovation and performance. In this study, innovation is measured from product innovation and process innovation.

Test results showed that the hypothesis of influential business strategy positively and significantly to the company's performance. These results give the meaning that the better the business strategy that is owned by the SMEs cluster of the achievement of the company's performance then will also be getting better. With the increasingly powerful business strategy it will help companies in creating new ideas, opening the opportunity for market penetration and experimenting though risky, so that in the end can be a market leader by implementing strategies and long-term goals. These findings provide an overview that SMEs cluster in Malang Region has made efforts in applying the business strategy as the Foundation in carrying out business activities. Through the process, the SMEs cluster proved to be able to respond to changes in the environment through the implementation of good business strategy so that it is able to survive.

The findings in this study are consistent with the conception of Porter (1980); Barney (1991; 1997) that a business strategy capable of improving the performance of the business. This is also in line with the results of the study conducted by Covin and Slevin (1991) where the performance of small companies depends on the strategies they use. This study gives a meaning that the ability of small businesses to formulate and implement effective strategies have a great influence towards survival or failure of a small business.

Technically, the initial actions that can be undertaken by SMEs in business strategy is to increase the capability of human resources owned, either through training, seminars or workshops, which will improve competencies. The emphasis on improving the ability of human resources owned by SMEs in business strategy reinforced by the opinions of Tan and Wang (2010) that in the perspective of Resource – Based View (RBV), a superior resource ownership will lead to companies capable of creating economic value better than competitors. By
implication, the RBV will generate a competitive advantage in the long term for the company on the dynamic market situation. Thus, the ability and a strong commitment to generate and utilize the resources controlled by the SMEs will deliver business performance to improve continuously.

Innovation is a very important component in business development efforts. In the absence of innovation, a business will be hard to be able to compete with other companies. Business strategy is a very important component in an attempt to compete with other companies with business strategy, including determination of strategy of market penetration, development strategies, product development strategy and the strategy of diversification so that in the end the performance achieved by SMES in running business activities have been met.

CONCLUSIONS AND SUGGESTIONS

Overall, the results showed that innovations and influential business strategy significantly to the company's performance. Improvement of the performance of SMEs Centers in Malang is inseparable from the ability of entrepreneurs to do innovation and business strategy. Nonetheless, the understanding of SMEs Centers in applying entrepreneurial orientation, innovative activities and devise business strategies still need to be improved. The findings resulting from the hypothesis testing shows that innovation is directly and positively effect on performance of the company. Furthermore, the results of this study also found that business strategy will affect the achievement of the company's performance. This means that the stronger entrepreneurial orientation, innovation and business strategies that are owned by the company, it will improve the company's performance.

SMEs should always strive to add value to products produced and always strive to provide the best service to customers. In addition, the presence of competitors, both existing competitors and potential competitors, should also be more aware of. Innovative actions and the determination of the business strategy is a very important component to determine the sustainability of the effort. Therefore, the SMEs cluster should always strive to find ways to market your product or service better, running a business by producing products or services with different attributes of competitors as well as utilizing technology to produce goods more effectively and efficiently. In addition, it should be also considered for creating new business units that can be used to minimize the level of risk that may be received. To develop entrepreneurship concept further, researchers need to examine the size of the SMEs related with business activity and performance.

REFERENCES


Hirsh, Robert D., Michael P. Peter, dan Dean A. Shepherd, 2008, Entrepreneurship. ChriswanSungkonodan Diana Angelica (penerjemah), Kewirausahaan, SalembaEmpat, Jakarta.


