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Analyzing Blue Ocean Strategy (BOSS) on the Innovative Performance in Eco-Friendly Tourism Services in Indonesia

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Abstract

Research Purposes: The study aims to analyze the relationship between implementation of Blue Ocean Strategy Analysis (BOSS) and innovative performance on eco-friendly tourism services in Indonesia.

Research Design/Methodology/Approach: The sample group of this study is eco-friendly tourism services in Indonesia, which have innovated in various areas. The sample group includes 350 operational manager/business manager (hotels on the shore line, managers of beaches, tourist parks, and mangrove forests) that are spread over 5 tourism areas in Indonesia that have identified to make environmentally friendly innovations.

Findings: This study shows that creating Uncontested Marketspace, making the competition irrelevant, breaking the value cost trade off, and achieving differentiation and low cost have a positive relationship to innovative performance. While creating and capturing new demand do not show any positive relationship to innovative performance in eco-friendly tourism services in Indonesia.

Research Limitation/Implication: Setting a standard on friendly environmental innovation has not become a formal discussion based on the provisions of public policy and not many studies using the Blue Ocean Strategy approach are associated with the performance of green innovations.

Practical Implications: Companies that focus on innovative performance will capture the domain of organizational competitive advantage in the long run. This happens because product innovation, service or customer intimacy and innovation of system-process are seen as the most important ways to provide competitive advantage and long-term organizational sustainability through its differentiation. The organization's ability to develop their product and new services, or customer intimacy and system-process innovation are known as dynamic capability in responding to its innovative performance.

Originality/value: It is hope that Blue Ocean Strategy approach can become a more precise way in assessing the green innovative performance that is capable of producing differentiation while still accommodating in low costs with high value.

Keywords: Blue Ocean Strategy, Green Innovation Performance, Uncontested Marketspace, competition irrelevant, creating and capture new demand, the value cost trade off, achieving differentiation and low cost
1. Introduction

The high growth rate of tourism in Indonesia is in line with the increase in foreign exchange in the tourism sector and at the same time, a lot of government programs are being run to support the growth of tourism industry in the country. Innovation in tourism also show a significant growth. According to data from Global Innovation Index in 2018, Indonesia is ranked 66th, compare to ranking in 2017 which is the 87th; this shows that Indonesia has a significant increase in tourism ranking (Duta et al., 2018). Whereas in The World Economic Forum's Travel and Tourism Competitiveness Report 2017, Indonesia was ranked in 42nd place out of 141 countries for tourism competitiveness index. The main advantage of Indonesian tourism sector is the availability of natural resources owned and Indonesia is in the 14th rank in the world related to the tourism sector. This show that tourism attraction in Indonesia is mainly located in its natural beauty (traveling.bisnis.com). This condition also drives the government programs that focus on developing tourism industry in Indonesia and at the same time encourage the growth of innovation ideas in managing tourism industry, especially in environmentally friendly issues. The government has set a standardization of events and environmentally friendly tourism sector. Environmentally friendly tourism is one of the main concerns to many parties because a number of innovations have emerged in terms of management, and at the same time become a place for learning process (educational tourism) and have a significant impact on healthier environmental management.

Literatures related to Blue Ocean Strategy (BOS) (Kim and Mauborgne, 2004, 2005a, 2005b) present a descriptive approach of innovation to assess how successful a company is able to create a business model transformation that provides a basis for creating truly new innovative value in the market. This approach serves as the key to
new alternative, from a competitive advantage approach that has been discussed so far. Despite its popularity, it doesn't attract scientific attention to study BOS concept and its application; it is not widely chosen for discussion and even for empiric implication. Other than articles by W. Chan Kim and Renee Mauborgne (Kim and Mauborgne, 2005a, 2005b) and book reviews, there is only a small number of papers that conduct a study about the concept explicitly. However, a tight competition makes it important for business managers to think and consider different ideas than their competitors to be able to stay on the business world. To come up with different idea, a business should not only innovate on physical product, but also to innovate in service or customer intimacy as well as innovate in the process or the system of the business. Sometimes, innovation is carried out without considering the cost that must be spent to innovate. However, the business should evaluate its performance compare to the cost to innovate.

