

THE INFLUENCE OF CORPORATE ENTREPRENEURSHIP ON INNOVATION PERFORMANCE THROUGH EMPLOYEE ENGAGEMENT AT LATIMO GELATO

Astarina Yulinda Wydiani

Latimo Gelato

astarina.yulinda@gmail.com

<https://doi.org/10.37715/rmbe.v3i2.4528>

Abstract- This study aims to examine the effect of corporate entrepreneurship on innovation performance with employee engagement as a mediating variable. This study uses a quantitative method using SmartPLS to process data. The number of respondents in this study was 35 Latimo Gelato employees who were determined using the non-probability sampling method, namely saturated sampling. The data in this study were collected using a questionnaire which was distributed directly to each respondent. The results showed that corporate entrepreneurship had a significant positive effect on innovation performance, corporate entrepreneurship had a significant positive effect on employee engagement, and employee engagement had a significant positive effect on innovation performance.

Keywords: Corporate Entrepreneurship, Employee Engagement, Innovation Performance

1. Introduction

Latimo Gelato is an "Authentic Italian Gelato" with premium quality. Latimo Gelato has a very soft texture with a typical Italian taste. Currently, Latimo Gelato has as many as 22 variants of varied flavors offered to consumers. Latimo Gelato can now be purchased by consumers at Food Junction Grand Pakuwon Surabaya, Lippo Plaza Sidoarjo, and Malang Town Square. Sales of Latimo Gelato products have decreased over the past 6 months. The results of the initial survey show that the majority of consumers have problems in terms of the innovation performance of Latimo Gelato. Another problem experienced by Latimo Gelato is the low level of employee engagement in the company as evidenced by the increase in the number of employee absenteeism from March 2022 to August 2022. This shows that Latimo Gelato employees still have low enthusiasm at work. According to Cherif (2022), it is revealed that innovation performance and employee engagement can be improved through corporate entrepreneurship. If a company has corporate entrepreneurship, innovation occurs. In short, corporate entrepreneurship plays a role in being the first mover of newcomers. Therefore, corporate entrepreneurship plays an important role in inspiring innovation (Tseng & Tseng, 2019). Based on the background of the problem, this study focuses on the Influence of Corporate Entrepreneurship on Innovation Performance through Employee Engagement at Latimo Gelato.

2. Literature Review

2.1 Previous Research

Research by Ahmed et al. (2020) found that employee engagement has a positive effect on business performance. This study also reveals the mediating role of employee engagement in the relationship between corporate entrepreneurship and business performance. Research by Kassa and Tsigu (2021) shows that corporate entrepreneurship can encourage employees into the innovation process. This research also states that corporate entrepreneurship is needed to encourage employees to engage and improve innovation performance. Research by Arshi and Rao (2019) reveals that high employee engagement will increase employee motivation to do more than their duties and generate creativity and innovation in the organization.

2.2 Theoretical Foundation

2.2.1 Corporate Entrepreneurship

Miller in Kim & Park (2021) revealed that corporate entrepreneurship focuses on creating new businesses through products/processes or market development within existing companies and includes official and unofficial activities. Felix et al. (2019) show that corporate entrepreneurship can be formal or informal in creating new businesses in established companies through product and process innovation.

2.2.2 Innovation Performance

Innovation has been the subject of extensive research for scholars in recent decades who have researched innovation in terms of organizational structure, strategic management, and economic well-being (Tseng & Tseng, 2019). Damanpour in Tseng & Tseng (2019) suggests that innovation can be in the form of new products or services, administrative systems, or new plans or programs related to members of the organization. Innovation is a special function of entrepreneurship.

2.2.3 Employee Engagement

According to Aiyub *et al.*, (2021), employee engagement is employee work enthusiasm characterized by the characteristics of enthusiasm, dedication, and also work absorption. Enthusiasm refers to energy, resilience, and effort in carrying out work. Dedication refers to a sense of pride, enthusiasm, and a sense of meaning. Absorption refers to solubility characterized by full concentration in work and the feeling that time is running faster (Aiyub et al., 2021).

