Developing Technopreneurship and Entrepreneurial Small Businesses: A Key to Sustainable Future

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- CIEL
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Section-10: Entrepreneurial Marketing

Mobile Marketing Potensial as Sales Alternative
Yulius Hari; Widya Kartika University, Surabaya, Indonesia

563

The Influence of Marketing Program of JIF’s Brand to Face National and International Company toward Customer Loyalty
Meriza Hendri, Sari Dewi Oktari; Widyanata University, Bandung, Indonesia

569

Brand Performance: Independent vs Company-Owned Brand Community
Antonius Benipra Adinugraha, Amalia E. Maulana; Binus Business School

577

Analysis of the Factors that Influence Consumer Purchase Decisions in the Snack Product (Case study in BANCI as an Alternative Healthy Food)
Wati Susilawati¹, Abdullah Ramdani², Dini Turipanam Alamanda¹, M. Okta Lesmana¹, 1,2,4Faculty of Economic, University of Garut, Indonesia; 3School of Business and Management (SBM), Institute of Technology Bandung (ITB), Indonesia

589

Demographic Aspects: The Missing Source of Business Opportunities
(A Case Study in Depok District Demography, West Java)
Aris Budi Setyawan¹, Ichwan Suyudi¹; ¹Faculty of Economics, Gunadarma University, Jakarta; 2Faculty of Letters, Gunadarma University, Jakarta

595

The Effect of Price Discount and Word-of-Mouth toward Consumer's Purchase Intention and Willingness to Pay (Case Study on Crocs²)
Ivan Prasetya, Mustika Sufiati Purwanegara; School of Business and Management (SBM), Bandung Institute of Technology (ITB), Indonesia

603

Case Study of Rattan Industry Revival in Indonesia
Gilang Ayunda, Harimukti Wandebori; School of Business and Management (SBM), Institute Technology of Bandung (ITB), Indonesia

613

Telkom Speedy Brand Performance Assessment by Using Brand Building Model Approach: A Survey in Bandung
Sri Anindianti, Harimukti Wandebori; School of Business and Management (SBM), Institute of Technology Bandung (ITB), Indonesia

623

A Study of New Prescribed Medical Product Acceptance: Case of Bandung and Surabaya, Indonesia
Reza A. Nasution, Sonny Rustiadi, Dina Dellyana; School of Business & Management (SBM), Institute of Technology Bandung (ITB), Indonesia

635

Section-11: Entrepreneurship Education and Entrepreneurship Theory

Performance of SMEs: The Joint Effect of Market Orientation, Entrepreneurial Orientation, and Customer Interaction Orientation
W. M. Nazdrol W. M. Nasir³, John Breen², Alexander Josiassen¹, 1,2School of Accounting, Victoria University, Australia; 3School of Hospitality, Tourism & Marketing, Victoria University, Australia

641

Entrepreneurship Education Is a Must

647
Venture Creation: 3M Opportunity Identification Method in Action
Case of Female Customer Oriented Business Shopping Mall, City of Bandung,
West Java, Indonesia
Sonny Rustadi, Dina Dellyama; Center for Innovation, Entrepreneurship, &
Leadership (CIEL), School of Business and Management (SBM), Institute of
Technology Bandung (ITB), Indonesia

Section-3: Corporate Entrepreneurship/Intrapreneurship and Entrepreneurial
Corporate Culture

Corporate Social Responsibility Engagement among Small and Medium
Enterprises
Sri Astuti Pratminsingsih, Meriza Hendri; Widyatama University, Bandung, West
Java, Indonesia

Corporate Social Responsibility in Indonesia’s Mass Media Industry
Ronny H. Mustamid; Department of Management, Faculty of Economics, Petra
Christian University, Surabaya, Indonesia

Corporate Entrepreneurship and Intrapreneurship as the Same Concept of
Entrepreneurship within the Organizational Settings – A Worldwide Comparative
Study to the Doctoral Thesis
Mariusz Soltanifar; University of Lodz, Faculty of Management, Poland (PhD
Studies); University Malaysia Perlis, Malaysia (Visiting Lecturer); and Institute
Technology Bandung, Indonesia (Guest Lecturer)

The Influence of Corporate Culture on Organizational Commitment: Case Study
of Civil Government Organizations in Indonesia
Astri Ghina¹, Danny Permana²; ¹Student of Master of Science in Management,
School of Business and Management (SBM), Institute of Technology Bandung
(ITB), Indonesia; ²Civil Government Employee at BPPT, Pemerintah Kota
Bandung, Indonesia

Public Service Intrapreneurship in the Civil Government Organization
Astri Ghina, Ferry Dzulkifli Latief; School of Business and Management (SBM),
Institute of Technology Bandung (ITB), Indonesia

Section-4: Creative Industry and Creativity & Innovation

Innovations in Restaurant Operation towards Improving Performance: A Case of
Restaurants in Melaka
Filda Rahmati, Md. Nor Hayati Tahir; Faculty of Technology Management and
Intrapreneurship, Universiti Teknikal Malaysia Melaka (UTeM), Malaysia

Creative Industry Development Innovation Indonesia with “Village Regional
Creative Industries”
Yenny Kornitasari; Student of Economics Faculty Brawijaya University

Intelligence People Is Creative Person
Dwi Taufik Hidayat; Widya Kartika University, Informatics Engineering Dept.,
Surabaya, Indonesia

Government’s Hands on Art Craft: An Overview of Comparative Studies on

viii
Indonesian and Japanese Government’s Policies
Agus Zovhista Sopian; Department of Japanese, Faculty of Language and Culture, Binus University, Jakarta, Indonesia

Performance Analysis of Wood Furniture Export of Yogyakarta Province
Ernoiz Antriandyarti; Agricultural Socioeconomics Department, Sebelas Maret University (UNS), Indonesia

Service Innovation as Strategy to Beat Competitor in Business Services Setting (Case Study of a Small and Medium Industrial Company)
J. E. Sutanto, Jenny Rosita; Universitas Ciputra, Surabaya, Indonesia

