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Affordable Value Innovation: Study in Education Industry in Indonesia

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Abstract– Previous research suggests that FMCG companies in Indonesia do not pay attention to and consider the two antecedent factors in the Affordable Value Innovation (AVI) process. The Standardization factor has a positive effect on AVI (Ardes & Ardana, 2017). The research test on the fourth antecedent factor shows that Corporate Culture of Innovation (CCOI) does not affect AVI. The findings indicate that FMCG companies in Indonesia do not focus on and consider CCOI in the AVI process, and the AVI affects the IP variable. The research was continued using the same model for the education industry in Indonesia. No research has been conducted using this model for the education industry in Indonesia. Data collection resulted in 31 respondents from the student innovation project unit of STM PPM and Trisakti University. The research data were processed using SMART PLS. The research findings in the Indonesian education industry suggest that there are 2 antecedent factors (local embeddedness and standardization) influencing the AVI, which affects the IP. Indonesian local innovation, standards, and affordable prices affect the innovation performance carried out in education.

Keywords: *Bricolage; Local Embeddedness; Standardization; Corporate Culture of Innovation; Innovation Performance*

INTRODUCTION

Innovation can be defined as the ability to understand the needs or demands of consumers and to think creatively about how these needs can be fulfilled in a better way (Prince, 2007). Therefore, business actors are certainly required to always innovate in many ways, especially in their products, so that they can continue to attract consumer interest and strengthen their competitiveness against the competitors' products (Ernst, 2009). In addition to consumer demands and competition, the rise of innovation is also driven by rapid technological developments on a global scale in the world. Innovation is carried out by developing the right ecosystem in a new business system so that it can run well (Prahalad, 2012). Bstieler and Noble (2023) mention that the next round of competitive positioning will be based on innovation, and a company's innovation capabilities will determine its future growth potential. This is creating a special challenge for senior management. Only innovation increases the size of the pie, which means that its mastery is vital to a company's long-term well-being. Such needs are usually in the form of products used in the daily lives of consumers. Innovation carried out on products is also known as New Product Development (NPD). The role of innovation as a driver of growth is also needed in the field of education, especially higher education in Indonesia. Universities prepare academia to be able to make valuable contributions to solving various social problems that are currently being faced by society. Therefore, universities have various programs in the student affairs unit for their students to fulfill the important role of universities in providing Human Resources (HR) who are ready to become troubleshooters and agents of change in the lives of society (Maisah et al., 2020). Considering the important role of higher education institutions, the researcher conducted a replication of the research by Ardes & Ardana, B.G. (2017), which was a development

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of research conducted by Ernst (2015). The research by Ardes & Ardana, B.G. (2017), which was conducted in the industry of FMCG (Fast Moving Consumer Goods) with 99 respondents and represents the development of Ernst's research (2015), states that from the three antecedent factors (bricolage, local embeddedness, and standardization), the bricolage and local embeddedness do not affect the Affordable Value Innovation (AVI).

The purpose of creating affordable value innovation (AVI) is to assess the performance of innovation (innovation performance or IP) in emerging markets. The performance is assessed based on the optimal value of the innovation product to several factors such as environmental hostility, project budget, radicalness, and industry. The better the AVI value, the higher the IP value that can be achieved. AVI itself is a factor influenced by three antecedent factors, as previously discussed, namely bricolage, meaning the ability of a company to innovate with limited resources, local embeddedness, meaning the attachment to local conditions or wisdom, and standardization or standards set by the local government (Ernst, 2015). In this study, the effect of the three antecedent factors on the AVI variable will be examined using a quantitative method through a survey, namely by creating several questions related to each of these variables. The same thing is carried out between the AVI variable and the IP variable. These questions will be listed and arranged into a questionnaire that is distributed online to target respondents. Although this study is a replication, there are a few differences from the previous studies, and one of them is that this study is conducted on the education industry in Indonesia.

LITERATURE REVIEW

Higher education in Indonesia has the responsibility to produce high-quality human resources that can contribute to the lives of Indonesian society. Therefore, the services in universities are provided through various approaches that are multidimensional, influenced by the emphasis on the involvement of individual professionals and related units (Example, Student Affairs) that provide stimulation (Saepudin, 2004). Tampubolon (2001) in Saepudin (2004) explains that there are 5 (five) factors of educational services in higher education that have a significant effect on the quality of higher education. The five factors are Administrative Services, Curriculum Services, Research Services, Community Services, and Extracurricular Services. The student teams formed in Higher Education Organizations are often established in Extracurricular Services because the five services must be fully developed and presented by the Higher Education Institution.