Blue ocean strategy explains the success factors for organization patterns through “making competition irrelevant.” This is a view of reconstruction from traditional competition theory (Vinayan et al., 2012). It is said that BOS creates competition demands and avoidance by following specific patterns for organizational success (Kim & Mauborgne, 2005). When planning a strategy, competition between organizations must be avoided. If the competitors are involved in the head-to-head competition, the organization should consider innovation as an alternative solution (Kim & Mauborgne, 2005) because a hyper-competition may result in a decrease in profits as a result of competition or competition cost. BOS stress on the value of innovation. It focuses on brand development as described (Vinayan et al., 2012). Studies about BOS has attracted researchers’ interest around the world (Butler, 2008; Kim et al., 2008; Rebon et al., 2015). The idea that organization ‘should efficiently use resources and minimize the
competition to get profits’ (Morrish, 2011; Kim & Mauborgne, 2005) is one of the reasons to consider BOS.

On the other hand, a lot of researchers and literatures start to discuss about the efforts to measure the impact of innovation activities, especially innovation that focuses on environmental management or environmental friendliness. As stated by Song, Juan (2016), the majority of companies assume that environmental management as an unnecessary investment and as something that inhibits their profits and the company growth. However, managing non-environmentally friendly innovation is a clear evidence of an inefficient use of resources, and companies that pioneer green innovation will enjoy ‘benefits as first driven’ that allows them to set higher prices for their green products, and at the same time enhance their company image, create a new market, and gain competitive advantage by making eco-friendly innovations.

Based on the background information, thus the study aims to test and analyze whether there is a positive relationship between creating uncontested marketspace, making the competition irrelevant, creating and capturing new demand, breaking the value of the trade off, achieving differentiation/low cost with innovation performance

2. Literature Review

2.1. Blue Ocean Strategy

The growth in the dynamic of change resulting from technological change, globalization of the business environment, and a high competition affect the company's ability to react to changes and the meaningful development of long-term strategies (Heijden, 2006 in Dvorak Jiri & Ilona, 2008). The basic idea of a long-term strategy approach is to gain a competition advantage (Carpenter and Sanders, 2008) as a prerequisite for competitiveness and economic success. One of the most popular
approaches to business-level strategies to date is the Porter Generic Strategy (Porter, 1998), a concept which is based on two main directions: products differentiation and low-cost strategies. In 2005, W. Chan Kim and Renne Mauborgne introduce Blue Ocean Strategy (BOS) (Kim & Mauborgne, 2005a) that socialize a different approach to this issue. BOS is not only an approach to compete, but also to sustain existing customers; its main goal is to create a new market demand that allows the organization to escape from direct competition with the existing competitors, called the red ocean. The main goal is to create a new demand from people who never use the product, combining a systematic differentiation and low-cost strategy.

Blue Ocean creates a market space that is undeniable by value of innovation. Value of innovation does not go directly to other organizations for market share, but actually explores new markets and innovate values both for the customers and the organization itself (Kim & Mauborgne, 2005; Randall, 2005). Kim & Mauborgne (2005) present four frameworks to develop value of innovation, both for the customers and the organization. The four frameworks are Eliminate, Reduce, Reuse and Create, often known as ERRC (Borgianni et al., 2012). Comparatively, competition focuses on the red ocean strategy market (Leavy, 2005), which is a hyper-competitive competition. The blue ocean strategy holds six main principles to be formulated and applied in any company. Four of the principles are related to the principle of formulation; 1) Reconstruction of market boundaries, 2) Focus on the big picture, not the number, 3) Reach beyond the demand; 4) get the most appropriate strategic order, while the other two are principles related to implementation; 5) Overcome major organizational hurdles; 6) Build execution into strategy. Organizations will compete and leave their competitors to get a larger portion of market demand (Kim & Mauborgne, 2005). The tightness of the market will reduce the company’s profit and development, but with the
Blue Ocean Strategy new opportunities and requests are explored (Kim & Mauborgne, 2005). According to Kim & Mauborgne (2005), the red ocean (hyper-competition) will always exist, the Blue Ocean strategy must be created to find a new opportunity of differentiation (Hollensen, 2013). There are a number of new empirical studies, measurements, and other aspects of Blue Ocean Strategy (Borgianni et al., 2012), which indicates the importance of this strategy. The five basic pillars or dimension of the blue ocean strategy are: 1) Creating an indisputable market space; 2) Making the competition irrelevant; 3) Creating and capturing new requests; 4) breaking piece-value trade off; 5) Achieving differentiation and low-cost.