Service Innovations of a Local Hospital
Bambang Purwanggono, Yuliasih Lestari, and Nia Budi Puspitasari; Department of Industrial Engineering, Diponegoro University, Semarang, Indonesia

The Effort to Increase Trust through Service Quality and Brand Image and Its Implication toward the Commitment of the Customers of Syariah Mandiri Bank Semarang
Ibnu Khajari¹, B.T. Pitayaningsih²; ¹Economics Faculty Unissula Semarang, Indonesia; ²Bank Mandiri Syariah Semarang, Indonesia

Collaborative Value Creation in Service Innovation: An Application of Drama Theory
Yuanita Handayati, Togar M. Simatupang; School of Business and Management (SBM), Institute of Technology Bandung (ITB), Indonesia

Balancing Firm and Product Level Capabilities: Exploring the Two Paths to Profit – Between Coherence and Diversity
Allya Paramita Koestoma; PhD Program in Management and Business Administration, Bocconi University, Milan, Italy; Biomedical Engineering Program, School of Electrical Engineering and Informatics, Institute of Technology Bandung, Indonesia

Building Product Value toward Competitive Advantage (A Case Study of Tasikmalaya Embroidery)
Endang Sri Agustini, Astrid Ganha; Students of Master of Science in Management, School of Business and Management (SBM), Institute of Technology Bandung (ITB), Indonesia

Section-5: Cultural Entrepreneurship and Social Entrepreneurship

Achieving Success through Cultural Entrepreneurship
Hendra Manurung; Communication and Public Relations at President University, Cikarang, Bekasi, Indonesia

Sustaining Local Culture through Creative Industry
Meirina Triwardani; Research Group Human & Industrial Product, Industrial Design Section, Faculty of Arts and Design, Institute of Technology Bandung, Indonesia

Branding a Culture; an Entrepreneurial Approach in the Age of Creative and Cultural Industries
Michael Nathaniel K.; Visual Communication Design Department, Universitas Ciputra, Indonesia
The Design of NITIKI Batik Participatory Game
Chandra Triwadi*, Erlansyah*, Arthi Setijadi Prihatmanto*, 1,2Faculty of Visual Arts and Design (FSRD), Bandung Institute of Technology (ITB), Indonesia; 3School of Electrical and Informatics Engineering (STEI), Bandung Institute of Technology (ITB), Indonesia

Applying Role Model Method in Self-help Approach to Community Development in Indonesia
Anggara Wisesa, School of Business and Management (SBM), Bandung Institute of Technology (ITB), Indonesia

Section 6: Emerging Technology, New Product Development, and Research & Development

Attitude towards Counterfeit Products based on Consumers’ Psychographic Characteristics: The Indonesian Evidence
Komang Tri Werdhi and Ike Janita Dewi; Faculty of Economics, Sanata Dharma University, Yogyakarta, Indonesia

SelTriX 4 in 1
Berthin Saragih, Otto Way Nursela, Ibnu Kautsar; Mechanical and Industrial Engineering, University of Gadjah Mada (UGM), Indonesia

Diah Anggraeni Jatraningrum; Pusat Inovasi LIPI, Jakarta

Virtual Integration as a Predictor for Product Innovation: A Preliminary Insight
Geraldy Dadriyansyah, Amlus Ibrahim; College Of Business (COB), Universiti Utara Malaysia (UUM), Malaysia

Innovation Mapping Status of R and D Results and Technology Development Opportunity in the field of Functional Food in LIPI
Rahmi Lestari Helmi; Center for Innovation, Indonesian Institute of Science, Jakarta, Indonesia

A Study on Moral Aspects of Emerging Technology
Augustinus Setiawan, Vidi Arini Yulimar; STMIK PROVISI Semarang, Indonesia

The Proposal of Internet Protocol Television (IPTV) PRODUCT Innovation at PT. Telekomunikasi Indonesia
A. A. Gde Mahardika, Dwi Larso; School of Business and Management (SBM), Institute of Technology Bandung (ITB), Indonesia

Section 7: Entrepreneurial Finance and Micro-financing

Small Business Financing and Bank Performance: Empirical Study of Indonesian Publicly Banks
Mohamad Anwar, Department of Management, Faculty of Economics, University of Padjadjaran, Indonesia
Modern Barter Exchanges Could Help Entrepreneurs to Solve the Problem of Shortage Cash Flow and Excess Stock
Chandra Setiawan; PhD Candidate in Finance, Specialization in Islamic Finance at Graduate School of Management, Universiti Putra Malaysia, Malaysia

Deddy Jacobus; University of Gadjah Mada, Faculty of Economics and Business Student of MM-Program, Jakarta, Indonesia

“Linkage Programming” Sharia Bank as Financing Alternative for Small and Medium Micro Enterprise
M. Primadion S., Nahdiyatul Ummah, Nina Hakim M.; Faculty of Economics, Airlangga University, Indonesia

Determinants of Small Medium Industry’s Access to Formal Financial Institution Bank (Survey in Textile and Textile Product Small Medium Industry of Bandung Region)
Tasya Aspiranti; Bandung Islamic University, Indonesia

Microfinance Organization in Rural Area: Case Study of Badan Kredit Desa Irdam Ahmad; STEKPI School of Business and Management, Jakarta, Indonesia

The Impact of Characteristics of Micro and Small Business Customers on Rural Credit Channeling in Sleman
Roberto Akyuwen¹, Krisna Wijaya²; ¹Finance Education and Training Center Jogjakarta, Ministry of Finance Republic Indonesia; ²PT. Bank Danamon (Persero), Tbk., Jakarta, Indonesia

A Study of the National Economic Development Impact of Loan and Collateral Policy (KUR) for Small Business Owner/Manager with Different Cultural Background in Indonesia
Dhani Sulistiyono

Section-8: Entrepreneurial Leadership and Entrepreneurial Mindset/Traits/Characters

Intrapreneurial Attitude and Its Correlation with Corporate Culture, Leadership Style, and Employees’ Achievement Motivation
P. M. Winarno; Universitas Multimedia Nusantara, Information Technology Department, Gading Serpong, Indonesia

