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**THE IMPLEMENTATION OF INNOVATION PERFORMANCE TOWARDS  
EMPLOYEE INVOLVEMENT AT PT ISTANA DELI KENCANA MEDAN****By****Darwan Tanady<sup>1</sup>, Agus Susanto<sup>2</sup>, Bestadrian P. Theng<sup>3</sup>, Benny Lim<sup>4</sup>****<sup>1,2,3,4</sup> Institut Bisnis Informasi Teknologi dan Bisnis****Email: <sup>1</sup>[darwan@itnb.ac.id](mailto:darwan@itnb.ac.id), <sup>2</sup>[agus\\_susanto@itnb.ac.id](mailto:agus_susanto@itnb.ac.id), <sup>3</sup>[bestadrian.p@gmail.com](mailto:bestadrian.p@gmail.com),  
<sup>4</sup>[benny.lim2080@gmail.com](mailto:benny.lim2080@gmail.com)****Abstract**

The company has expectation in higher levels of employee motivation, creativity, productivity, and commitment that will move the organization forward with greater profitability. Organizations operating with the involvement of their employees, have developed the employee's involvement to actively seeking their contribution to the decision making process. The employee that can create good innovation want to increase the involvement in the company in order to give contribution to the company's development. The purposes of this research is to know whether the innovation performance has impact to employee involvement at PT Istana Deli Kencana Medan. Research design used in this research is descriptive research design and correlational research design. Research methods which used are descriptive statistic analysis, validity and reliability test, normality test, coefficient correlation, coefficient of determinant, simple linear regression analysis and Z testing. The sample size in this research is 112 employees. The result of this research is that there is impact innovation performance towards employee involvement at PT Istana Deli Kencana Medan. Based on Z test, it can obtained that Z-count > Z-table ( $9.88 > 1.96$ ). It means the hypothesis is accepted that innovation performance has impact towards to employee involvement in PT Istana Deli Kencana Medan. From correlation test, it can be know that innovation performance has strong positive relationship toward employee involvement in 0.934. Coefficient determinant is 87.3%. It means that changing of employee involvement can be explained by innovation performance while the rest as 12.7% can be explained by other factors. From the regression linear equation, it can be obtained the regression equation  $Y = 1.080 + 0.697X$ . The regression coefficient of innovation performance is 0.697. It means that innovation performance has positive impact to employee involvement. The increasing 1 unit of innovation performance can increase employee involvement in 0.697 unit.

**Keyword: Innovation Performance and Employee Involvement.****INTRODUCTION**

Employee involvement is a process for empowering employees to participate in managerial decision-making and improvement activities appropriate to their levels in the organization. Most managers want to have their employees involved in improving the business, or at least to be an active participant in helping the business meet its objectives. In the structure of the work organization itself determines the employment relationship. In particular, job design can influence the degree of control an employee has over his or her

work and, with that, the degree of personal responsibility felt for the outcomes and quality of work. Employee involvement approaches aim at enhancing responsibility, increasing authority, and making jobs challenging and interesting to employees, based on their abilities and the needs of the organization. It is in the best interest of both workers and supervisors to increase happiness and satisfaction on the job with increasing job involvement because happy and satisfied employees are productive employees who insure the employer's profit and continued

existence of the company and the worker's jobs. Human resource is an innovative company's major asset. Employees should be honest and open, encouraged to share ideas and able to explore initiatives without fear of mistake. Successful companies create competitive advantage in the marketplace through innovation and creativity. Innovative behaviour in individuals encompasses creativity broadly considered the generation of ideas and their ability to implement a new idea. Innovation has long been recognised as a source of competitive advantage. The company pursuing human resource innovation need to acquire new knowledge from both external and internal sources. People are an innovative organization's most vital resource.

Successful innovation-based companies have learned how to manage, motivate and reward employee. According to Andries (2011, p.2), there is positive effect of innovation performance towards employee involvement. Facilitating employee involvement requires recognizing the value of each individual, understanding human motivations, assigning people to positions in which they can be successful, and listening to employees. Innovation is driven by employee skills, knowledge and abilities. It allows an organisation to create and transform ideas and put them into practice to gain a competitive advantage. Human resource practices have an important role to play in developing and enhancing knowledge and skills of the employees. Leveraging human expertise is an important aspect of innovation. Innovation is a derivative of employee knowledge, skills and expertise that the employee can show the knowledge, skills and expertise when the employee conducting the job. Innovation tends to be initiated through employee's knowledge, expertise and skills in order to involve to the company's activities. The employee that can create good innovation want to increase the involvement in the company in order to give contribution to the company's development. The performance appraisal in the company

