What Is More Important In Business? The Fallacy In Interpreting Innovation As A Strategy

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Abstract - There is a different perspective between the typical Craftsman Businessman and the Opportunistic Entrepreneur. Business cannot be separated from the risk but the courage (recklessness) is also not the best solution. The era of economic openness has shown the world community on how the changing business strategy model continues to move dynamically so that the business strategy is also changing and developing. The mistake of many businessmen, especially for the beginner businessmen is the mistake in interpreting innovation as a business strategy. Innovation can turn into a disaster if it's done without proper planning and understanding of the business market.

Keywords: Innovation, Strategy, Business Plan

I. INTRODUCTION

The business environment continues to undergo the significant changes as the advancement of times and technologies so that the patterns and systems that are commonly used and are not enough to guarantee that the business will last forever. New approaches are needed to address any immediate and emerging problems [1]. In business, risk and opportunity sometimes come almost simultaneously [2] and it is even difficult to guess whether it is a risk or an opportunity in our business [3] which later be used as a stepping stone in obtaining profit and also an achievement in business [1]. Being a businessman is not an easy thing [4]. Most people who have grown up from business environments or people who start a business without any business knowledge will surely say that "a business does not require a lot of complicated calculation, just enough courage and start". While those who raise by numerical calculations, problem formulations and scientific studies which contain data and facts as relevant examples, will surely assume that many "Businesses must start from a mature strategy and planning before it started" [3].

Of course, the two things mentioned above are not entirely true and wrong. The pros and cons will always be seen in every corner of the discussions of those who grow up directly in the business phase or those who get through the academic phase. However, the two statements above lead to a belief that risks and opportunities will always exist [5], [6], the big or small of a risk, it is a certainty that certainly takes time to reflect on it alone. In analyzing the risk, there seems to be a quite fundamental difference between the two persons. A person who is born directly into a business without the knowledge of the business would certainly assume that "1 cent or 1 billion loss will still haunt and the risk will always there" [7]. The question is how much a person is able to see the opportunities and way to get out of a black hole of loss, whereas for thinkers who have been contaminated by reading, textbooks, statistic numbers would have assumed that "1 cent risk loss is producing a different effect to be perceived rather than the loss of 1 billion". These different perspectives in looking at the "risks" make the daily patterns in running the business of both people are also different. A person who goes into the business world without the campus-style management knowledge will assume that the big businessman originated from the academics as "businessmen with consideration in stepping and seem less brave" whereas otherwise the businessman who comes from the academic environment will consider the businessman without the management knowledge as businessmen with full of courage and tend to think after doing an act [7], [8].

There is no certain guarantee that a carefully planned strategy can eliminate risk [6], [3], but many facts can be seen today that those who are braver in against all the obstacles and
the high risk are able to jump higher after surviving the vortex of loss [9]. Of course, the obstacles during the journey will provide lessons for anyone who has passed through about the meaning of good and right stepping. Most of the facts about the number of fallacies in doing business, especially for the beginner businessmen have shown that they invest without having the based knowledge base and to dare to invest; they do not have a role model in marketing or do not know the market segmentation of the product created, they are weak in establishing a business network [10]. The weaknesses in financial management and the most frequent mistakes are the haste in innovating, either the product innovation or the management innovation [11].

This study further confirms that innovation is an important concern as the main rule in running the business and to ensure the sustainability of a business [12]. Innovation is a strategy in running a business model where the calculation and advanced strategy are needed so that the innovation that is built can be well operated in accordance with that already programmed [13]. The purpose of the literature review is to develop a conceptual framework as a part and evaluation of the management ideas.

Cantillon in 1931 stated that being an entrepreneur was making a profit through decision making which was quite risky [14]. There are many aspects of the point of view of why a person chooses a business path of improving his financial life, improving his satisfaction, the reason for better income through business and seeking financial sustainability for their family and children in the future [15], [16]. Filley & Aldag studied in 1978 mentioned that there are different characteristics of entrepreneurs namely “Craftsman Entrepreneurs” and “Opportunistic Entrepreneur” [14]. Opportunistic Entrepreneurs oriented in independence, innovation to create something different among competitors and oriented to the growth of “Brand Image”. While Craftsman Entrepreneurs are oriented in conventional sectors of excellence such as financial strength and the tendency to recognize the business to the extent that the most important is to have only the formal education [17]. According to Hembrick on his research in 2003 there are some key definitions of the strategy undertaken by the businessman Prospectors, for example the businessmen whose orientation based on the operation through market opportunities, Defender is a typical businessman who operates if the market is considered stable, Analyzers is a typical businessman who combines the Defender and Prospector that has a bold tendency in taking every risky decision. Reactors are typical businessmen who are dominated by quick perceptions responding to situations and tend to be less calculated in responding the market situations [18].