Modeling Motivation to Graduate Global Entrepreneur
Titi Ayem Lestari, Untara; Faculty of Economics, Gunadarma University, Indonesia

The Entrepreneurial Heartset
Darmawan B. Sulaiman¹, Sri Eka Suandini²; ¹House of Alpha Mind-Mind Coaching Center, Jakarta, Indonesia; ²Omnividya-Learning Boutique, Jakarta, Indonesia

Challenges for Preparing Technical Leader in the Developing Technopreneurship & Entrepreneurial Small Businesses (Technical Sharing)
Parworo Sukendra; Technical Consultant for Technology-based Engineering
<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects, Bandung, Indonesia Simulation System Test Group, Directorate of Technology, IAE, Bandung, Indonesia</td>
<td>475</td>
</tr>
<tr>
<td>Interpretations of the Entrepreneurial Resilience Index (A project funded by Malaysia Multimedia Super Corridor (MSC)) Nor Aishah Buang(^1), Novianti(^1), Ismail Hj. Raduan(^1); (^{1,2})Universiti Kebangsaan Malaysia, Malaysia; (^1)Institut Pendidikan Guru (Kuala Terengganu), Malaysia</td>
<td>481</td>
</tr>
<tr>
<td>Dimensions for Measuring Technopreneurial/Entrepreneurial Resilience Index (A project funded by Malaysia Multimedia Super Corridor (MSC)) Nor Aishah Buang(^1), Novianti(^1), Ismail Hj. Raduan(^1); (^{1,2})Universiti Kebangsaan Malaysia, Malaysia; (^1)Institut Pendidikan Guru (Kuala Terengganu), Malaysia</td>
<td>497</td>
</tr>
<tr>
<td>Islamic Entrepreneurial Character and Local Manner: The Javanese Cultural Entrepreneur Asfi Manzilati, Nurman S. Fadjjar, Tyas Danarti H.; Economics Department, Brawijaya University (UB), Indonesia</td>
<td>511</td>
</tr>
<tr>
<td>Entrepreneurs in Tourism Areas: Motivations, Problems, and Success Factors (A Case Study of Entrepreneurs in Pangandaran Tourism Area) Iin Mu'minah(^1), S.B Hari Lubis(^2); (^1)Department of Industrial Engineering, Widyaflama University (Utama), Indonesia; (^2)Department of Industrial Engineering, Institute of Technology Bandung (ITB), Indonesia</td>
<td>525</td>
</tr>
<tr>
<td>Section 9: Entrepreneurial Management Value Creation Analysis on Indonesian Furniture Manufacturers: A Case Study of PT. Furniture Indonesia Samuel P. D. Anantadjaya(^1), Maika Nova Yudha(^2); (^1)School of Accounting, Faculty of Business Administration, Swiss German University, Serpong, Tangerang, Indonesia; (^2)School of Business, Faculty of Business Administration, Swiss German University, Serpong, Tangerang, Indonesia</td>
<td>535</td>
</tr>
<tr>
<td>Household-level Entrepreneurship and Entrepreneurial Human Capital in Indonesia Russell Toth; Department of Economics, Cornell University, USA</td>
<td>545</td>
</tr>
<tr>
<td>The Role of Sharia Banking Retailer and the Implication on Intermediary Efficiency: A Case Study on PT. Bank Muamalat Indonesia, Malang Office Branch Retno Dwi Arini, Asfi Manzilati, Nurman S. Fadjjar; Economics Department, Brawijaya University (UB), Indonesia</td>
<td>551</td>
</tr>
<tr>
<td>Enhance the Small Scale Agriculture Business by Organic SRI (System of Rice Intensification) Firsta Jusra Iskandar(^1), Hirmawan Eko Prabowo(^2); (^1)Community Development Manager PT Medco E&amp;P Indonesia; (^2)Community Development Analyst PT Medco E&amp;P Indonesia</td>
<td></td>
</tr>
<tr>
<td>Management Audit in Small &amp; Medium Enterprises: Balancing a Watchdog and a Strategic Partner Role Rudy Suryanto; Universitas Muhammadiyah Yogyakarta, Indonesia</td>
<td></td>
</tr>
</tbody>
</table>
Lessons Learned: Encouraging Product Competitiveness through In-class Projects
Taufik; Electrical Engineering Department, Cal Poly State University, San Luis Obispo, California, USA

Electricity Supply in Rural Areas from Industrial Wastewater through Renewable Energy
Johannes Johansyah Salim

Technology Transfer System for Higher Education Institutions and Industry (Case Study: Small Businesses in creative industry)
Isti Raufalidini Mirzanti1, Dona Saphiranti2, Salsliric Roos Maryunani1, Dwi Larso3; 1,3,4School of Business and Management (SBM), Institute of Technology Bandung (ITB), Indonesia; 2Faculty of Art and Design, Institute of Technology Bandung (ITB), Bandung, Indonesia

Section-17: Technology Development and Technology Management
Explaining Knowledge Creation Using Structuration Theory
Ikbal Maulana; Center for Science and Technology Development Studies (PAPPITEK)-LIPI, Indonesia

Analysis of Utilization of Hydram Pump’s Water Source for Catfish Culture and Paddy Cultivation: (Case Study at Jingkang Village Subdistrict of Tanjung Kerta-District of Sumedang)
R. Ismu Tribowo; Center of Appropriate Technology Development-Indonesian Institute of Sciences, Subang, Indonesia

Benefit of Information Technology in the Criminal Trial System Workings Observation in Central Java
Agus Raharlo1, Nurul Hidayat1, and Sunaryo3; 1,3Faculty of Law, Jenderal Soedirman University (UNSOED), Indonesia; 2Study Program Information Engineering, Faculty of Sains and Engineering, Jenderal Soedirman University (UNSOED), Indonesia

CEGCS: Chicken Egg Grade Classification System using Computer Algorithm
Tasiransurini Ab. Rahman, Tee Jia Jinq, Marlia Morsin, Muhammad Suhaimi Sulung
Faculty of Electrical & Electronic Engineering (FKEE), Universiti Tun Hussein Onn (UTHM), Malaysia