3. Research Framework

3.1 Analysis Model

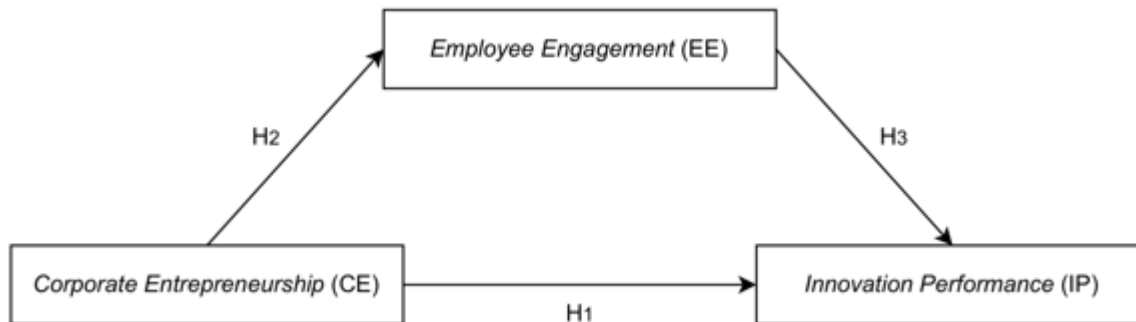


Figure 3.1 Research Analysis Model

Processed by Researchers (2023)

3.2 Hypothesis Framework of Thought

H1: Corporate entrepreneurship Effect on innovation performance Latimo Gelato.

H2: Corporate entrepreneurship influence on decisions Employee engagement Latimo Gelato.

H3: Employee engagement Effect on innovation performance Latimo Gelato.

4. Research Methods

4.1 Research Approach

This research approach uses quantitative methods. This study used a non-probability sampling data collection technique, namely saturated sampling. Therefore, the number of samples and criteria of researchers in this study are employees who work at Latimo Gelato, which amounts to 35 people with a minimum working period of 3 months. This research data collection technique used a questionnaire measured using a Likert scale of 1-5.

4.2 Operational Definition

Table 4.1 Operational Definitions

No	Research Variables	Variable Definition	Operational Definition	Indicators	Source
1	Corporate Entrepreneurship (X)	Corporate entrepreneurship is an orientation to entrepreneurial commitment and activities in a company (Manaf et al., 2021)	The ability of Latimo Gelato employees in orienting in entrepreneurial activities.	<ol style="list-style-type: none"> 1. Employee capabilities in the availability of new product lines 2. Employee ability to maintain consistency in product lines 3. Employee ability to maintain placement strength in R&D, technology, and innovation 4. Ability of employees the use experimental and original approaches to problem-solving 5. The ability of employees to respond quickly to spending money on potential solutions if problems occur 6. The ability of employees to proactively seize opportunities that they think will deliver good results. 7. The ability of employees to proactively create unique new production processes and methods. 8. The ability of employees to always stay ahead of other competitors to introduce new products, administrative techniques, and operating technologies. 9. The ability of employees to be determined when introducing a new idea or product. 10. Ability of employees to take on high-risk projects with a very high chance of return 11. The ability of employees to endure high intensity and make competitors fall 12. The ability of employees to overcome high urgency before competitors begin to act. 13. The ability of employees to consider the risks of decisions to achieve company goals. 	Manfat et al. (2021)

				14. Employees' ability to take high risks to take advantage of potential opportunities.	
2	Innovation Performance (Y)	Innovation performance is the adoption of new devices, systems, policies, programs, processes, products, or services that are generated or purchased internally (Abdallah et al. in Farida et al., 2022)	The ability of Latimo Gelato employees in increasing innovation in the company.	<ol style="list-style-type: none"> 1. Speed of new product introduction 2. On-time new product launch 3. Product innovativeness 	Abdallah et al. in Farida et al. (2022)
3	Employee Engagement (Z)	Employee engagement is employee work enthusiasm characterized by the characteristics of enthusiasm, dedication, and also work absorption (Thomas in Aiyub et al., 2021).	The willingness of Latimo Gelato employees to get involved in the company.	<ol style="list-style-type: none"> 1. Employee dedication to work 2. Ways for employees to think about new ways of working 3. Employee enthusiasm at work 4. Employee motivation in motivating themselves to work. achieve success 5. Willingness of employees to work hard 6. Employees' sense of pride in work 	Thomas in Joseph & Bintan (2021)

Processed by Researchers (2023)

4.3 Data Analysis Techniques

This research uses the PLS-SEM method with the help of the SmartPLS program to test hypotheses, validity, and reliability in research. PLS-SEM was used in this study because this research is an exploratory study so it does not have a strong theoretical basis.

5. Result and Discussion

5.1 Descriptive Analysis of Respondents

Respondents aged 20-25 years were 16 people or equivalent to 45.72%. Female respondents in this study amounted to 22 people or equivalent to 62.86%. Respondents who work at the Surabaya branch of Latimo Gelato amounted to 15 people or equivalent to 42.86%. Respondents who work as staff at Latimo Gelato amounted to 31 people or equivalent to 88.57%. Respondents who have worked at Latimo Gelato for more than 6 months are 21 people or equivalent to 60%.