Southeast Asia is a region with a majority of emerging market countries. For example, Malaysia, Thailand, and Indonesia are three major countries in the region. According to the average data of the three years (2012-2015), Malaysia is the biggest emerging market in Southeast Asia. However, currently, Indonesia has surpassed Thailand and Malaysia, as shown in the data presented in **Figure 2.1** (Bloomberg, 2016). Emerging markets are mostly in developing countries. Thus, because this research was conducted in Indonesia, it is also necessary to know the five characteristics of developing countries, namely market heterogeneity, sociopolitical governance, unbranded competition, chronic shortage of resources, and inadequate infrastructure (Sheth, 2011).

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Antecedents of Affordable Value Innovation

Affordable innovation refers to new products and services that target customers with a low willingness or ability to pay. Affordable innovations are therefore usually not simply a resale of premium innovation but are tailored to the specific needs of customers at the lower end of the market and can bring economic and societal benefits (Gurtner, Gurtner & Schaarschmidt, 2024). An appropriate balance between price and value plays a central role when it comes to the success of new products in price-sensitive emerging markets (Ernst, Kahle, Dubiel, Prabhu & Subramaniam, 2014). As previously discussed, companies need to make a breakthrough in the form of product innovation that consumers can afford in emerging markets. In a journal article on the research results by Ernst (2015), there are three main antecedent factors of affordable value innovation (AVI), namely bricolage, local embeddedness, and standardization. After researching those factors, Ernst recommended a fourth factor whose effect is considered necessary to be examined on the AVI variable, namely the corporate culture of innovation (CCOI). This factor is considered important because various corporate cultures in emerging markets will have an impact on the AVI variable.

Bricolage

Bricolage refers to the creative combination of available resources to tackle a problem or harness an opportunity; it is noted that bricolage can be an alternative for companies to deal with those resource constraints due to its improvisational aspect. (Santos, Borini, Oliveira Jr, Rossetto., & Bernardes, 2022). Bricolage is a French term that has the same meaning as DIY (do-it-yourself) in English. This factor refers to the way or strategy of a company to find solutions to problems that occur and to seek business opportunities by utilizing available resources (Halme et al., 2012). The ability of a company to find solutions with limited resources becomes significant in facing the challenges and opportunities that exist. This follows the concept of resource-constrained environments (Halme et al., 2012; Sheth, 2011), which is the limited resources in the environment that can be utilized by the company. Thus, the bricolage factor can act as the main driver for company growth (Baker & Nelson, 2005). Bricolage is a resource management behavior that is done by combining available resources to solve new problems and seize new opportunities (Xu, He, Morrison, Su, & Zhu, 2023).

Standardization

The term standardization means adjustment of form or adaptation to a certain range of established guidelines or standards (Theodosiou & Leonidou, 2003). In emerging markets, standardization is carried out by reducing variants and combining demand. This aims to achieve scale efficiency to obtain optimal results of return on investment (ROI) (Sheth, 2011). Until recently, the appropriateness of the level of standardization has still been debated, because it depends on the different levels of adaptation in a market to new products (Subramaniam & Hewett, 2004; Theodosiou & Leonidou, 2003). According to Sheth (2011), with the existence of a standard level that is adopted simultaneously by the market, there will be an increase in the scale of efficiency, resulting in rising financial performance. Scale efficiency is defined as production efficiency due to business operations above the minimum activity level (Wiktionary, 2011). Thus, companies/manufacturers in this market can save on product development costs and provide low prices, while still making a profit.

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Corporate Culture of Innovation

The corporate culture studied in this paper is the one in product innovation that leads to a culture of innovation to develop new things (corporate culture of innovation or CCOI). With this relationship, it can be stated that the culture of innovation is part of the corporate culture (Unger, 2014). The corporate culture of innovation is a culture that is considered appropriate or suitable for the value of the company in creating new ideas or concepts related to change, as well as risks and failures in making innovation decisions (Tushmann & O'Really, 1997). The innovation process (encouragement/support, ideas, and implementation) is greatly influenced by the culture of innovation (Kenny & Reedy, 2007). In other words, a strong culture is a key factor that enables companies to maintain continuous innovation (Poskiene, 2006).