The Designing Web Based Media “Active, Creative, Innovative, and Fun” Learning Process
Widyo Nugroho, M. S. Harlina, Irsya Indiinara; Gunadarma University, Indonesia

The Designing of Computer-Based Information and Communication Media for Improving the Performance of Hajj and Umroh Travel Agents
Widyo Nugroho, Ruzi Erinda, Irsya Indiinara; Gunadarma University, Depok, Indonesia

Validation of Dimensions in the Factors of Usability, Interactivity, and Trust as the Indicators of Web Experience in Online Marketing
Luhur Budiansyah
Alumnus of Graduate School of Communication Science, University of Indonesia
and a Marketing Strategist at PT. Anta Express Tour & Travel Service Tbk. and its subsidiary PT. Vayatour, Indonesia

Perceived Usefulness and Buying Intention in Kaskus
Fransiscas Budyanto Widjaja, Ivan Prasetya
School of Business and Management (SBM), Institute of Technology Bandung (ITB), Indonesia

Increasing Competitiveness of Ceramic Products through Improved Product Design and Furnace Efficiency (Case Study: 2 SMEs in Bandung)
Dona Saphiranti; Faculty of Art and Design, Institute of Technology Bandung (ITB), Indonesia

Section-18: Technology Partnership and Technology Transfer

New Balanced Concept: An Innovative Approach in SME Development through Knowledge Transfer System in Indonesia
Syafizal Maludin; Center for Innovation, Indonesian Institute of Sciences (LIPI), Indonesia

Interaction Patterns in Supporting Innovation: The Case of Manufacturing Industry
Nani G. Simamora, Irene M. Nadhiroh; Center for Science and Technology Development Studies, the Indonesian Institute of Science

How Can We Accelerate Industry-University Collaboration Effectively by Using Know-How License?
Daisuke Kanda; Senior Visiting Researcher, Keio Research Institute at SFC, Japan

In Search of Effective Innovation Intermediation Practices
Dimas Sandy Yuditya; Business Innovation Center, Jakarta, Indonesia
Oxford Brookes University, Nilai International University College, Malaysia
Indonesian and Japanese Government’s Policies
Agus Zovhista Sopian; Department of Japanese, Faculty of Language and Culture, Binus University, Jakarta, Indonesia

Performance Analysis of Wood Furniture Export of Yogyakarta Province
Ernoz Antriyantadi; Agricultural Socioeconomics Department, Sebelas Maret University (UNS), Indonesia

Service Innovation as Strategy to Beat Competitor in Business Services Setting (Case Study of a Small and Medium Industrial Company)
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Service Innovations of a Local Hospital
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Balancing Firm and Product Level Capabilities: Exploring the Two Paths to Profit – Between Coherence and Diversity
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Section 5: Cultural Entrepreneurship and Social Entrepreneurship

Achieving Success through Cultural Entrepreneurship
Hendra Manurung; Communication and Public Relations at President University, Cikarang, Bekasi, Indonesia

Sustaining Local Culture through Creative Industry
Meiria Triharini; Research Group Human & Industrial Product, Industrial Design Section, Faculty of Arts and Design, Institute of Technology Bandung, Indonesia

Branding a Culture; an Entrepreneurial Approach in the Age of Creative and Cultural Industries
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Dhani Sulistiyono

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Challenges for Preparing Technical Leader in the Developing Technopreneurship & Entrepreneurial Small Businesses (Technical Sharing)

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The Design of NITIKI Batik Participatory Game
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Applying Role Model Method in Self-help Approach to Community Development in Indonesia
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Section-6: Emerging Technology, New Product Development, and Research & Development

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Komang Tri Werti and Ike Janita Dewi; Faculty of Economics, Sanata Dharma University, Yogyakarta, Indonesia

SeLiTrix 4 in 1
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Section-9: Entrepreneurial Management

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Samuel P. D. Anantadjaya¹, Maika Nova Yudha²;¹School of Accounting, Faculty of Business Administration, Swiss German University, Serpong, Tangerang, Indonesia;²School of Business, Faculty of Business Administration, Swiss German University, Serpong, Tangerang, Indonesia

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Firsta Jusra Iskandar¹, Hirmawan Eko Prabowo²;¹Community Development Manager PT Medco E&P Indonesia;²Community Development Analyst PT Medco E&P Indonesia

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Rudy Suryanto; Universitas Muhammadiyah Yogyakarta, Indonesia
Section-10: Entrepreneurial Marketing

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Reza A. Nasution, Sonny Rustiadi, Dina Dellyana; School of Business & Management (SBM), Institute of Technology Bandung (ITB), Indonesia

Section-11: Entrepreneurship Education and Entrepreneurship Theory

Performance of SMEs: The Joint Effect of Market Orientation, Entrepreneurial Orientation, and Customer Interaction Orientation
W. M. Nazdrol W. M. Nasir¹, John Breen², Alexander Josiassen³; ¹,²School of Accounting, Victoria University, Australia; ³School of Hospitality, Tourism & Marketing, Victoria University, Australia

Entrepreneurship Education Is a Must
Wiwin Purnomowati, Iwan Nugroho; Widyagama University, Malang, Indonesia

The Entrepreneurship Researches in Indonesian Conference on Innovation, Entrepreneurship, and Small Business ITB
Yanto Sidik Pratikno; PPM Management School, Jakarta, Indonesia
International CEFIE Association for Entrepreneurship, Frankfurt, Germany

High Technology Entrepreneurship
Wiwik Sri Suhartati, Yanto Sidik Pratikno; PPM-Management, Jakarta, Indonesia; International CEFIE Association for Entrepreneurship, Frankfurt, Germany

Comparing Poverty without Poverty Lines and Poverty Indices
Muhammad Nashihin; STIE Keuangan dan Perbankan Indonesia (STEKPI)
Jakarta, Indonesia

Entrepreneurship and Resilience: A Development of Resilience Potential Measurement
Ika Widyanini, Ari Pratiwi; Psychology Department, Faculty of Social and Political Sciences, Brawijaya University, Indonesia