**Table 1. Red Ocean VS Blue Ocean**

### 2.2. Innovative Performance

Innovation is important to raise competitive advantage and organizational success. All organizations need to innovate to expand their market share (Johannessen et al., 2001). Organizations gains motivation from internationalization and positive competitive function in increasing competition, as stated by Harris et al. (2013). Companies should innovate in a systematic way via several strategies to gain competitive advantages (Shafiq & Tasmin, 2016). Innovative performance of organizations is found in innovative action, such as new services and products, and the number of patents as stated by Jiang & Li (2009). Thus, innovative performance captures an unwarranted domain of organizational competitive advantage where product innovation is seen as an important way to provide competitive advantage and organizational sustainability. The ability of organizations to develop new products and new services is known as dynamic capabilities (Lokshin et al., 2009). Furthermore, Teece (1997) stated that researchers recognize that companies gain and maintain
competitive advantage because they are able to renew, integrate, and broaden the existing competencies and continue to develop new abilities. In this case, product innovation is seen as an important mechanism to stay in the competition within the rapid changing business environment (Teece, 1997). According to Johannessen et al. (2001), in this study, innovative performance will be measured using a scale of six questions: 1) New product; 2) New services; 3) New production method; 4) Open new market; 5) New supply source; 6) New ways to regulate or manage.

2.3. Innovative Performance Related to the Environment

Zollo and Winter (2002) argue that companies should adapt to its complex and dynamic business environment by implementing innovation strategies, such as innovation on their product, services, and system to improve their business performance. Innovation helps the company to create a competitive advantage that can increase their performance (Dess and Picken, 2000). In terms of services, innovation has been linked to customer value creation (assessed in both financial and non-financial aspects) (den Hertog et al., 2010), which is a preference that are perceived by their customers for the attributes, the performance, and the consequences of using the product (Woodruff, 1997).

According to Song, Juan (2016), the majority of companies consider company's environmental management to be an unnecessary investment that will inhibit their profits and company development. However, several previous studies shows that environmental pollution is a concrete evidence of inefficient use of resources, and companies that pioneer in green innovation will enjoy “the first driven benefits,” which allows them to set a higher prices on their products, enhance their corporate image,
create new market, and at the same time gain competitive advantage (Hart, 1995; Porter and van der Linde, 1995; Hart, 1997; Chen et al., 2006).

Companies that involve in environmental management and environmentally friendly innovation can not only minimize product waste, but also increase overall productivity, improve company reputation, and thereby enhance the companies’ competitiveness under the popular consumer awareness trend and stringent international regulations about environmental protection (Porter and van der Linde, 1995; Shrivastava, 1995; Berry and Rondinelli, 1998; Chen et al., 2006). Therefore, Chen et al. 2006) stated that innovative performance on green products and innovative performance on green process will bring a positive effect towards the company’s competitive advantages (Song Juan, 2016) and the company’s innovative performance.

2.4. Relationship between Blue Ocean Strategy and Innovative Performance

The relationship between the strategies to innovative performance is discussed by Teece (1997). Organizations have a high trend of taking risk to make decisions to innovate, especially to innovate in green innovation. In addition, companies can avoid competition and, at the same time, increase their competitive advantage (Lokshin et al., 2009). In relation to risk, Forrester (2000) highlights the differences between innovative and non-innovative companies because considering risks can affects the organization or the company’s ability to innovate. The more companies or organizations do not dare to bear the risk, the more they avoid opportunities to innovate and simultaneously measure their innovative performance.

Prajogo (2016) shows that innovation strategies that are effective in improving company's performance in certain environmental condition, may not be as effective in other conditions. This means that the overall condition of the organization will bring an
impact on the success of innovation strategy and innovative performance. Mowery and Rosenberg (1979) identify that market condition is the main environmental condition that affect the effectiveness of innovation in the market. Customers’ expectations and demands for an innovation will determine the effectiveness of innovation in performance. Customer expectations and requests have an influence on both financial and non-financial performance. Saemundsson and Candi (2014) argue that consumers are the judges of innovation; the customers tend to influence the relation hip between innovation and performance. Therefore, the level of market demand will shape the effectiveness of innovation in producing high-level performance. A high demand period can encourage new entrants to the market to compete with the available profits, which in turn can reduce the return of investment into product innovation by existing companies. Therefore, this study states that creating an uncontested market will influence innovative performance

**H1: There is a positive relationship between uncontested Marketspace and innovative performance.**

The needs for organization to innovate and communicate in competitive market is to adopt a special generic strategy to reach different customers and to gain competitive advantage (Karabulut, 2015). Specifically, the main reason for the existence of an organization is not only to be exist, but also to develop. Despite the fact that product innovation and innovation process have positive effects towards business performance (Iansity & Levien, 2004), understanding about external market condition or characteristics is also important, in which two different forms of innovation can also have different impact on innovative performance. Product innovation are no longer
offering enough competition advantages in distinguishing successful companies (McGrath, 2011). However, a strong differentiation will make the competition irrelevant and have an influence on the development of innovation performance.

