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THE INFLUENCE OF INNOVATION STRATEGY ON IMPROVING COMPANY PERFORMANCE BY PT. KENCANA ENERGI LESTARI, TBK

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Abstract

Innovation refers to the creation, development, and implementation of new ideas, processes, products, or services that result in significant improvement, progress, or change in a variety of fields. Innovation is a major driver of economic growth, community advancement, and competitive advantage for and organizations. This research is aimed at finding out the impact of process innovation and product innovation on the performance of the company by PT. Kencana Energy Lestari, Tbk. This research uses quantitative methods, while the collection of data is carried out in the form of a questionnaire that is shared to 25 respondents of the officials of PT. Kencana Energi Lestari, Tbk. The results of this research show that: (1) process innovations have a positive and significant impact on the performance of the company by PT. Kencana Energy Lestari, Tbk. (2) product innovations had a positive impact and significant effect on the company's performance by PT. Kencana Energi Lestari, Tbk.

Keywords: *Process Innovation, Product Innovation, Company Performance.*

INTRODUCTION

Increasingly competitive business conditions and a dynamic and uncertain business environment require companies to look for new breakthroughs and implement strategies that are appropriate and aligned with the changing business environment. Companies must be able to create, exploit, and competitive advantages by creating power values for companies that are better than their competitors.

One of the strategies that companies should use is through innovation. Innovation is one of the keys to being able to win competition. Innovation and product development activities in companies that are linked to performance are important things to consider in increasing productivity and global competition.

Innovation refers to the creation, development, and implementation of new ideas, processes, products, or services that result in significant improvement, progress, or change in a variety of fields. Innovation is a major driver of economic growth, community advancement, and competitive advantage for and organizations. It often involves turning creative ideas into practical solutions that address challenges, meet needs, or provide new opportunities.

Witjaksono (2020), the relationship between innovation strategy and company performance is largely driven by the presence of external factors, namely the influence of globalization and rapid technological change. The rapid growth of product variation and increased competition also encourage companies to define and create or maintain competitive advantages by means of innovation.

Indonesia, with its growing economy and population growth, has an increasing rate of energy consumption. Indonesia also has abundant renewable energy potential, such as water, minihydro, solar, biomass, and wind. This increasing energy demand drives the Indonesian government to pursue innovation efforts to realize the diverse potential of new renewables and is committed to adding portions of newly-generated energy.

The development of renewable energy is one of the priorities in the use of energy in Indonesia. It shows the increasing importance of the role of renewable energy in supporting national development. Increasing energy needs, especially in the electricity sector, must be followed by increased availability of mixed energy resources in Indonesia.

The role of fossil energy in the national energy consumption is still very dominant, especially oil. In 2013, domestic final energy use was the most dominant domestic use of Petroleum Fuel (BBM) which includes avtur, avgas, gasoline, petroleum, solar oil, diesel oil, and fuel, followed by the use of coal, gas, and others. Also, because of the usage of oil fuel as a power generation source is sometimes controlled by oil price fluctuations that affect the burden of increasing cost structures. In the long run, the role and contribution of renewable energy will be increasingly enhanced in the national energy mix.

PT Kencana Energi Lestari, Tbk. is the leading renewable energy provider in Indonesia. PT. Kencana Energi Lestari, Tbk. presents renewables (EBT) that starts with water energy. Consistently and continuously, PT. Kencana Energi Lestari, Tbk is developing renewed energy with a variety of sources, such as solar PV, wind, biomass and biogas.

PT. Kencana Energy Lestari, Tbk is here to be able to respond to the needs of society in line with the development of a low-carbon and environmentally friendly global economy. It is also the support of PT. Kencana Energi Lestari towards net zero emission (NZE) in Indonesia. PT. Kencana Energi Lestari commitment to balancing business success with environmental management, social responsibility, and good governance.

PT. Kencana Energi Lestari, Tbk is committed to achieving the best performance in order to produce EBT that is environmentally friendly for the Indonesian people. PT. Kencana Energy Lestari builds a social order that harmonizes economic, social, and environmental aspects.

PT. Kencana Energi Lestari, Tbk continues to actively develop business throughout Indonesia with various energy source product innovations. Kencana Energy has operated the Water Power Plant (PLTA) in North Sumatra, namely PLTA Pakkat through Sakti Sentosa Power Plant, PLTA in Bengkulu, the White Water Plant through Tirta Lestari Building, the Mini Hydro Power Plant in North Toraja, PLTM Ma'dong through Nagata Hydro Madong Dynamics Plant and the Biomass Power Plant on Bangka Belitung Islands, PLTBm Tempilang through Jaya Energy Biomassa Plant. PT. Kencana Energi Lestari, Tbk will expand its operations to other locations in Sumatera and Sulawesi.

On the side of energy needs, the development and innovation of alternative EBT sources continues to be intertwined, given that Indonesia has a lot of EBT potential that has not been fully exploited. As disclosed by the Ministry of Energy and Mineral Resources (ESDM) in the middle of 2020 that the target EBT from water is 18.627 GWh, earth heat 14.774 GWh and other EBT 1.005 GWh. So, the prospects of efforts to develop EBT are still very wide open and therefore PT. Kencana Energy Lestari will continue to seek opportunities to channel EBT in the future.