The Influence of Entrepreneurial Curriculum, Lecturer, and Extra Curriculum Programs toward Students of Business and Management Faculty of Widyatama University Intention to Be an Entrepreneur
Tendi Haruman, Meriza Hendri; Professional Faculty, Bakrie University, Jakarta, Indonesia; Widyatama University, Bandung, Indonesia

Opportunities for Cross Boarder Entrepreneurship Education in ASEAN Region
Abdul Aziz Ab. Latif, Ghazali Ahmad; Faculty of Business and Entrepreneurship, Universiti Malaysia Kelantan, Malaysia

Strengthening Solution of Entrepreneurship Education in Indonesia
M. Qudrat Nugraha; FISIP, Muhammadiyah University, Indonesia

A Framework of Measuring Entrepreneurship in Indonesia
Ferry Dzulkitfi Latief; School of Business and Management (SBM), Bandung Institute of Technology (ITB), Indonesia

Free of Charge Education but Profitable, Is It Possible?
Wendie Razif Soetikno; Yayasan Keluarga Bunda, Bekasi, Indonesia

Service Innovations of a Local Hospital
Bambang Purwangono, Yuliash Lestari, and Nia Budi Puspitasari; Department of Industrial Engineering, Diponegoro University, Semarang, Indonesia

Readiness toward Entrepreneurship University: A Case Study in Brawijaya University
Didik P. Affandy, Nurman S. Fadjar; The Faculty of Economics, Brawijaya University (UB), Indonesia

Section-12: Family Business and Woman Entrepreneurship

The Determinant of Investment Choices for Womanpreneur: Literature Review
Sylviane Maya Damayanti; School of Business and Management (SBM), Institute
of Technology Bandung (ITB), Indonesia

Drawbacks of Women Entrepreneurship in Indonesia
Dorothy Ferary; Yayasan PRIMA Education Indonesia

Family Members & Family Business Activities: A Psychological Contract?
Samuel P. D. Anantadjaya¹, B. Agus Finardi², and Irma M. Nawangwulan³;
¹School of Accounting, Faculty of Business Administration, Swiss German University, EduTown, BSD City, Serpong, Tangerang Selatan, Indonesia; ²School of Business, Faculty of Business Administration, Swiss German University, EduTown, BSD City, Serpong, Tangerang Selatan, Indonesia; ³English Tutorial Center, Bandung, Indonesia

Section-13: Intellectual Capital/Property Rights

Framework in Calculating the Economic Contribution of the Copyright-based Industries in Indonesia using WIPO Methodology⁷
Ike Janita Dewi; Faculty of Economics, Sanata Dharma University Yogyakarta

Web Copywriting: Persuasive Writing Techniques in Internet Marketing
Alvii T. B. Siregar; English Dept., Widyatama University, Indonesia

The Utilization of Intellectual Property Rights (IPR) of Plant Variety through Partnership to Improve Small Micro Agribusiness Competitiveness in Strengthening the National Economy
Nina Nurani; Bussiness and Management Faculty, Widyatama University, Indonesia

Prevention of Hijacking and Dissemination of Intellectual Property Right (IPR)
Bambang Pratama; Lecturer Faculty of Economy and Business (FEB), Bina Nusantara University, Indonesia

Section-14: Micro, Small, & Medium Enterprises

Measuring Success Factors of Products of Micro, Small, and Medium Enterprise Using AHP Approach
Dwi Kartikasari; Politeknik Batam, Parkway Street, Batam Centre, Batam, Indonesia

Social Networking 2.0 Unleashed: Small Businesses in a World without Boundaries
Yenni M. Djajalaksana¹, Francisca H. Chandra²; ¹University of South Florida, Tampa, FL, USA; ²Sekolah Tinggi Teknik Surabaya (STTS), Surabaya, Indonesia

Malaysian Rural Hospitality SMEs: Financing and Marketing Practices
Ruziah A. Latif, Norlina Md. Ali, Zaibedah Zaharum; Faculty of Business Management, Universiti Teknologi MARA, Malaysia

A Study on SME Innovation Impediments
Robby Rosandi; BAPPEDA Kota Sawahlunto, Research and Development Department, Indonesia; Padang School of Economics and Commerce (STIE Perdagangan-Padang), Indonesia
The Estimation of Labour and Capital Utilization in Micro-Small Enterprises in Indonesia
Rahmat; Center for Economics and Development Studies (CEDS) Faculty of Economics, Padjadjaran University, Indonesia

The Impact of Micro Credit on MSME (Micro, Small, and Medium Enterprise) Optimization to Support the Economic Growth
Janita S. Meliala; Faculty of Business & Management, Widyatama University, Bandung, Indonesia

Cooperative Decision on a Small Business Product Development
Christiono Utomo; Magister Manajemen Teknologi, Institut Teknologi Sepuluh Nopember (ITS), Indonesia

The Success Factors of Food Small Medium Entrepreneurs under the One District One Industry Programme: A Case on Food Manufacturing Entrepreneurs in Melaka
Othman Aman, Filda Rahmiati; Faculty of Technology Management and Technopreneurship, Universiti Teknikal Malaysia Melaka, Malaysia

Section-15: Science & Technology Policy and Strategic Management of Technology

Labeling on Small Medium Enterprise Products: Regulation and Practice
Rasyid Adhi Zosmana

The Sources of Information of the Government Sponsored Business Assistenaces among Micro-sized Entrepreneurs in Kelantan, Malaysia
Mohd. Nor Hakimin Yusoff, Mohamed Dahlan Ibrahim, Mohd. Rafi Yaacob; University Malaysia Kelantan, Malaysia

Maritime Industry Development in Indonesia: Business Risk and Opportunity
Sylviana Maya Damayanti; School of Business and Management (SBM), Institute of Technology Bandung (ITB), Indonesia

Promoting Adaptability for Implementation of Information and Communication Technology in Higher Learning: A Contingency Theory Approach
Rosiwarna Anwar; Department of Business and Management, University of Indonesia, Indonesia

Modeling Service Oriented Computing for Green IT Governance in G-Readiness Framework
Soetam Risiky Wicaksono; Information System Study Program, Ma Chung University, Indonesia