**H2: There is a positive relationship between making irrelevant competition and innovative performance.**

A company should make an investment that goes along with the market's demand in order to enjoy a higher return of investment. Implementing product innovation on a high-demand period can negatively affect the company's performance; investment on innovation may counterproductive because the customers might not seek for differentiation during those periods. In this case, the timeliness in implementing the strategy or the “moment” is crucial. Experts, including Pantano and Viassone (2014), stated that customer demand will influence the beneficial effects of innovation. Thus, there is a positive effect between creating and capturing new demand towards innovative performance.

**H3: There is a positive relationship between creating and capturing new demand and innovative performance.**

Customers’ demand is needed to evaluate and to compare the impact of different strategies on innovation performance (Enkel et al., 2009). Successful innovation strategies will result in a superior performance because innovation provides value to customers (Prajogo, 2016), which makes it mandatory to study the relationship of blue ocean strategy and innovation performance. Competitors can quickly mimic innovation
ideas, hence result in a shorter product cycle and an increase in competitors from countries that provide low wager, which have substantial cost and price advantages. Therefore, companies should consider business innovation model as an opportunity to build an ongoing competitive advantage (Ezzia & Jarbouib, 2016). The use of Blue Ocean Strategy approach is hoped to have a more appropriate result in assessing the performance of innovation related to environment, hence able to produce differentiation while still accommodating low cost and high value.

**H4: There is a positive relationship between breaking the value cost trade off and innovative performance.**

Similarly, McGrath (2011) stated that product innovation no longer offers sufficient competitive advantages in distinguishing successful companies, but complex differentiation from all aspects (products, customer intimacy, and systems) that makes competition become irrelevant and have an influence towards the development of innovation performance. Thus, this study found a positive and significant relationship between product innovation and company performance, which is relatively similar to other studies related to the relationship of performance and innovation (Anning-Dorson, 2016; Grawe et al., 2009; Otero-Neira et al., 2009), which confirms that the ability to find low-cost differentiation will affect the company's innovative performance.

**H5: There is a positive relationship between achieving differentiation and low cost and innovative performance.**
Considering the discussion above, both in the introduction and the literature review, the research frameworks that was raised in this study are as below:

![Diagram of Blue Ocean Strategy]

**Figure 1. Model of the Study**
Source: Processed by researchers, 2019.

3. Method

3.1. Population, Sample, and Empirical Setting

There are no official statistics that show the number of eco-friendly tourism managers who implement the BOS (Blue Ocean Strategy) concept in Indonesia, so the researchers choose to use convenience and snowball sampling techniques. Data is collected based on questionnaires that are distributed to operational manager/ head of environmentally friendly tourism business fields in Indonesia that have innovated.
Via the convenience and snowballing sampling technique, the researchers obtain responses from 59 operational manager/ operational guards of hotels, tourist parks, beaches, mangrove areas that spread over 5 tourism areas in Indonesian, namely Surabaya, Mataram City Beach, North Lombok Beach, Senggigi Beach West Lombok, and Cilacap Beach. From all the responses, the data are selected based on the following question: Are there any innovations that you do in your business? If you innovate, then the respondent continues to answer this question: Is there any significant differentiation from your innovation compared to your competitors? If the respondent answer 'yes', the respondent continues to answer these questions: Does the innovation make higher value than the cost? Does your tourism business place a concern in the environment? Based on these questions, only 350 out of 590 respondents fulfill the qualification. Thus, the sample of this study consist of 350 operational manager/ operational guards of eco-friendly hotels, tourist parks, beaches, mangrove areas that have innovated and located over 5 tourism areas in Indonesian, namely Surabaya, Mataram City Beach, North Lombok Beach, Senggigi Beach West Lombok, and Cilacap Beach.