isn't conducted regularly and appropriately such as the performance appraisal for marketing department is conducted once a year. The company doesn't have information of the innovation performance without good performance appraisal. With performance appraisal, the company can make improvement and development of the employee's innovation and creativity. The company also doesn't give interesting reward for the company such as the company gives bonus and incentive based on basic salary for marketing staff. The company should give bonus and incentive for employee in increasing the innovation performance such as incentive for the implementation the new marketing strategy. The company also doesn't make the strategy that can encourage innovation performance with promoting the employees in good position. Career management should be done with considering the employee's ability in increasing innovation for the company's benefit.

### **Theoretical Background Innovation Performance**

According to Utabe (2013, p.3), innovation performance consist of the generation of a new idea and its implementation into a new product, process, or service. According to Herzog (2012, p.9), innovation performance is qualitatively new products or processes which markedly differ from the preceding status. According to Sullivan (2013, p.4), innovation is making changes to something established by introducing something new. Employee innovation behaviour has been defined as the intentional behaviour of an individual to introduce and/or apply new ideas, products, processes, and procedures to his or her work role, unit, or organization. Innovative behaviours include behaviours pertaining to both the introduction and the application or implementation of new ideas, products, processes and procedures by the employees. It includes a variety of behaviours pertaining to the innovation processes in an organisation. Innovation is a new idea, more

effective device or process. In the organizational context, innovation may be linked to positive changes in efficiency, productivity, quality, competitiveness, and market share. Organizations can also improve profits and performance by providing work groups opportunities and resources to innovate, in addition to employee's core job tasks.

### **ADVANTAGES OF INNOVATION PERFORMANCE**

According to Lewis (2013), the advantages of innovation performance are as follows:

1. Creativity Innovation companies generally employ a large number of creative and competent individuals who can not only introduce a new product, but also see it through to completion. Innovation companies often employ large numbers of people who oversee all stages of product development and ensure the product's success in the market through a process of conceptualization, design and implementation that results in a finished product that is highly desirable to consumers. For small businesses that wish to stand out in the crowd, finding and hiring the most creative talent possible is essential for success.
2. Leadership The creativity exhibited by innovation companies often puts them in positions of leadership within their respective industries. Apple, for example, regularly makes the news for its latest innovations which generally set the bar for other similar products that are later developed by other companies trying to piggyback off of their success. By the time these companies finally manage to catch up, Apple and other companies taking a leadership role have generally created another innovative product to once again lead the way. Although small business are not generally in a position to take this type of leadership role from the outset, they can develop their reputation and do so over the course of time, one product at a time.

3. Experience Innovation companies also have the advantage of experience on their side. They typically get the process of product development down to an exact science that can repeated over and over again. Their ability to repeat this process with efficiency generally sets them apart from other companies that try to create new products for the first time. For small businesses this generally involves a considerable amount of trial and error.
4. Name Recognition Because they are leaders within their respective industries, innovation companies generally do not need to do an excess amount of advertising or branding to capture their target market. Instead, their name alone carries considerable weight in their industry and people await their products to hit the market. Their name recognition generally sets them apart from other companies in the market, which means that they need to do very little to promote their products. This is probably one of the more difficult things for small businesses to establish. However, with just one truly innovative product, these companies can also begin to carve their niche in the market and gain that same type recognition.

### **Employee Involvement**

According to Adham (2011, p.369), employee involvement refers to the extent to which employees are informed and whether or not they can influence new decisions. According to Sofijanovna (2013, p.31), employee involvement is a process of participation and empowerment of employees in order to use their input towards achieving higher individual and organizational performance. According to Cummings (2014, p.376), employee involvement is the way to increase member's input into decisions that affect organization performance and employee well-beings Involvement refers to the employee participation in decision making and problem solving, and increased autonomy in work processes. As a result, employees are expected to be more motivated, more

committed, more productive and more satisfied with their work. Employee involvement refers to work structures and processes that allow employees to systematically give their input into decisions that effect their own work. When employees participate directly to help an organization fulfill its mission and meet its objectives by applying their ideas, expertise, and efforts towards problem solving and decision making. Employee involvement is something that can be present at varying degrees within an organization, and is reinforced by leadership, culture and environment.