Analysis of Manufacturing Strategy Process and Business Performance at Manufacturing Industry in Indonesia
Triyanto; Education on Duty, Pekalongan Regency, Central Java, Indonesia

Section-16: Technological Competitiveness and Technology Commercialization

Cost Reductive Analytics
Santosa Widiyana, Edy Wijaya; UprightDecision, Jakarta, Indonesia
Service Innovation as Strategy to Beat Competitor in Business Services Setting  
(Case Study of a Small and Medium Industrial Company)  
J.E. Sutanto, Jenny Rosita  
Universitas Ciputra, Surabaya, Indonesia  
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Universitas Ciputra, Surabaya, Indonesia  

Abstract  
Purpose – The purpose of this study is that service sector exists along with another sector development. Service sector does not only give facilities, but also as activity that can show good result output which becomes important effort especially in facing the economic challenge at this globalization era.  
Methodology – That is used in this study has determined the population of 1153 food and beverage industrial companies which have multi-business and multi-products in East Java area according to the Indonesian Business Field Classification in 2002 based on the BPS data of East Java province that consists of 28 regencies and 6 cities. Whereas, the sample of this study consists of 117 industrial companies of food and beverage.  
Conclusion - If there is a competitor issue in internal area, so the first thing that should be done is paying the attention to the internal efficiency but not making decision to it like reducing cost or employee redundancy. However, the company should try to change the strategy by improving the quality and building good relationship with consumers.  
Implications – A company will give appreciation or praise the employee and emphasize on doing the important quality culture. Second effect, besides internal effect is external effect, shaped consumer satisfaction statement that will increase service business.  

Keywords: service innovation, strategy to beat competitor, business service, small and medium industry, dimension service quality  

1. Introduction  
Service sector development dominates more another sector also reflects better quality in social life. Industrial society era differs from industrial society. In industrial society era, the standard of life is not measured by the total quantity goods that is produced, but measured by doing with life quality which is more important in service areas. Life in this time focuses more on interaction with human beings in order to convince the other parties about ideas or services at the market.  

Background from this study is that to make a new service innovation and new technology adoption process management happen. In this era time, in general service dominates more in social life related with economic activity. Service sector does not only give facilities, but also as activity that can show good result output which becomes important effort especially in facing the economic challenge at this globalization era.  
In the year 1996, service sector in Indonesia contributed 40% until 60% from national income. With the total citizens more or less 215 million and total workers 59 million people; 43.4% work at service sector, the rest that is 44% work at agricultural sector and 12.6% work at industrial sector. With total citizens in such a way and at the moment, the citizens in Indonesia achieve more or less 231 million. This prediction shows that 10 years later the national income will grow until 63% although actually innovation principles show good result in the previous time.  

2. Theoretical  
2.1 Innovation  
Robert N. L. (2006), that innovation is the implementation of a new idea. Two important types of innovation are product innovation (new things and process innovation) which are new ways of doing things. Product innovations are changes in outputs (goods or service) to increase consumer value. Process innovations are changes in the transportation of inputs into outputs. Successful innovation comes from clear communication, knowledge sharing, and creative problem solving.  

Innovation is concept multidimensional that consists of four dimensions that is:  
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Innovation is concept multidimensional that consists of four dimensions that is:
a) Leadership orientation demons position companies in what company as first-to-the-market, the company as second player
second-to-the-market, or late-entrant (Maidique and Patch, 1988).

b) Type innovation represents manufacturing innovation combination that is process that done and product that produced to company (Betz, 1987).

c) Innovation source that explain innovation activity execution, does innovation come from internal company, external companies or both (Mansfield, 1988).

d) Investment level includes good investment in the case of finance investment, also human resource investment (Thomson and Ewer, 1989).

2.2 Service Innovation

Innovation not only be a process to create something that new, but also be product actual or outcome (result). For a service, outcome not such a result output, but modification from service that there (Jasfar, F., 2005). Radical innovation that is offered to consumer shows a certain previous service is not available (Barnes, J., 1994). While incremental innovation is offered, a certain service has already been changed and improved from the previous time (Gilbert, C, 2003).

History born it innovation doesn't quit of Peter F's idea. Drucker in 1954 that is according to him has only two functions that are marketing's and Innovation. Innovation is defined as change that creates a bow performance dimension. Following (Drucker, P.F (1985) propose that environment change that faced to company to give to chance to give birth to something new and differ pass systematic innovation that needs change according to organize and directional so that give to chance to create also social.

Technology is factor enough important in do service innovation radically. With implementation in service quicker be compared competitor other can evoke a competitive superiority and building loyal customer communities towards service product companies, the example visible in online bookstore, amazon.com. Technology progresses (advances) often are base radical service innovation. Thereby service firm must enclose monitoring technology as effort to defend position compete it, such as those which run amazon.com by using "A technology first-mover" as base build loyal consumer gets profit competes significant (Jasfar F., 2005).

<table>
<thead>
<tr>
<th>Service source</th>
<th>Type of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>Jet plane engine with power crossed&lt;br&gt;that make possible&lt;br&gt;intercontinental</td>
</tr>
<tr>
<td>Design physical</td>
<td>Hotel Atrium and Staging of a disease&lt;br&gt;sport in-door</td>
</tr>
<tr>
<td>Materials</td>
<td>Cleaner liquid materials make friends&lt;br&gt;with environment</td>
</tr>
<tr>
<td>Method</td>
<td>Just in Time and Total Quality&lt;br&gt;Management</td>
</tr>
<tr>
<td>Information</td>
<td>E-commerce's information in internet&lt;br&gt;with cable television</td>
</tr>
</tbody>
</table>

Table 1. Service Innovation by Technology Progress

Gronroos 1990 (Jasfar, 2005) furthermore give a approach or guide in composed service innovation as a strategy as follows:

![Service Innovation Diagram](https://example.com/service_innovation_diagram.png)

2.3 Small and Medium Business Research

The SMEs approach has been developed in close corporation with well experienced organization in the field of SME promotion, such as Swisscontact (Swiss Foundation for Technical Cooperation), Switzerland, Springfield Centre, Durham (UK) Small Business Centre, Durham University Business School, (UK). Besides above conceptual support, SME services are also designed in close cooperation with various Indonesian organizations, such as training and financing institutions. The SME concept is the result of 5 years experience in SME promotion through cooperation between “Yayasan Mandiri” and Swisscontact. The original project started in 1989 in Bandung with an enlarged scope of activities in 1995.