Affordable Value Innovation

Affordable Value Innovation (AVI) means a value innovation of a product that can be afforded by its target consumers (Ernst, 2015). The right balance between price and value plays a strong role when new products are successful in developing countries with sensitive prices. Affordability implies that new products should be sold at a lower price than those in developed countries (Sheth, 2011; Williamson, 2010; Ernst, 2009). Affordability alone is not sufficient in developing countries that are price-sensitive. Customers also expect value from the products being marketed. This value comes from an attribute or complement that they consider important (Bowman & Ambrosini, 2000). Attributes that are deemed to be able to create value for customers in emerging markets are the quality, durability, and usability of a product (Nakata & Weidner, 2012; Sheth, 2011; Williamson, 2010).

Innovation Performance

Innovation performance (IP) can be defined as the result of performance demonstrated by a company's innovation or product development. This indicates a company's success in developing affordable value innovation products in emerging markets (Nakata, 2012). If the developed products are widely recognized or receive positive responses from consumers, this means that the IP value of a company has also become higher (Ernst, 2015). From the perspective of the company, IP can be measured using five factors, namely profit, revenues, competitive advantage, reputation, and satisfaction of clients' needs. This is carried out to obtain data that is usually deemed to be a company’s secret or confidential, so that it cannot be asked directly (Blindenbach et al., 2010).

In accordance with the conceptual framework that has been discussed previously, there are five hypotheses that will be examined. The first four hypotheses will be used to show the assumption about the effect of antecedent factors on the AVI variable. They will be followed by another hypothesis that is proposed to show the effect of the AVI variable on the IP variable.

The Impact of Bricolage to influence on AVI on AVI

The ability to innovate with limited resources is a new solution for markets in developing countries, which have low purchasing power (Halme et al., 2012). Based on the research by Sheth (2011), it was found that corporate transformation in utilizing its resources had a positive correlation with the support for innovation. Limited corporate

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resources are very common in emerging market countries, so the bricolage factor becomes fundamental to encourage innovation. A combination of several resources is also needed by companies to find the best solution for innovation (Halme et al., 2012). A similar result was also found in research conducted later (Senyard, Stefffens, & Davidsson, 2014), regarding product development or innovation. The results suggest that the bricolage factor influences the company's product innovation. In addition to those three studies, the most recent study conducted by Ernst (2015) also obtained a similar result, namely that bricolage influences the AVI factor. Therefore, considering the support of several studies that have been conducted previously, it is hypothesized that this antecedent factor influences AVI in Indonesia.

H_1: Bricolage influences AVI in Indonesia.

The Impact of Local Embeddedness on AVI

The local environment in emerging markets generally has strongly inherent characteristics (Ernst, 2015). Companies must take it into account so that they can predict the local situation or conditions that will ensue (London & Hart, 2004). Thus, in developing its business, the company needs to understand and adapt to local wisdom (Hutzschenreuter, Voll, & Verbeke, 2011). This is very crucial to overcome or, at least, minimize institutional gaps, namely the gap between company rules and objectives (Peng et al., 2008; Webb et al., 2010). In this way, the company will be able to develop a product that suits market characteristics and local situations or conditions (Nakata & Weidner, 2012). Another similar result was also found in a study by Ansari et al. (2012), in which local embeddedness factors were also very crucial in influencing product development carried out by companies. The latest research conducted by Ernst (2015) also resulted in a positive correlation between the local embeddedness factor and value innovation. Therefore, it is hypothesized that this antecedent factor influences the AVI variable in Indonesia.

H_2: Local embeddedness influences AVI in Indonesia.

The Impact of Standardization on AVI

In emerging markets, standardization refers to reducing variation and aggregating demand to benefit from scale efficiencies while observing and optimizing ROI (Levitt, 1983; Sheth, 2011). Based on this definition, some people will think that standardization will influence AVI. Concerning this, there is also some disagreement among experts who have different opinions regarding standardization. Some experts state that standardization cannot be applied to emerging markets (Subramaniam & Hewett, 2004). Some argue that product innovation would be less appropriate, as it would fail to meet the diverse needs of consumers in emerging markets (Kolk et al., 2013). However, in emerging markets such as Indonesia, standardization is believed to be acceptable and to become an important factor, because it can standardize products and reduce variants, thus making production costs more efficient (Sheth, 2011). One would expect a positive effect of standardization on affordable value innovation as the efficiency gains allow firms to save on development costs and thus charge lower prices while maintaining the desired level of profitability (Ernst et al., 2014). Innovation can be incorporated into a certain aspect of the product, which is likely to be well-received by Indonesian consumers. Therefore, it is hypothesized that the standardization factor influences the AVI in Indonesia.