As for the BOS indicator and innovation performance, respondents answered a series of questions with a scale of 1 to 5. Previously, the questionnaire had been validated using the Pearson correlation test shown in Table 1 (Appendix 1), while the reliability test was carried out with a Cronbach alpha value of 0.864. The hypotheses are tested via a multiple regression with SPSS.

3.2. Measures

Past studies emphasized that Blue Ocean Strategy has not been widely applied in Indonesia. Thus, the questionnaire and measurements related to BOS were developed
based on Kim & Mauborgne (2005) and Randall, R. M. (2015), while innovative performance was developed from Johannessen et al. (2001). The pre-testing of the questionnaires was carried out by academics and industry experts. While testing the English skill is done separately.

The measurement for the questionnaire is based on Likert scale, scaling from 1-5 with answers of: (1) strongly disagree, (2) disagree (3) neutral, (4) agree, and (5) strongly agree. The questionnaire is adopted from Kim & Mauborgne (2005) and Randall, R. M. (2015) that covers: a) Creating marking: creating undisputed market space with indicators of: the company serve highly specialized customers, the company have different target markets than the other companies, the company adjust, or the service adjust according to the needs or the desires to have different target market. B) Irrelevance competition: making the competition become irrelevant, based on indicators of: competitors do not have the same target market, the company serves customers who do not get substitutes from competitors, the company serves customers who do not find identical substitutes to the other companies. C) Creating new demand: creating and capturing markets’ new request, with indicators of: the company create products that are able to capture new demand, the company offers new demand opportunities. D) Cost value: breaking the cost-value trade-off with indicators of: the company is able to set acceptable prices for their new products, and the company gets a good market from selling the new product/ services. E) Low-cost differentiation: achieving differentiation at low cost with indicators of: Differentiation is done by thinking about cost constraints, company’s differentiation considers the cost efficiency.

Whereas variable of innovative performance refers to Johannessen et al. (2012) study, which uses six questions to measure innovative performance. The parameters of innovative performance are: 1) New product, 2) New service, 3) New production
method, 4) Open new market, 5) New resource, and 6) New management. The details of the indicators are as follow: innovation is carried by the company by establishing new products, innovation is carried by the company by establishing new services, innovation is carried by the company by establishing new production method, innovation is carried by the company by opening new market, innovation is carried by the company by finding new supply resources, and innovation is carried by the company by finding new ways of organizing the business.

3.3. Respondent Description and Data Analysis

a) Respondent Description

The respondents consist of 350 operational manager/operational guards of eco-friendly hotels, tourist parks, beaches, mangrove areas located over 5 tourism areas in Indonesian, namely Surabaya, Mataram City Beach, North Lombok Beach, Sengggi Beach, West Lombok, and Cilacap Beach. All respondents have met the qualification: they have innovated, created differentiation and made higher value than cost. Of the 350 respondents, 89% are male and 11% are female. 56% have held their current positions for more than 5 years while the remaining 44% have held their position for less than 5 years.

b) Data Analysis

The analysis was completed via SPSS. Bias correlated 95 percent confident intervals were obtained using 10,000 bootstrap (re) samples. An f-test was used to compare the full model against a base model. While a t-test was used to know the existence of positive relationship between creating uncontested marketspace, making the
competition irrelevant, creating and capturing new demand, breaking the value trade off, achieving differentiation and low cost and innovative performance.

Based on Table 2, which shows R and R square tests, it shows that 90.8% of innovative performance are affected by the independent variables, which are creating uncontested marketspace, making the competition irrelevant, creating and capturing new demand, and breaking the value trade off, achieving differentiation and low cost. While the rest (9.2%) are affected by other variables outside the independent variables (Table 2).

### Table 2. R and R square
**Tabel 2. R dan R Square**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.908</td>
<td>.825</td>
<td>.795</td>
<td>.28950</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), LCD, CND, CM, CV, IC

After completing the F-test (Table 3), the data shows that there is goodness of fit model between all independent variables which are: creating uncontested marketspace, making the competition irrelevant, creating and capturing new demand, breaking the value trade off, achieving differentiation and low cost towards innovative performance.

### Table 3. F-Test
**ANOVAa**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>11.455</td>
<td>5</td>
<td>2.291</td>
<td>27.336</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>2.431</td>
<td>29</td>
<td>.084</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>13.886</td>
<td>34</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: IP
b. Predictors: (Constant), LCD, CND, CM, CV, IC

While according to the t-test (Table 4), only 4 out of 5 independent variables that shows a significant positive impact to innovative performance, which are creating uncontested marketspace, making the competition irrelevant, breaking the value trade off, achieving differentiation and low cost towards innovative performance. While the
other variable, creating and capturing new demand, does not have a significant impact to innovative performance.