Innovation is a tangible manifestation and one of the keys to success in a sustainable business [19]. There have been numerous attempts in response to the definition of innovation such as the innovation in products [20], [21], [22]. Innovation is an effort to make improvements and present something new, unique and different from the existing ones. Innovative is also an important attitude that is reflected through entrepreneur characteristic to change his surrounding environment [23]. The second is innovation in the process [24], [25]. Innovation in the process rests on a set of methods that enable businessmen and workers to work together to enable the organizations in responding to each other's internal and external opportunities.

Innovation that based on simple process lies in the use of the latest technology in the company management. Thirdly, the semi-radical / generational innovation or the next generation of technology innovation leads to the creation of new systems but not radically different and the four radical innovations are introducing new concepts that deviate significantly from the past practices and helping to create the products or processes based on the set of different techniques [26] and [27] it is summed up in the concept of innovation is incremental which in its definition stated that the innovation of this type relies on the exploiting the potential of the design that has been defined and often reinforce the dominance of the company’s abilities [26]. This kind of innovation increase the existing capabilities of functional technology through the small-scale improvements on the products and business processes by utilize the latest technology.

<table>
<thead>
<tr>
<th>Type</th>
<th>Key Characteristics</th>
<th>Prominent author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Innovation</td>
<td>- Make a different product of goods/service / unique</td>
<td>J. Farrell and G. Saloner (1986),</td>
</tr>
<tr>
<td></td>
<td>- Different products with the competitors are considered as competitive advantages</td>
<td>J. Utterback (1994), P. W. Roberts (1999),</td>
</tr>
<tr>
<td>Process Innovation</td>
<td>- Involves all the internal members of the company to work together</td>
<td>Van de Ven, Polley, R., Garud, and S. Venkataraman (1999), R. Rothwell (1994)</td>
</tr>
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<td></td>
<td>- Smart office, Smart Device for example: Google Company or Microsoft Company</td>
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<td></td>
<td>- Technology is the most important requirement</td>
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</table>

The most important thing in realizing the part of innovation is knowledge and competence. Knowledge is the main foundation for overcoming competition and providing the best services to the consumers [28]. In the company, the Innovation Management is needed because fresh ideas will continue to emerge and become many. The existence of these ideas should be organized and arranged systematically in order to avoid the chaos. Innovations that must be run systematically, efficiently, and sustainably require a system to organize these ideas to be more structured.

II. RESEARCH METHOD

This study was conducted with the quantitative descriptive approach by involving 6 informants grouped together with craftsmen entrepreneur and Opportunistic Entrepreneur who engaged in the same business that is printing. The researcher
defines a definition between the entrepreneur and entrepreneurial entrepreneur based on the reasons of the printing business field between the printing press at 20 years (craftsman entrepreneur) vs. printing under 10 years (opportunistic entrepreneur). The data used the data using interviews with such guidelines:

<table>
<thead>
<tr>
<th>No</th>
<th>List of Interview Guidelines</th>
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<tbody>
<tr>
<td>1</td>
<td>How can you get involved in the printing industry?</td>
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<tr>
<td>2</td>
<td>How your strategy is in winning the business competition with other printing industry</td>
</tr>
<tr>
<td>3</td>
<td>What’s in your mind when you hear the word &quot;Innovation&quot;?</td>
</tr>
<tr>
<td>4</td>
<td>How important innovations need to be applied to you</td>
</tr>
<tr>
<td>5</td>
<td>Sometimes if an innovation strategy does not go according to plan. Approximately what’s wrong with this</td>
</tr>
<tr>
<td>6</td>
<td>What do you think about your competitors? Printing new entrants (opportunistic entrepreneur). What do you think is their shortcomings and what is their positive side (opportunistic entrepreneur)</td>
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</tbody>
</table>

III. RESULTS AND DISCUSSION

a. Broadly Background

Broadly informant category craftsman entrepreneurs have started their business from generation to generation. Some informants started the printing business armed with the ability they had in the past that had worked in a factory or printing industry that is large scale then finally choose to entrepreneurship. There is also a claim that this printing business is inherited to him from their family business. Technically the last level of education for the craftsman entrepreneur category is senior high school.