SME business is a significant contributor to the economies of most developed countries. However, many SME businesses suffer from a lack of resources and because of the typically small scale of their operations.

This can lead to increased business failure and higher bankruptcy rates than the broader economy, which has significant impacts for both the owners and employees of these businesses. Thus, it is in both the personal and financial interests of business owners and employees, and broader national economic interests, to increase the success rate of SME businesses.

One way that SMEs business can improve its operations is through the stabilization of cash flows and revenues through repeat purchase behavior. More generally, "customer loyalty is a prime contributor in sustainable growth" for SME businesses (Valas 2005, Rebekah R.B. and Leonard V. C., 2007).

2.4 SME Products and Services

As SME products are tailor made to satisfy specific client needs, there is no permanent product line. At present, the following products are available:

- Technical, managerial and business administration training for both single enterprises and groups.
- Business counseling and guidance
- Designing business plans, especially for credit applications, business diagnoses and analysis
- Organization of business meetings and exhibitions

- Support of SME self-help group (associations, cooperatives, foundations, etc.)

2.5 Characteristics of SME

- Long term orientation: As business development takes time, many clients cooperate with SME on long term basis.
- Need orientation: SME staff are in close and regular contact with clients and therefore fully aware of their needs and problems.
- Business orientation: SME itself is enterprise that aims to become financially independent by selling services. Clients SMEs contribute to program cost based on their economic abilities. For cost not covered by SMEs, SME must find sponsors among supporting institution.

2.6 Business Service

Shimp and Dyer (1981). The high credibility nature of business services typically results in customers being more likely to rely on prior expectations, so that satisfaction for business services is likely to be evaluated naturally. Thus, satisfaction is likely to be an important driver of loyalty in business settings, as it implies an evaluation of a brand's performance based on a small business' experience with past purchases of the brand.

Satisfaction is well researched for consumer services (Curran et al., 2003; Ganesh et al., 2000). Many empirical studies show that satisfaction is an antecedent of brand attitude, brand intention, and attitudinal brand loyalty for consumer services (Oliver, 1980; Pritchard et al., 1999; Shimp and Dyer, 1981). However, research on satisfaction and loyalty from the perspectives of business purchasing and business services is not well documented (Patterson et al., 1997)

2.7 Customer Evaluation towards Service Quality

Differing from product, consumer evaluation towards service quality happens during service delivery process. Quality must be begun from customer need and ending in consumer perception (Kotler, 2005)

In this case mean that good quality image not based on viewpoint or side perception that prepare service, but based on viewpoint or consumer perception.
2.8 Service Quality Dimensions

In the service industry, many service quality models have been developed. Gronroos (2000) integrates several previous studies and proposes a service quality model skill, attitudes and behavior, accessibility and flexibility, reliability and trustworthiness, service recovery, atmosphere, reputation and credibility.

Following Van Looy et al. (1998), a ideal service quality dimension model must fulfill some conditions, among others like next.

- Dimension must have comprehensive unit
- Model must have universal
- Each dimension in model that submitted must has free.
- Best dimension total is limited.

While Parasuraman et al. (1988), in service quality dimension, connection is very strong between communication, competence, courtesy, credibility, reliability, and security and then merged them into one dimension that is called assurance. Besides, the connection is also very strong between access and understanding, and then merged them into one dimension that is called empathy. So that in the end Zeithaml et al. 1996 (Umar, 2003) propose five services qualities dimensions that are: reliability, responsiveness, assurance, empathy, and tangibles.

2.9 Perceived Service Quality

Quality is judged subjectively by consumers and is a difficult concept to assess, particularly in tourism experience (Kvist and Klefsjo, 2006). The quality of the service encounter involves two significant elements: service personnel and the service setting (Gabbott and Hogg, 1998). There characteristics of service personnel should be taken into account (Czepiel et al., 1985): (1) employees expertise, which is associated with creativity, flexibility, and responsibility to the customers; (2) employees attitude, which is related to their openness, friendliness, and empathy; (3) the demography of the service provider, which is related to gender, and educational level. The service setting refers to contact environment. Maslow and Mintz (1953) suggest that aesthetically pleasing physical surroundings and physical content can influence people’s mental state.

Since the feeling of quality is a subject concept, it may differ among different settings and ethnic groups. The concern of service quality may differ among different countries. The impotence and perception of service quality are highly dependent on customers’ values and beliefs (Frer et al., 2002).

2.10 Conceptual Design

![Diagram of Service Quality]

Source: Modified of Service Management: Operation, Strategy and Information Technology (Fritzsimmons and Fritzsimmons, 2001).

3. Research Methodology

The population of the study refers to all food and beverage companies which exist in East Java that is small and medium industrial companies, as many as 1153, so the taken sample must be enough representatives which means that all features or characteristics exist in population can be reflected from the taken sample. Sample magnitude that is taken as many as 117. Following Arikunto (2009) that total enough representative in meaning all features or characteristics exist in population can represent.

<table>
<thead>
<tr>
<th>Regency/City Area</th>
<th>Total Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Jember</td>
<td>11</td>
</tr>
<tr>
<td>2. Pasuruan</td>
<td>13</td>
</tr>
<tr>
<td>3. Bugeonegoro</td>
<td>12</td>
</tr>
<tr>
<td>4. Tegalamanung</td>
<td>18</td>
</tr>
<tr>
<td>5. Surahaya</td>
<td>19</td>
</tr>
<tr>
<td>6. Kodari</td>
<td>10</td>
</tr>
<tr>
<td>7. Malong</td>
<td>10</td>
</tr>
<tr>
<td>8. Sidomoso</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>117</strong></td>
</tr>
</tbody>
</table>

Source: Directorate Companies at East Java, BPS (2002).
3.1 Validity Test

The study uses primary data, that is collected through distributing questionnaires with closed questions, and scale measurement of Likert scale (1) representing for very disagree and (5) for strongly agree. Validity constitutes a degree that indicates quality of being valid (Arikunto, 2009). A valid instrument is called valid if it is able to measure what is required. The low or high validity of an instrument will indicate how far the collected data deviates from the illustrated variables and for validity analysis questionnaire test to 38 samples used.