Table 1
Power Plant Capacity EBT (Megawatt/Mw)
Nre Power Plant Capacity (Megawatt/Mw)

Uraian Description	2022	2021	2020	2019	2018
Hibrid | Hybrid	0,2	3,6	3,6	4,0	4,0
Angin/Bayu | Wind	154,3	154,3	154,3	154,3	143,5
Surya | Solar	271,6	195,4	169,3	97,4	60,2
Bioenergi | Bioenergy	3.086,6	1.920,4	1.093,50	1.884,60	1.882,80
Panas Bumi | Geothermal	2.355,4	2.130,70	2.130,70	2.130,60	1.948,30
Air Hydro	6.688,9	6.601,9	6.140,6	5.885,50	5.742,10

Sumber | Source: Kemen ESDM, 2023 | Ministry of Energy and Mineral Resources 2023

PT. Kencana Energy Lestari, Tbk (KEEN) has signed the Power Purchase Agreement (PPA) with the State Power Company (PLN), an agreement that is the foundation and business of many energy companies or Independent Power Producers (IPP).

PT Kencana Energy Lestari, Tbk (KEEN) sees the business prospects of new renewable energy power suppliers (EBT) in Indonesia increasingly open because of the support of a number of policies. In 2023, KEEN optimists can better performance supported by operating several EBT projects. Financial performance based on revenue growth of PT. Kencana Energy in QI 2023.

RESEARCH METHODS

The type of approach used to measure the influence of process innovation and product innovation on company performance by PT. Kencana Energy Lestari, Tbk is a quantitative method using an associative approach, the independent variables in this research are process innovation (X1) and product innovation (X2) the dependent variable in this research is company performance (Y). The population in this study were PT employees. Kencana Energy Lestari, Tbk. The sample in this research was all employees of PT. Kencana Energy Lestari, Tbk, totaling 25 people. The data collection techniques in this research are observation, interviews and questionnaires. The data analysis technique uses multiple linear regression analysis, with the following formula:

$$Y = a + b1x1 + b2x2 + e$$

Description:
Y : Company Performance
X1 : Process innovation
X2 : Product innovation
α : constant
β : regression coefficient
e :error

RESEARCH RESULT

Based on the research results, the following results were obtained:

Table 2
multiple linear analysis test
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.808	2.078		3.313	.000
	X1	.246	.133	.286	2.098	.004
	X2	.365	.134	.321	2.229	.002

a. Dependent Variable: Y
Source: data processing results, 2023

Y = 4.808+ 0.246 X1 + 0.365 X2 + e

The following are similarities to the explanation above:

1. If the process innovation and product innovation variables are taken into account a or do not change, there will be a change in company performance of 4,808, according to the regression equation above.
2. The beta coefficient value of process innovation is 0.246, a positive number indicates a positive correlation between variables in consumer reviews. The regression coefficient value of 0.246 states that the effect of changes in company performance can be increased by 0.246 for each additional value of one unit.
3. The beta coefficient of the product innovation variable has a positive value of 0.365 and states that there is a positive relationship between the product innovation variable and company performance. The regression coefficient value of 0.365 indicates that the impact of changes in company performance can be increased by 0.365 for each additional value of one unit.

Table 3
T Test (Partial)

No	Variabel	T_{hitung}	T_{tabel}	Nilai Sig
1	Inovasi Proses	2.098	2.073	.004
2	Inovasi Produk	2.229	2.073	.002

Source: data processing results, 2023

Based on the results shown in table 3, it can be seen that the results of calculating the regression coefficient using the t test are as follows:

1. The t value was tested to determine the comparison of the Tcount and Ttable values, sig level. a/2=5%/2=0.025 and degrees of freedom (df) =n-k-1=106- 2-1=22. So the result, Ttable 2.073. Process Innovation (X1) with a regression coefficient of 2.098, depicts Tcount 2.0898 > Ttable 2.073 and has a positive and significant effect and sig 0.004
2. Nilai t diuji untuk mengetahui perbandingan nilai Thitung dengan Ttabel, taraf sig. a/2=5%/2=0,025 serta derajat kebebasan (df) =n-k-1=106- 2-1=22. Jadi hasilnya, Ttabel 2.073. Inovasi Produk (X2) dengan koefisien regresi 2.229, menggambarkan Thitung 2.229 >Ttabel 2.073 dan berpengaruh secara positif dan signifikan dan sig 0,002.

Table 4
Determinization Test (R2)
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.566[a]	.620	.259	1.363

a. Predictors: (Constant), X2, X1
Source: data processing results, 2023

In table 4, the correlation coefficient (R) value is 0.566 or 56.6%, meaning that the level of relationship between Process Innovation (X1) and Product Innovation (X2) on Company Performance (Y) is large. The determinant coefficient R2 (R Square) is 0.320, meaning that Company Performance (Y) is influenced by Process Innovation (X1) and Product Innovation (X2) on Company Performance (Y) by 0.620 or 62%, the remaining 38% is influenced by other variables.

A company that implements innovation effectively and efficiently can improve the operational performance of the company. Process innovation also directs to new methods and also develops the capabilities of people in the company, so that with the growth of people within the company can have a positive impact on the company's performance. Recognized innovation can increase the efficiency in the production process by giving direction to new

operational methods so that it can improve company performance. Thus, a company that effectively implements innovations will be able to improve the performance of a company.

Product innovation is something that must be done within the company because with the constantly changing market demand, the company is required to always innovate and create new things. By doing product innovation then the company's product is always in demand by the consumer and will survive the market, sustained innovation in a company is a fundamental thing to direct the creation of competitive advantage and improve the performance of the company. Thus it can be concluded, that the higher the innovation of the product used, then the performance in an enterprise will also be higher.

CONCLUSION

Research results prove that process innovation has a positive and significant impact on the performance of the company in PT. Kencana Energy Lestari, Tbk, performing improvements in the production process will reduce the number of units of cost to be issued. The reduction of such costs will increase a number of profits received by the entrepreneur, so automatically the performance of the company will also increase. Research results prove that product innovation has a positive and significant impact on the performance of the company in PT. Kencana Energy Lestari, Tbk. Innovation carried out by the company by introducing a new product can increase the company's value in the market competition. This means that with the presence of product innovation within the company then the performance in a company will increase.

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