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H_3: Standardization influences AVI in Indonesia.

The Impact of Corporate culture of innovation (CCOI) on AVI

Corporate culture is nothing other than a fundamental pattern created by a particular group to overcome the problems of external adaptation and internal integration, which is taught/inherited by every member of the company. (Schein, 1990). In a company, culture determines the characteristics of the innovation culture itself, thus, it can be said that corporate culture affects innovation in the company's products (*corporate culture of innovation* or CCOI). These two things cannot be separated and are directly proportional to each other (Unger, 2014). Similarly, Kenny and Reedy (2007) also proposed that the innovation process is greatly influenced by the innovation culture owned by the company. In addition, sustainable innovation can only be developed from a strong corporate culture (Poskiene, 2006). Furthermore, according to the research conducted by Dixit (2011), it was found that there is a significant effect of corporate culture on innovation (CCOI) and the output performance of the company.

In Indonesia, there is a culture of working together, which is known as *gotong royong* (mutual assistance). This culture is believed to have a big effect on the company culture, so that the empowerment of human resources in a company will be more effective (Rochmadi, 2012). Thus, the establishment of a good organizational culture will result in good product innovation as well.

H_4: CCOI influences AVI in Indonesia.

The impact of Affordable Value Innovation (AVI) on AVI

Product innovation carried out in developed countries will not be accessible to people in emerging markets who are price-sensitive and have low purchasing power (Burgess & Steenkamp, 2006). An appropriate balance between price and value plays a central role when it comes to the success of new products in price-sensitive emerging markets. Affordability implies that new products need to be sold at significantly lower price points than in developed markets (Ernst et al. 2014). Thus, not only innovation but also price need to be considered so that the results of the innovation are affordable (Prahalad, 2012). The results of the innovation must certainly have a fairly good or 'good enough' quality (Govindarajan, 2012). In emerging markets such as Indonesia, the more affordable an innovation result is, the better the innovation performance will be. The latest research conducted by Ernst (2015) found that the AVI factor has a positive correlation with IP. Therefore, based on the facts of previous research, it is hypothesized that the AVI factor has an influence on IP in this study.

H_5: AVI influences IP in Indonesia.

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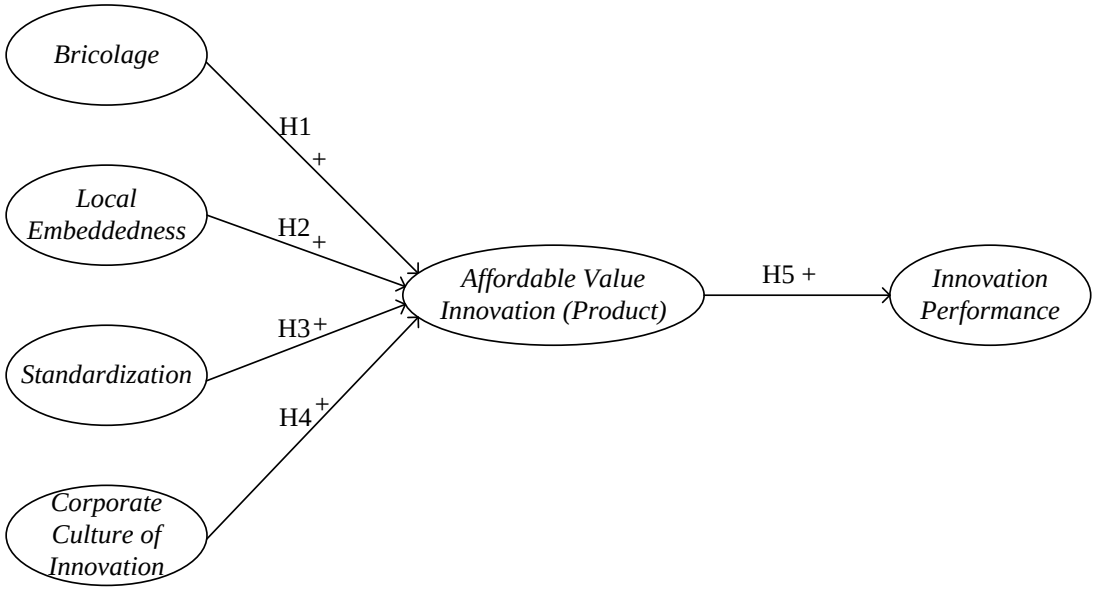