For the informant, opportunistic entrepreneur category, start a business background by the opportunity they get based on existing trends at that time. There was also an informant who chose the printing business because of the saturation of being a printing employee and choosing a resign from their office and decided to try his luck in the printing business. In addition, there is also an informant that because the surrounding environment is printing so try also printing business. Technically the last level of education for the opportunistic entrepreneur category is senior high school and bachelor.

b. Strategy in business

Overall informants stated that the best business strategy is to improve the marketing system and also the application of price. Price competition by both (craftsman and opportunistic) is one of powerful strategy in penetrating the market with the reason that consumers want a competitive price but still good quality

c. The Meaning of Innovation

Overall informant expressed innovation is making something new product that differentiates between them and their competitors. Upgrade the equipment such as machines that are not owned by competitors is an innovation according to all informants. Innovation for both (craftsman and opportunistic) is a must to apply if you want to win the competition.

d. Attempt to Rising

Failure is a natural thing in a business. If there is a failure is not lucky. The risk in the business is unavoidable, try far better than nothing. This is agreed by all informant category craftsman and opportunistic entrepreneur.

e. The argument on their competitor

The craftsman entrepreneur category informant considers them to be a worthy competitor to account for, the creativity possessed by opportunistic entrepreneurs is the main reason why craftsman entrepreneurs are worthy to take them into account. Apart from that, the advantages of opportunistic entrepreneurs in the eyes of competitors (craftsman entrepreneur) are the ability of the newcomer in dive the latest technology in the field of printing such as machinery and other supporting equipment. Newcomers (opportunistic entrepreneurs) always see the shortcomings of craftsman entrepreneur as part of the opportunities such as: make the office design as attractive and as modern as possible so as to eliminate the image of printing as in the 1990s that seemed simple and candid. For craftsman entrepreneurs occasionally occur chaos market prices caused by new arrivals in the world of printing (opportunistic). To start market penetration the newcomer competitors (opportunistic) always start by applying cheaper prices and promotions that seem too excessive.

Discussion

Entrepreneurs in Indonesia are faced with various challenges, ranging from the availability of business space, economic uncertainty also the difficulty in obtaining access to licensing. In addition, the issue of morality and integrity is also a challenge for entrepreneurs to realize the reliable business operations. A lot of fallacies are done by these entrepreneurs as a response to the word "Innovation". Steve Blank once said that "no business plan survives the first contract with a customer" the repeated mistakes, for example, the businessmen only want to find a big market. Every business plan always starts with assumptions, estimating the operational and sales costs as well as observing the future growth would be commonplace. Focusing only on a big market will make the entrepreneurs’ attention become loose on various opportunities in a small but potentially developed market sector. Businessmen who are always oriented to larger market sectors tend to see only the potential benefits that can occur when they are in the big market cycle but realistically, the real conditions in the field that is sometimes forgotten showing that a larger market certainly presents a competition conflict that is also larger and more complex so that the competition in terms of price demanded cheap but still maintain
the existence of the best quality is something that will not be inevitable [36], [37], [38] In fact, the forecasting of profit and growth that has been compiled at the beginning is not always consistent with what actually happens. The consumers want something different every day, with cheaper prices and also more varied characteristics. Peter Fisk in one of his books in 2013 stated that none of the consumers are really loyal to a product even though the product is completely lost in the market [39]. So that natural switching behavior theory on the consumer will take its role [40], [41]

The second fallacy is being trapped in the profit and loss aspects [42]. For many new businessmen as well as the old businessmen who still apply the conventional and traditional management. Profit and loss are a fixed price in a business role. Businesses that are considered to have small profits are considered unfit to work on. This is the reason why the businessmen find it difficult to penetrate the market and feel pressured to identify the market potential. This thinking paradigm sees a business based on profit at the beginning, not about the potential profit as the business goes on [43], [44]. Thirdly is the failure to develop the company’s internal potential as a part of the innovation. Rapid technological change, market trends and consumer behavior just douse oil into the fire. With everything going on it seems that the potential for innovation is unlimited and it really is. Every year new startups emerge which funded and become countless and so are the newly launched products. Most businesses fail simply because of the idealism of the idea that obliges the idea to run perfectly [45]. The truth is that innovation is not only about the ideas, Innovation talks about the problem solving [46]. Innovation fallacy for many businessmen caused by, one of them they only focus on new ideas, great ideas and forget the existing problem-solving.

Fourthly, the innovation is the only way to enter the market. For many new businessmen, innovation is a powerful weapon, a decisive factor even used as the main strategy to penetrate the competition and become a leader within the sub-sector business that they do. Besides, every developed and implemented innovation would have an impact on the cost of capital [47]. These fallacies are mostly done by young businessmen. Businesses that should rely on the goal of continuity of profit turn into a gladiator’s arena to knock each other off. For many new businessmen, creating something new for a cheap price and supported by spot design, updated product design and the trend become the most common steps. But this can be fatal to the financial condition of the business itself. Business should start from the process of survival, payback and establish new branches in the future.