### **Categories Of Employee Involvement Initiatives**

According to Beardwell (2012, p.537), four categories of employee involvement initiatives:

1. Downwards communications. This refers to top-down communication from management to employees. Typical practices include company newspapers, team briefing, communication meetings, video briefing, employee reports and the use of the intranet.
2. Upwards problem solving forms and teamworking. Upwards problem solving refers to bottom-up communication and involvement structures that are generally designed with the aim of capturing ideas and solving production/service problems (either individually or in small groups). Typical mechanisms include suggestion schemes, and quality circles/problem solving groups. This category could also include attitude surveys which management may implement (or commission) to try to understand more about the general climate within the company and as a mechanism to allow employees to raise concerns and/or ideas for future changes that they would like to see. In addition to the typical forms of upwards problem solving, also identify the following forms, task-based participation and teamworking and self-management.
3. Financial participation. This refers to schemes that allow employees a financial stake in the company. Typical mechanisms include employee share ownership schemes and profit related pay.
4. Representative participation. This refers to mechanisms for indirect participation, for example, through trade unions, works councils and consultative committees. It means that employees are represented by elected representatives that have been drawn from their number.

### **RESEARCH METHOD**

The research designs used in this research are descriptive research method and correlational research method. The purpose of this descriptive study was to make description in systematic, factual and accurate information on the facts, characteristic and relationships between phenomena. Descriptive method is a method that analyzes people, object, set of conditions, and event in the present. Correlational research is a study to determine the relationship and the degree of relationship between two or more variables. The existence of the relationship and the level of this variable is important because by knowing the level of existing relationships, writer will be able to develop it in accordance with the purpose of research. The writer also conduct the quantitative research design. Quantitative research is explaining phenomena by collecting numerical data that are analysed using mathematically based methods in particular statistics. The data produced are always numerical, and they are analysed using mathematical and statistical methods.

Population and Sample Population is the total number of units or individuals that will be examined their characteristics. The population refers to a set of individuals with certain characteristics as the concern in the research. Population in this research is employees of PT Istana Deli Kencana Medan which is 156 employees. Sample is part of population with the certain characteristics.

Sampling technique used in this research is simple random sampling that each part of population is chosen randomly with the same probability during the sampling process. Sample size is used with Slovin formula are as follows:  $n = \frac{N}{1 + N(e)^2}$  Where : n = amount of sample N = population size e = the desired margin of error, 5% Based on the formula above, it can be known the sample amount with this way :  $n = \frac{156}{1 + 156(0.05)^2} = 112.23 \approx 112$ , with result that sample of this research is 112 employees.

### Data Analysis Method

In doing the research, the writer uses some methods to analyze the data that have been collected from the research. The methods are as follows:

1. Statistical Method Statistical method is the analysis using of statistical techniques to know the problem.
2. Descriptive Method Descriptive method is done with fact finding with adequate interpretations. In this study, simple analysis of extensive data using the description of data to explain the phenomena and the problem in the company. Statistical method used in this research is as follows: a. Level of Interpretation The formula of interpretation of variable X and Y are as follows: Highest value = Number of Questions x highest possible value Lower value = Number of Questions x lowest possible value Highest value – lowest value

### Validity

Validity test done to measure whether the data have been obtained is valid data. The validity indicates a measuring instrument is able to measure the variables. Where:  $r_{xy} =$  Instrument Validity x = independent variable y = dependent variable.

### Reliability

The instrument is an instrument that reliable when used repeatedly to measure same data with the same result. Reliability of test data will show consistency of the answers contained in the questionnaire. The formula of reliability are as follows:

Where:  $\alpha =$  Instrument Reliability k = number of questions  $\sum d^2 =$  total square root score  $\sum d =$  total score  $\sum \sigma b^2 =$  total of variance question N = Total of respondents  $\sigma^2 =$  Total Variance Vd = Variance Difference

### Mean

The mean is the value that helps to summarize an entire set of numbers. A set mean is calculated by adding up all the numbers in the set together and dividing their sum by the number of members of the set. The formula of mean is:

Where:  $\bar{X} =$  Mean x = particular values n = total number of observation

### Median

Median is described as middle or center value of a set of data that have been collected from the research. To find out the value of median, we need to arrange the data according to the size. The formula of median is Where: x = particular values Me = Median n = total number of observation

### Mode

Mode is defined as the value that occurs with the highest frequency. Mode is the most commonly occurring score.