Table 4. t-test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-.803</td>
<td>.454</td>
<td>-1.769</td>
</tr>
<tr>
<td></td>
<td>CM</td>
<td>.250</td>
<td>.094</td>
<td>.252</td>
</tr>
<tr>
<td></td>
<td>IC</td>
<td>.331</td>
<td>.118</td>
<td>.333</td>
</tr>
<tr>
<td></td>
<td>CND</td>
<td>.041</td>
<td>.083</td>
<td>.044</td>
</tr>
<tr>
<td></td>
<td>CV</td>
<td>.306</td>
<td>.131</td>
<td>.233</td>
</tr>
<tr>
<td></td>
<td>LCD</td>
<td>.287</td>
<td>.118</td>
<td>.284</td>
</tr>
<tr>
<td></td>
<td>a. Dependent Variable: IP</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Discussion

Based on the hypothesis test show in Table 4, it was found that four variables, which are creating uncontested marketspace, making the competition irrelevant, breaking the value cost trade off, and achieving differentiation and low cost, have a positive and significant effect on innovative performance. This proves that when companies focus on innovative performance, they will able to capture the organization's competitive advantage in the long run because they are innovating a product or a service, focus on customer intimacy, and/or innovating the system-process. Implementing Blue Ocean Strategy (BOS) is seen as an important way to enhance competitive advantage and to sustain the organization through its differentiation (Omar, A. R., & Tasmin, R., 2015). The organization’s ability to develop new products and services, customer intimacy, and system-process innovation is known as the company's dynamic capability in responding to its innovative performance. This is in line with Lokshin et al. (2009) who states that organization that shows high trend of taking risk to innovate will increase their
competitive advantage through differentiation. This also creates an opportunity to create uncontested market space, making irrelevant competition, breaking the value of cost trade off, and achieving differentiation and low cost have positive effect to innovative performance. Similarly, McGrath (2011) stated that product innovation no longer offers sufficient competitive advantages in distinguishing successful companies, but a complex differentiation from all aspects (product, customer intimacy, and system) that creates an irrelevant competition and effects the development of innovative performance. Thus, this research found a positive and significant relationship between product innovation and company's' performance, which also mirror in similar studies related to performance-innovation such as Anning-Dorson (2016), Grawe et al. (2009), and Otero-Neira et al. (2009).

While based on hypothesis test on Table 4, the variable of creating and capturing new demand does not have a significant effect towards innovative performance. This finding is in line with Pantano and Viassone (2014) which stated that implementing creating and capturing new demand during high-demand period can bring a negative effect to their overall performance because investment in innovation may be counterproductive because customers within the new market may not seek differentiation within that period. Furthermore, Pantano and Viassone (2014) stated that customer demand influences the aspect of “beneficial effects” of innovation. In this case, the correct timing in implementing the strategy or the “moment” is very crucial. The non-significant result of the variable creating and capturing new demand does not have a significant effect towards innovative performance, presumably due to the inappropriate timing or “moment,” or the lack of company's branding and positioning during the launching period.
5. Managerial Implication

The managerial implications of this study can be used to guide future research and practitioners, especially discussion related to environmentally friendly tourism in Indonesia, not apart from discussion about sustainable tourism. Based on ISTA (Indonesia Sustainable Tourism Award, 2008) guidelines, there are some understanding that should be considered in order to sustain the tourism service: tourism that takes into account current and future economic, social and environmental impacts, meets the needs of visitors, industry, environment and local communities, and can be applied to all forms of tourism activities in all types of tourist destinations, including mass tourism and various other types of tourism services. Based on this definition, in order to sustain a tourism service, one of the components is “taking into account environmental impacts” in addition to economic and social impacts. This situation requires managers to think critically and creatively to find innovations based on the philosophy of BOS, which relies on creating uncontested market space, making irrelevant competition, creating new demand, cost value and low-cost differentiation.