Figure 2.1 Hypotheses and the Intervariable Effect of Affordable Value Innovation for Emerging Markets

All the hypotheses are thought to have a positive effect between the independent variables and their dependent ones. The results of the research on the 5 hypotheses above are expected to further support the research conducted by Ardes & Ardana, B.G. (2017), stating that in the Education Industry, AVI affects innovation performance as well as the factors that affect AVI.

METHODOLOGY

Research population: Students who were assigned to do projects on student affairs in educational organizations in Indonesia. Sample: students who handled innovation project assignments at universities. Data were processed using data processing software with the SMART PLS (Partial Least Squares) method. PLS is used as a data testing method to test the relationship model between variables.

RESULT

Validity

Based on the results of the validity testing (Table 1), the loading factor value is greater than 0.50. Thus, it can be concluded that the 48 indicators used as measurement instruments in this study have met the criteria and are declared valid.

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Table 1. Results of Validity Testing

Variable	Indicator	Loading Factor	Result
Bricolage	BRI1	0.71	Valid
	BRI10	0.77	Valid
	BRI11	0.77	Valid
	BRI5	0.80	Valid
	BRI7	0.82	Valid
	BRI8	0.85	Valid
	BRI9	0.74	Valid
Local Embeddedness	LOC10	0.77	Valid
	LOC11	0.88	Valid
	LOC12	0.86	Valid
	LOC3	0.76	Valid
	LOC4	0.74	Valid
	LOC5	0.78	Valid
	LOC6	0.87	Valid
	LOC7	0.80	Valid
	LOC8	0.93	Valid
	LOC9	0.85	Valid
Standardization	STA10	0.81	Valid
	STA3	0.83	Valid
	STA4	0.92	Valid
	STA5	0.91	Valid
	STA6	0.71	Valid
	STA8	0.72	Valid
Corporate Culture of Innovation	COR11	0.70	Valid
	COR12	0.77	Valid
	COR13	0.83	Valid
	COR14	0.84	Valid
	COR15	0.81	Valid
	COR16	0.70	Valid
	COR3	0.78	Valid
	COR4	0.73	Valid
	COR5	0.83	Valid
	COR6	0.89	Valid
	COR7	0.85	Valid
Affordable Value Innovation	AFF1	0.90	Valid
	AFF2	0.95	Valid
	AFF3	0.93	Valid
	AFF4	0.94	Valid
	AFF5	0.95	Valid
	AFF6	0.94	Valid
Innovation Performance	INN1	0.75	Valid
	INN2	0.90	Valid
	INN3	0.88	Valid
	INN4	0.83	Valid
	INN5	0.89	Valid

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	INN6	0.90	Valid
	INN7	0.93	Valid
	INN8	0.87	Valid

Reliability

The Cronbach's Alpha value of the six variables, namely bricolage, local embeddedness, standardization, the corporate culture of innovation, affordable value innovation, and innovation performance used in this study, is greater than 0.70. Thus, it can be concluded that the instrument used in this study is reliable (Table 2).

Table 2. Result of Reliability Testing

Variable	Cronbach's Alpha	Result
Bricolage	0.90	Reliable
Local Embeddedness	0.95	Reliable
Standardization	0.90	Reliable
Corporate Culture of Innovation	0.94	Reliable
Affordable Value Innovation	0.97	Reliable
Innovation Performance	0.95	Reliable

R^2 Testing

The results of the hypothesis testing are summarized in Table 3 below:

Table 3. Results of Hypothesis Testing

Hypothesis	Coefficient	P-value	Result
H1 : BRI → AVI	0.001	0.497	H1 Rejected
H2 : LOC → AVI	0.534	0.047	H2 Accepted
H3 : STA → AVI	0.548	0.019	H3 Accepted
H4 : CCOI → AVI	-0.145	0.294	H4 Rejected
H5 : AVI → IP	0.594	0.000	H5 Accepted

Based on the coefficient of determination (R^2) value shown in Table 5 below, the R^2 value of Affordable Value Innovation (AVI) is 0.73 or 73%, meaning that the model of the Affordable Value Innovation variable can be explained by the variation of the four variables, namely bricolage, local embeddedness, standardization, corporate culture of innovation by 73%, while the remaining 27% is explained by other variables that are not included in the research model.