### Normality Test

Data normality test have purpose to know whether there is normal distribution in regression model. In this research, to detect the data normality can be done with Kolmogorov Smirnov using SPSS Software version 20. In this testing, the criteria used to take decision is

1. If significant value  $> 0,05$ , the data distribution is normal.
2. If the significant value  $< 0,05$  then the data distribution isn't normal.

### Coefficient of Correlation

The writer uses the correlation formula according to Pearson's product moment coefficient. The formulation is uses to test the relation between independent variable and dependent variable. The formulation is showed as follow:

Explanation: r = coefficient correlation n = number of sample Y = employee involvement X = innovation performance

### Coefficient of Determination (R<sup>2</sup>)

It is the method used to know the influence of Variable X towards Variable Y in percentage  $D = r^2 \cdot 100\%$  Where:  $D$  = coefficient of determination  $r^2$  = coefficient of correlation square

### Linear Regression

Analysis Regression analysis is an equation which expresses the relationship between variables (variable x as independent variable and variable y as dependent variable). Whether there is a relationship between variable x and variable y, writer applies the linear regression methods as it is shown below:  $Y = a + bX$

Description:  $Y$  = employee involvement  $a$  = Constant  $b$  = coefficient regression  $X$  = innovation performance  $n$  = number of sample

### Z - Test

Testing was conducted to determine how far the influence of independent variable against the dependent variable variation. Criteria decision making of 2 tail Z test with confidence level in 95% and margin error in 5%, namely:

1.  $-Z_{table} \leq Z_{count} \leq Z_{table}$ , Null Hypothesis ( $H_0$ ) is accepted and Alternative Hypothesis ( $H_a$ ) is rejected
2.  $-Z_{count} \leq -Z_{table}$  Null Hypothesis ( $H_0$ ) is rejected and  $Z_{count} \geq Z_{table}$ , Alternative Hypothesis ( $H_a$ ) is accepted. The formula Z test is Where:  $r$  = correlation coefficient of variable x to variable y  $n$  = sample size  $Z = Z_{count}$

### RESULT AND ANALYSIS

1. In validity testing, the validity value of innovation performance and employee involvement are in high validity and very high validity interval. It can be stated that all questions are valid to be used as instrument research because the validity value is over than 0.3.
2. In reliability testing, the reliability of innovation performance and employee involvement are in very high reliability interval. It can be stated that all questions

is reliable to be used as instrument research because the reliability value is over than 0.6.

3. In normality testing, the data of innovation performance and employee involvement have significant value over than 0.05 with result that the data is in normal distribution data From mean, median and mode calculation of respondent's answer of innovation performance variable, it shows that most of answer is disagree about innovation performance level in PT Istana Deli Kencana Medan.
4. From mean, median and mode calculation of respondent's answer of employee involvement variable, it shows that most of answer is disagree about employee involvement level in PT Istana Deli Kencana Medan.
5. From the regression linear equation, it can be obtained the regression equation  $Y = 1.080 + 0.697X$ . The regression coefficient of innovation performance is 0.697. It means that innovation performance has positive impact to employee involvement. The increasing 1 unit of innovation performance can increase employee involvement in 0.697 unit.
6. From correlation test, it can be known that the correlation value is in 0.934. It means that innovation performance have strong positive relationship toward to employee involvement.
7. Coefficient determinant is in 87.3%. It means that changing of employee involvement can be explained by innovation performance in in 87.3% while the rest as 12.7% can be explained by other factors.
8. From Z test, it can be known that there is impact of innovation performance toward employee involvement in PT Istana Deli Kencana Medan. The Z test result shows that  $Z\text{-count} (9.88) > Z\text{-table} (1.96)$ .

## CONCLUSION

After analysis done by writer, the conclusion of this research that there is impact innovation performance towards employee involvement at PT Istana Deli Kencana Medan. Based on Z test, it can obtained that Z-count > Z-table (9.88 > 1.96). It means the hypothesis is accepted that innovation performance has impact towards to employee involvement in PT Istana Deli Kencana Medan. From correlation test, it can be know that innovation performance has strong positive relationship toward to employee involvement in 0.934. Coefficient determinant is 87.3%. It means that changing of employee involvement can be explained by innovation performance while the rest as 12.7% can be explained by other factors. From the regression linear equation, it can be obtained the regression equation  $Y = 1.080 + 0.697X$ . The regression coefficient of innovation performance is 0.697. It means that innovation performance has positive impact to employee involvement. The increasing 1 unit of innovation performance can increase employee involvement in 0.697 unit.

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