Fifth, the innovation which based on observe, imitate and modifications. This kind of innovation model has long been known as a classic trend but it still survives until now. The ATM innovation model (Amati (observe), Tiru (imitate) and Modifikasi (modification)) is a quick step to enter the market and compete with other competitors. ATM innovation model has long been done, noted the era of 1990s business innovation model as it started. This can turn out to be a mistake because the consumer is just spinning on the same products and is impressed by a not-so-significant change. Many new businessmen apply this concept as a defensive act to enter the market. The original idea can be regarded as a rare item in modern times like today.

The dearth of ideas is the main reason why this innovation model is often done [48], [31] even it triggers the debate about plagiarism or not. Today the ATM model is not only done by new businessmen but also large-scale manufacturing companies especially electronics, automotive and gadget industries.

### Table 3 Positive and Negative Value of the Applied Innovation Method

<table>
<thead>
<tr>
<th>Typology of Innovation</th>
<th>Positive Value</th>
<th>Negative Impact</th>
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<tbody>
<tr>
<td>Product Innovation</td>
<td></td>
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<tr>
<td>- The opportunities to create different products in each period are enormous</td>
<td>- Creative ideas are the main thing. Brilliant ideas are not always available.</td>
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<tr>
<td>- Consumers have various alternative choices for the creation of new products</td>
<td>- It must be supported by a strong funding source.</td>
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<tr>
<td>- It can make the price of the created goods much more competitive</td>
<td>- For typical opportunistic businessmen, they must be supported with the strong work commitment</td>
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<tr>
<td>- Possibility to become a leader in the market</td>
<td>- Must have the ability in learning the consumers’ sense and behavior</td>
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<tr>
<td>- The Brand Image of the products created by craftsman businessmen model is inherent in their consumer</td>
<td>- Not all regions/consumers can accept the new concepts</td>
<td></td>
</tr>
<tr>
<td>Process Innovation</td>
<td></td>
<td></td>
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<tr>
<td>- Ensuring the sustainability of excellent services to the consumers</td>
<td>- Must be supported by the competent team</td>
<td></td>
</tr>
<tr>
<td>- Ensuring the consumers’ satisfaction and loyalty</td>
<td>- Must be supported by the strong funding source</td>
<td></td>
</tr>
<tr>
<td>- As the implementation of Total Quality Management (TQM)</td>
<td>- The obedience in running the SOP and the obedience in the vision and the mission of the business activity become a mandatory</td>
<td></td>
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<tr>
<td>Semi-radical /radical / Incremental Innovation</td>
<td></td>
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<tr>
<td>- The opportunity to be a pioneer in the application of the technology-based core business</td>
<td>- Must be supported by the competent team</td>
<td></td>
</tr>
<tr>
<td>- Organizational culture and working system are difficult to be imitated by other competitors</td>
<td>- Must be supported by the strong funding source</td>
<td></td>
</tr>
<tr>
<td>- Technological involvement plays an important role</td>
<td>- The obedience in running the SOP and the obedience in the vision and the mission of the business activity become a mandatory</td>
<td></td>
</tr>
<tr>
<td>- It is difficult to open new branches in areas that have constraints in technological limitation</td>
<td>- Must have the ability in learning the consumers’ sense and behavior</td>
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The table above explains that the application of innovation as a strategy in running a business cannot be separated from the idea, work colleagues who have a working commitment and the view of the same vision and mission and technology support and costs that are not small. Research and Development (R & D) continuously becomes a major concern for the typical Opportunistic Entrepreneur model. As for the typical Craftsman Entrepreneur, the courage is not a wise solution without the support of the competence and knowledge in a business.

IV. CONCLUSION

Many fundamental changes occurred in how the company generated new ideas and values and brought them into the market during the 20th century. In this century, the ‘closed innovation’ model was successful enough to improve the company’s performance. But along with the many inventions of information technology create a lot of criticism of the ‘closed innovation’ model and move towards the ‘open innovation’ model. These changes have an impact on the academic world in being open than in the previous century. The movement of change in conceptual / innovation theory led to the travel through the regeneration of the concepts and approaches. Changing regulation, unstable political situation, economic instability become a macroeconomy perspective that is sometimes not calculate by many businessmen in Indonesia especially those beginning businessmen. Many businessmen simply consider the profit and forecasting the growth if they do a strategy. They (businessmen) sometimes forget to calculate the Loss Profit or Loss Gain if their innovation strategy does not work successfully. The jargon of “No Pain No Gain” cannot be interpreted and applied as simple as that sentences. Sometimes this Jargon is often misunderstood for the businessman, when in fact there are expensive prices for a failure and there is infinite selling value of a success. Learning by doing have a significant role for businesspeople.

REFERENCES