5.2 Descriptive Statistics

The highest mean in CE13 is 4,000 which is the indicator that most respondents agree on the variable corporate entrepreneurship. The highest mean at IP1 is 4.029 which is the indicator that most respondents agree on the innovation performance variable. The highest mean in EE5 is 3.941 which is the indicator that most respondents agree on the employee engagement variable.

5.3 Data Analysis Results

5.3.1 Validity & Reliability

In outer loading where the resulting value on all indicators is more than 0.7, all indicators are declared valid. The AVE value of each variable in the study is above 0.5 so that all variables are declared valid. Cronbach's alpha and composite reliability values of all variables in this study are above 0.70 so that all variables can be declared reliable.

5.3.2 Inner Model Test

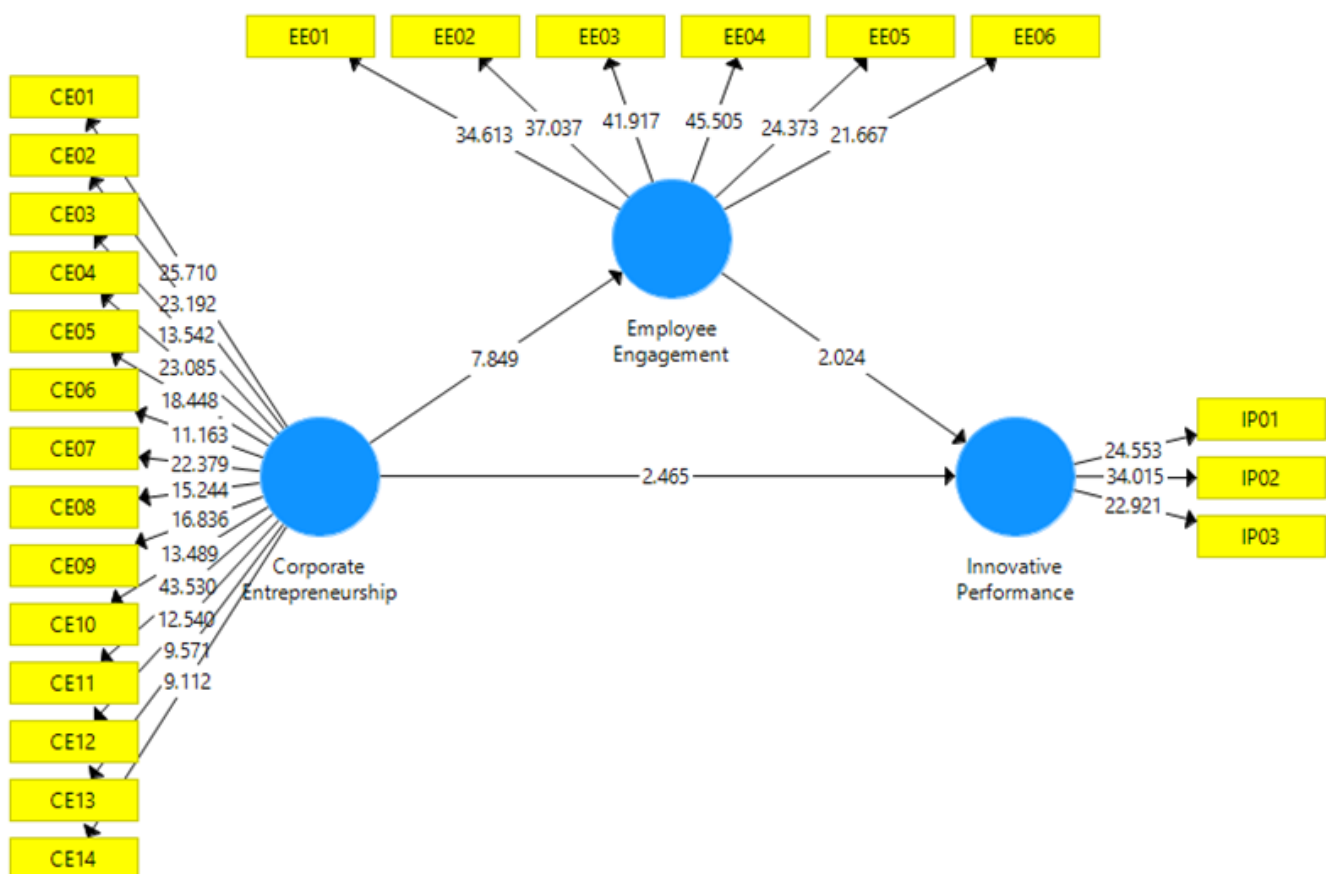


Figure 4.2 Inner Model Results (Bootstrapping)