The R^2 value of Innovation Performance (IP) is 0.84 or 84%, meaning that the model of the Innovation Performance variable can be explained by the variation of the five variables, namely bricolage, local embeddedness, standardization, corporate culture of innovation, and affordable value innovation by 84%, while the remaining 16% is

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explained by other variables that are not included in the research model. Based on the coefficient of determination value shown in the table above, it can be concluded that the model used in this study is substantial (Chin, 1998).

DISCUSSION

Table 4. Results of Hypothesis Testing

Hypothesis	Coefficient	P-value	Result
H1 : BRI → AVI	0.001	0.497	H1 Rejected
H2 : LOC → AVI	0.534	0.047	H2 Accepted
H3 : STA → AVI	0.548	0.019	H3 Accepted
H4 : CCOI → AVI	-0.145	0.294	H4 Rejected
H5 : AVI → IP	0.594	0.000	H5 Accepted

The results in Table 4 show that the hypothesis stating that bricolage has an influence on AVI in the education industry in Indonesia is not proven in this study. These results indicate that the bricolage factor has not become fundamental to encourage innovation, as expressed by Halme et al. (2012). Hypothesis 2 shows a different result in which local embeddedness has an influence on AVI in the education industry in Indonesia. This result supports the study by Hutzschenreuter, Voll & Verbeke (2011) stating that organizations need to understand and adjust local wisdom. The results of this study indicate that the importance of innovative products from the education industry is in line with local wisdom.

In addition, Table 4 shows that standardization influences AVI in Indonesia. This follows Sheth (2011), stating that standardization is believed to be acceptable and has become one of the important factors in emerging countries, including Indonesia. Due to its ability to standardize products and reduce variants, production costs become more efficient. The results of the study also provide information that standardization is needed to achieve efficient product costs in the education industry in Indonesia.

On the other hand, the table also displays that the *Corporate Culture of Innovation* (CCOI) does not have a positive effect on AVI in Indonesia. This result does not correspond to the study of Rochmadi (2012), stating that in Indonesia, there is a culture of working together known as *gotong royong* (mutual assistance), which is believed to have a big effect on company culture. Thus, the empowerment of human resources in a company will be more effective (Rochmadi, 2012). Probably, the CCOI does not influence AVI because the respondents come from the universities located in Jakarta, whose students belong to the upper-middle class. Some different results are speculated to be obtained if the student respondents come from universities outside Jakarta, whose culture of *gotong royong* (mutual assistance) is still very strong. Lastly, the result in Table 3 indicates that Affordable Value Innovation (AVI) has an influence on Innovation Performance in the education industry in Indonesia. It further supports the statement put forward by Ernst (2015) that the more affordable an innovation result is, the better the innovation performance will be.

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CONCLUSION

The results of the research in the education industry in Indonesia show that local wisdom and standardization are the most influential factors in Affordable Value Innovation (AVI). The result supports the idea that organizations should understand local wisdom and standardize products and reduce variants. Affordable innovation result, and AVI effect on innovation performance, the result again supports that Affordable Value Innovation Influences Innovation Performance. A firm's ability to develop and launch affordable value products in price-sensitive emerging markets leads to higher innovation performance (Ernst et al., 2014). It further supports the research in the FMCG industry conducted by Ardes & Ardana, B.G. (2017), as well as the research by Ernst (2015), stating that Affordable Value Innovation (AVI) affects Innovation Performance (IP) in an organization.

LIMITATION AND IMPLEMENTATION

This research is still limited to the respondents from 2 universities. Further research can be conducted more widely by using samples from student-handled project innovation assignments from various universities in other regions in Indonesia, which will give different perspectives about the result.

The results of the study provide theoretical implications related to the knowledge of innovation, especially in the education industry in Indonesia. In addition, it also provides practical implications that affordable innovation (AVI) plays a role in innovation performance carried out by education organizations. This is important because Indonesia is an emerging country that has a very large market after China and India. Thus, the cost of education is no longer unaffordable for the less fortunate with high learning abilities.

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