3.2 Reliability Test

Reliability refers to a concept that an instrument is quite trustworthy to be used for data collection (Arikunto, 2009). A good instrument shall not be tendentious or directing the respondents to choose certain answers. If the data really represents the fact, regardless how many times it is taken, it will give the same result. To measure a reliability rate of an instrument, a consistent internal method is adopted, namely coefficient alpha or known as Cronbach’s Alpha that is counted to estimate the reliability of each scale (variable or observed indicator). The following table shows the result of reliability test using Cronbach’s Alpha coefficient of each item and instrument construction. The reliability is tested with SPSS version 15.00 (Singgih, 2007). An instrument is said reliable if the coefficient value > 0.60 (Malhotra, 2005).

4. Results
4.1 Multiple Linear Regressions

By using connection model causal that built with multiple regression model:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon, \]

So, the calculation result shall be as follows:

\[ Y = 2.777 + 0.321 X_1 + 0.189 X_2 + 0.333 \]
\[ X_3 + 0.211 X_4 + 0.619 X_5 + \epsilon \]

The above equation can be interpreted as follows:
- Constant or \( \alpha \) of 2.777 states that if Perceived Service Quality has no relation with Reliability (\( X_1 \), Responsiveness (\( X_2 \)), Assurance (\( X_3 \), Empathy (\( X_4 \), Tangibles (\( X_5 \) and according to \( X_1 \)'s mathematics, \( X_2 \), \( X_3 \), \( X_4 \) and \( X_5 \) is 0, then Perceived Service Quality is 2.777.
- Regression coefficient or \( \beta_1 \) of 0.321, states that every addition of one unit will be followed with Perceived Service Quality (\( Y \)) of 0.321.
- Regression coefficient or \( \beta_2 \) of 0.189, states that every addition of one unit will be followed with Perceived Service Quality (\( Y \)) of 0.189.
- Regression coefficient or \( \beta_3 \) of 0.333, states that every addition of one unit will be followed with Perceived Service Quality (\( Y \)) of 0.333.
- Regression coefficient or \( \beta_4 \) of 0.211, states that every addition of one unit will be followed with Perceived Service Quality (\( Y \)) of 0.211.
- Regression coefficient or \( \beta_5 \) of 0.619, states that every addition of one unit will be followed with Perceived Service Quality (\( Y \)) of 0.619.

So that from multiple linear regression analysis, it can be concluded that the biggest regression coefficient is 0.619. Such fact indicated that the most dominant variable in the analysis is variable tangible.

4.2 Test Simultaneously (F Test)

In the F test or simultaneous hypothesis test, it indicates that \( F \) count is 42.375 with level significance 0.000, where the probability (0.000) is far smaller than 0.05. Then, the regression model can be used to predict Perceived Service Quality or in other words Reliability (\( X_1 \)), Responsiveness (\( X_2 \)), Assurance (\( X_3 \), Empathy (\( X_4 \) and Tangibles (\( X_5 \) simultaneously influence the Perceived Service Quality.

4.3 Test Partial (t Test)

- Analysis result that there is influence significant between Reliability (\( X_1 \)) towards Perceived Service Quality (\( Y \)). This is proved value \( t = 2.532 \) in significance = 0.041 or \( P = 0.041 < 0.05 \). It means that Reliability (\( X_1 \)) can be used for the basis towards Perceived Service Quality (\( Y \)).
- Analysis result that there is no influence significant between Responsiveness (\( X_2 \)
towards Perceived Service Quality (Y). This is proved value $t = 1.879$ in significance $= 0.021$ or $P = 0.021 < 0.05$. It means that Responsiveness (X2) can be used for the basis towards Perceived Service Quality (Y).

- Analysis result that there is influence significant between Assurance (X3) towards Perceived Service Quality (Y). This is proved value $t = 1.0218$ in significance $= 0.042$ or $p = 0.042 < 0.05$. It means that Assurance (X3) can be used for the basis towards Perceived Service Quality (Y).

- Analysis result that there is no influence significant between Empathy (X4) towards Perceived Service Quality (Y). This is proved value $t = 0.654$ in significance $= 0.021$ or $P = 0.021 < 0.05$. It means that Empathy (X4) can be used for the basis towards Perceived Service Quality (Y).

- Analysis result that there is influence significant between Tangible (X5) towards Perceived Service Quality (Y). This is proved value $t = 0.918$ in significance $= 0.037$ or $P = 0.037 < 0.05$. It means that Tangible (X5) can be used for the basis towards Perceived Service Quality (Y).

4.4 Determination Coefficient ($R^2$)

That $R^2$ count is 0.427%, it means that the Perceived Service Quality of the mode is 42.70% and other unobserved factors that may influence the Perceived Service Quality is 57.30%.

5. Conclusion

- Analysis result from multiple linear regression equation that is regression coefficient biggest is 0.619, so that conclusion that variable dominants from analysis that is variable tangible.

- Although a lot of opinion that proposed to hit service quality dimension, opinion most often used in service evaluation is that proposed by Parasuraman, Zeithaml and Berry 1998 (Jasfar F., 2005) that is fifth quality dimension to form the evaluation towards service quality that be basis for compare hope and the perception towards service.

- To apply five services qualities dimensions such as those which proposed by Parasuraman and Kith into various service effort, needed specific definition operationally applicable at each service of types industries.

- Importance and necessary pay attention that if a has competitor area internal issue, so first attention not decision to does internal efficiency, liking depress cost or reducing of employee, but try to change strategy with improvement quality and braiding connection tighter with consumer.

- Necessary pay attention, service quality enhanced at loose ends automatic increase cost, because some improvement will not want cost that will decrease income.

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