Processed by Researchers (2023)

5.4 R-Square Test

Shows that employee engagement has an R-Square value of 0.453 which means that 55.1% of the dependent variable of employee engagement can be explained by the independent variable, namely corporate entrepreneurship and the remaining 44.9% is explained by other independent variables outside the study. Furthermore, the R-square value in innovative performance of 0.650 indicates that 65% of innovative performance variables can be explained by independent variables studied by researchers, namely corporate entrepreneurship and employee engagement, while the remaining 35% is explained by other variables that are not used in the study.

5.4.1 Test the hypothesis

1. The first hypothesis is supported because the first hypothesis has a t count of 7.849 which is greater than 1.65 and a p-value of 0.000 which is smaller than 0.05. Furthermore, the first hypothesis has a path coefficient value of 0.742. This shows that if there is an increase in activity in corporate entrepreneurship, it will increase innovation performance by 0.742.
2. The second hypothesis in the study is supported. This research proves that there is an influence of corporate entrepreneurship on employee engagement. The second hypothesis is supported because the second hypothesis has a t count of 2.465 which is greater than 1.65 and a p-value of 0.007 which is smaller than 0.05. Furthermore, the second hypothesis has a path coefficient value of 0.456. This shows that if there is an increase in activity in corporate entrepreneurship, it will increase employee engagement by 0.456.
3. The third hypothesis in the study is supported. This research proves that there is an influence of employee engagement on innovation performance. The third hypothesis is stated to be supported because the third hypothesis has a t count of 2.024 which is greater than 1.65 and a p-value of 0.022 which is smaller than 0.05. Furthermore, the third hypothesis has a path coefficient value of 0.408. This shows that if there is an increase in activity in employee engagement, it will increase innovation performance by 0.408.

5.5 Discussion

5.5.1 The Influence of Corporate Entrepreneurship on Innovation Performance

The results of this study show that the majority of Latimo Gelato employees are aged 20-25 years. The young age of Latimo Gelato employees indicates that Latimo Gelato employees should have new ideas that are by the current times. The characteristics of respondents also show that the majority of Latimo Gelato employees have worked for more than 6 months so they should already have sufficient knowledge related to work or products marketed. However, this research shows that Latimo Gelato still has problems related to the performance of innovation owned by Latimo Gelato which is still considered less than optimal by Latimo Gelato consumers. In the results of the descriptive analysis, it is shown that Latimo Gelato employees are still less determined to introduce new ideas or products in the company. Therefore, this study shows that Latimo Gelato needs to instill the value of corporate entrepreneurship in every employee to be able to improve innovation performance in the company.

5.5.2 The Effect of Corporate Entrepreneurship on Employee Engagement

The results of this study show that the majority of Latimo Gelato employees have worked for more than 6 months. The length of service of Latimo Gelato employees indicates that Latimo Gelato employees should have a fairly high level of employee engagement. However, based on data on declining sales and high employee absenteeism, it can be said that the employee engagement rate of Latimo Gelato employees is still low. In the results of the descriptive analysis, it is shown that Latimo Gelato employees are still less determined to introduce new ideas or products in the company. The low determination of Latimo Gelato employees can certainly affect their motivation to work and ultimately have an impact on their level of involvement in the company. Therefore, this study shows that Latimo Gelato needs to instill the value of corporate entrepreneurship in every employee to be able to increase employee engagement in the company.

5.5.3 The Effect of Employee Engagement on Innovation Performance

The results of this study show that the majority of Latimo Gelato employees are aged 20-25 years. The young age of Latimo Gelato employees indicates that Latimo Gelato employees should have new ideas that are by the current times. The characteristics of respondents also show that the majority of Latimo Gelato employees have worked for more than 6 months so they should already have sufficient knowledge related to work or products marketed. However, this research shows that Latimo Gelato employees have not maximized their commitment to improving the company's innovation performance. The results of the descriptive analysis show that Latimo Gelato employees still cannot think about new ways of working at Latimo Gelato. Therefore, this study shows that Latimo Gelato needs to increase employee engagement in each employee to be able to improve innovation performance in the company.