From further interview with respondents, most environmentally friendly innovations in Indonesian tourism industry are usually implemented in terms of: the establishment of destination that have guidelines and regulations and/or policies planned that require an assessment of environmental, economic, and social impacts, and use land design construction, and demolition on an on-going basis. Planning and zoning guidelines, regulations and/or policies that protect natural and cultural resources. (https://traveling.bisnis.com/read/20181208/224/867538/pariwisata-harus)

The sustainability of tourism service is shown from the environmental conditions, meaning that tourism industries should be aware of environmental damage, such as
pollution of waste, accumulated waste and landscape damage caused by logging buildings with architectural incompatibility, and unfriendly attitudes of residents, garbage disposal on the beach or rivers that eventually carry downstream. In other words, environmental aspects emphasize more on the preservation of ecosystem and biodiversity, waste management, land use, conservation of water resources, protection of the atmosphere, and minimization of noise and visual disturbance.

Implementing BOS in eco-friendly tourism services in large cities, like Surabaya (Surabaya is the second largest city in Indonesia after Jakarta), apparently requires bigger efforts than in suburban areas, such as Mataram and Cilacap. This is due to the complexity of the parties involved during the BOS implementation process for the purpose of improving innovative performance.

On the other hand, tourism management organizations bring positive or negative influence. The location of the tourism area managed by the city or regency government has a greater concern for the implementation of BOS to encourage innovative performance in the eco-friendly field. However, tourism managers from private tourist sector are more aware about the importance of implementing BOS to find innovation that have an impact on increasing value and, at the same time, lowering the costs, more than just the goal of creating green innovation. This means that organization are more focused on the solving problems related to efficiency of the innovation process but has an impact on bigger value of branding. Thus, the organization hold an environmentally friendly image, which ultimately increase their value of tourism services (Masanell, R. & Ricart, J. E., 2010)

For this reason, there is a need for continuous efforts from the Government in form of issuance of legislation to support the creating of differentiation strategies of innovations that have an impact on improving innovative performance, accompanied by
regulation or control in its implementation. Whereas for academics, it is necessary to think about an instrument to calculate the cost of environmental damage from a tourism innovation process, especially tourism services that rely on nature and simultaneously find components or indicators of their green innovation. In addition, it is also necessary to conduct further research to understand the relationship between Blue Ocean Strategy and radical types of innovation, to know whether incremental innovation strengthen BOS, and to measure the effectiveness of the implementation and strategies that lead to the creation of green innovation in tourism industry in Indonesia.

6. Limitation of the Study

The limitation of the study is as follow: 1) an action to set a standard about eco-friendly innovation have not become a formal discussion based on the public policy provision and not many studies are done to understand Blue Ocean Strategy approach, especially using the strategy associated with green innovative performance, especially in Indonesia. This study encourages further study about the current framework; future study can conduct comparation and generalization with other countries that have built awareness and concern for the environment. 2) Current studies are carried out in one country (i.e. Indonesia) with its unique characteristics, which can be different than other countries. Thus, future studies should seek to understand how the framework works in other countries to enrich the understanding and to develop theory about the performance of green innovation. Future studies can also look at other variables that mediates the effect of implementing BOS in innovative performance, for example variables related to the organizational culture, and organizational values and norms. 3) Lastly, a culture about innovation awareness can be shaped by the institutional environment in which the company operates. Therefore, the culture of innovation
awareness may depend on the context and further research is needed to assess the influence of innovation awareness culture in different institutional environment, as other factors that influence BOS implementation and its effect on innovative performance.

7. Conclusion

The result shows that creating uncontested marketspace, making the competition irrelevant, breaking the value of the trade off, achieving differentiation/low cost have a positive relationship with innovation performance. Eco-friendly tourism services in Indonesia have a trend of taking high risks to innovate and to elevate their competition advantage through differentiation.

While creating and capturing new demand does not have a significant relationship with the innovative performance of eco-friendly tourism services in Indonesia. This can happen due to their way of implementing the creating and capturing new demand activity; during a high-demand period, the company’s overall performance will be negatively affected because their investment in innovation might be counterproductive to customers in the new market segment, thus the customer may not seek for differentiation during that period. The incorrect “moment,” or lack of company’s branding and position during the launching period also affect the creating and capturing new demand. Hence, it might be the main reason why creating and capturing demand does not have a significant relationship towards innovative performance of eco-friendly tourism services in Indonesia.

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References


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Saemundsson, R.J. and Candi, M. (2014), Antecedents of innovation strategies in new


Apendix 1
Tabel 1 Uji Reliabilitas Penelitian

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**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Apendix 2
Tabel 2 Mean dan Standar Deviasi setiap indicator Variabel

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