6. Conclusion and Suggestion

6.1 Conclusion

1. Corporate entrepreneurship has a positive and significant effect on the innovation performance of Latimo Gelato employees. It shows that the higher the corporate entrepreneurship, the higher the innovation performance of employees.
2. Corporate entrepreneurship has a positive and significant effect on employee engagement at Latimo Gelato. It shows that the higher the corporate entrepreneurship, the higher the employee engagement that employees have.
3. Employee engagement has a positive and significant effect on the innovation performance of Latimo Gelato employees. It shows that the higher the employee engagement, the higher the innovation performance of employees.

6.2 Suggestion

6.2.1 Share Latimo Gelato Management

Latimo Gelato can improve employee corporate entrepreneurship by providing opportunities for employees to convey new ideas for the sustainability of the company. Latimo Gelato can also hold monthly meetings with all employees to collect ideas owned by employees. Latimo Gelato can also create forums or platforms that employees can use to convey new ideas that employees have. Furthermore, Latimo Gelato can also provide reward offers to employees who have creative ideas that can be implemented by the company. Latimo Gelato can increase employee engagement by requiring employees to fill out an annual survey of employee responses to each work process at Latimo Gelato to be discussed simultaneously. Latimo Gelato can also provide workshop or seminar facilities to all employees according to their respective fields so that Latimo Gelato employees can learn from other sources to find alternative ways of working more efficiently in the company.

6.2.2 For the Next Researcher

Future research is expected to explore other variables that affect consumer innovation performance. It is recommended because based on the results of the tests conducted, innovation performance can be explained by 35% by other variables that were not used in this study. Further research is also expected to use another method in collecting research data, such as interviews to enrich research results. Future research is also expected to use a larger number of samples to get better research results.

7. References

- Ahmed, U., Umrani, W. A., Zaman, U., Rajput, S. M., & Aziz, T. (2020). Corporate Entrepreneurship and Business Performance: The Mediating Role of Employee Engagement. *SAGE Open*, 10(4).
<https://doi.org/10.1177/2158244020962779>
- Arshi, T., & Rao, V. (2019). Assessing Impact of Employee Engagement on Innovation and The Mediating Role of Readiness for Innovation. *International Journal of Comparative Management*, 2(2), 174-202.
- Aiyub., Yusuf, E., & Bintan, R. (2021). The Effect of Employee Engagement on Employee Performance with Organizational Commitment as Intervening Variable and Percieved Organization Support as a Moderating Variable at The Regional Secretariat of Bireuen District. *Jurnal Visioner & Strategis*, 10(2), 1-15.
- Cherif, F. M. (2022). Corporate Entrepreneurship and Innovation Performance: The Mediating Effect of Employee Engagement through Leader's Supervision. *Economies*, 10(7), 1-12.
<https://doi.org/10.3390/economies10070156>
- Farida, U., Hermawan, I., & Hasyim, F. (2022). Pengaruh Orientasi Kewirausahaan terhadap Kinerja Inovasi dengan Pembelajaran Organisasi sebagai Variabel Mediasi (Studi Kasus pada Bisnis Online di Jawa Tengah). *Business Management Analysis Journal (BMAJ)*, 5(1), 92–109.
<https://doi.org/10.24176/bmaj.v5i1.6824>
- Felix, C., Aparicio, S. and Urbano, D. (2019). Leadership as a Driver of Entrepreneurship: An International Exploratory Study. *Journal of Small Business and Enterprise Development*, 26(3), 397-420.
- Kassa, A. G., & Tsigu, G. T. (2021). Corporate Entrepreneurship, Employee Engagement and Innovation: A Resource-Basedview and A Social Exchangetheory Perspective. *International Journal of Organizational Analysis*, 30(6), 1694-1711.
- Kim, J. Y., & Park, M. J. (2021). Investigation of Critical Factors on Corporate Entrepreneurship: Rethinking The Organization Culture. *Journal of Entrepreneurship in Emerging Economies*, 13(1), 1–25.
<https://doi.org/10.1108/JEEE-11-2019-0175>
- Manaf, N. A. B. A., Ariffin, K. H. B. K., Nasution, M. D. T. P., & Rossanty, Y. (2021). Do Innovativeness, Proactiveness, and Risk-Taking affect Business Performance? Entrepreneurial insights of FAMA's Entrepreneurs. *International Journal of Business Economics (IJBE)*, 3(1), 1-19.
- Tseng, C., & Tseng, C.-C. (2019). Corporate Entrepreneurship as A Strategic Approach for Internal Innovation Performance. *Asia Pacific Journal of Innovation and Entrepreneurship*, 13(1), 108–120.
<https://doi.org/10.1108/apjie-08-2018-0047>