

BUSINESS MODEL INNOVATION TOWARDS CORPORATE ENTREPRENEURSHIP AT REGIONAL DRINKING WATER COMPANY TIRTA MAYANG JAMBI CITY

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Abstract

This study aims to find out how the Business Model Innovation with its 3 (three) value creation elements Value Proposition, Value Creation, and Value Capture Innovation is able to foster entrepreneurial activity in the Regional Drinking Water Company Tirta Mayang as a monopoly company for clean water management in Jambi City. Entrepreneurial activity is a characteristic of Corporate Entrepreneurship that influences company performance. Business Model Innovation uses 3 (three) dimensions, namely diversification, technology, and good corporate governance. This research was conducted using quantitative methods, primary and secondary data sources using questionnaire research instruments and Partial Least Square (PLS) data analysis techniques with a total sample of 73 people. The results of this study provide knowledge on how a relevant Business Model Innovation can maintain the Sustainability of local companies that are transforming towards Corporate Entrepreneurship in an effort to increase profitability and decent quality of clean water services as a form of global commitment from the Sustainable Development Goal's (SDGs).

Keywords: Business Model Innovation, Diversification, Technology, Good Corporate Governance, Corporate Entrepreneurship.

Introduction

Water is a basic need that is always used in daily life, the existence of clean water has a vital role in supporting every human activity both for consumption, bathing, washing and toilet. United Nation Water data (2019) states that as many as 2 (two) billion people in the world do not have access to safe drinking water and there are more than 4 billion people worldwide do not have access to proper sanitation. The water crisis is included in the 5 (five) main global issues that are the focus of the World Economic Forum (2020). Guaranteed clean water availability, management, and sustainable sanitation is one of the goals of the Sustainable Development Goals in sanitation development in Indonesia (Suryani, 2020).

The above statement is in accordance with research conducted by Markus Berger, Jazmin Campos, Mauro Carolli, Ianna Dantas, Silvia Forin, Ervin Kosatica, Annika Kramer, Natalia Mikosch, Hamideh Nouri, Anna Schlattmann, Falk Schmidh, Anna Schomberg and Elsa Semmling (2020). with the title "Advancing the Water Footprint into an Instrument to Support Achieving the SDGs – Recommendations from the "Water as a Global Resources" Research Initiative (GRoW)". The result of the research is a concept of Water Footprint (WF), which is an instrument that can be used to determine the volume used by a person, community or certain business in order to achieve sustainability and equitable distribution of water resources.

In Indonesia, the operation of the Drinking Water Supply System (SPAM) is managed by the Regional Drinking Water Company (PDAM), which is a Regionally Owned Enterprise (BUMD), which by law is entrusted with the task of fulfilling the basic rights of the community in public service provision of clean water. From the data from the Drinking Water Performance Book 2021, the Director General of Cipta Karya, Ministry of Public Works and Public Housing, noted that the number of drinking water PDAMs or BUMDs by 2022 has reached 401, spread across every province, district and city throughout Indonesia.

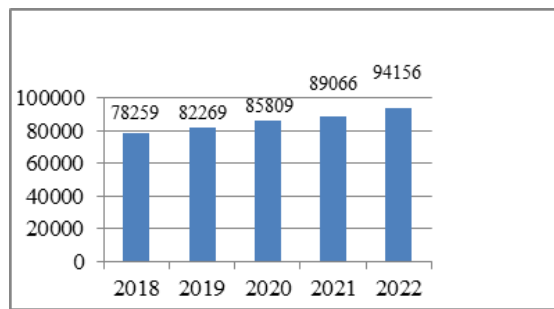
Table 1. Number of Drinking Water PDAMs throughout Indonesia by 2022

Year	Number of Drinking Water PDAM
2018	380
2019	380
2020	380
2021	389
2022	401

Source: PUPR Drinking Water Directorate (2022)

The implementation of the Drinking Water Supply System (SPAM) in Jambi City is managed by PDAM Tirta Mayang Jambi City and based on Government Regulation (PP) No. 54 of 2017 PDAM Tirta Mayang has changed the status of a legal entity to become a Regional Public Company (Perumda) of Drinking Water which until now has a service coverage of (75%) in the entire area of Jambi City and the border of Muaro

Jambi Regency. From the data on the growth of the number of subscribers in the last 5 (five) years there was a significant increase of 94156 Costumers. With the Healthy Drinking Water BUMD Category.



Source:www.tirtamayang.com (2023)

Figure 1. Number of Customers of Perumda Tirta Mayang Drinking Water

PDAM is a regional company that is given monopoly rights in the management of clean water in every province, district and city throughout Indonesia. but from the results of a performance appraisal conducted by the Ministry of PUPR in 388 in 2021 with 4 (four) aspects, namely: Finance, Services, Operations, and Human Resources. A total of 225 BUMDs with drinking water or (58%) fall into the healthy category,104 BUMD Drinking Water or (27%) are classified as unhealthy,59 BUMD Drinking Water or (15%) are in the sick category.

From the percentage assessment for the Drinking Water BUMD category above, the authors are interested in examining the problem of why almost half of the companies that were given the monopoly right to clean water management (42%) are still in an unhealthy condition and even sick, this is inversely proportional to the government's commitment to fulfilling it. 100%) access to proper clean water for the community. And actually through Government Regulation (PP) No. 54 of 2017 concerning Regional Owned Enterprises (BUMD) provides an opportunity for each BUMD Water Supply to be able to diversify its business with changesBUMD legal entity status to increase profitability. So the researcher believes that evaluation and improvement should be carried out in the management of the Regional Public Water Company (Perumda) to take advantage of the opportunities from changing the status of the legal entity, by designing a Business Model Innovation through 3 (three) dimensions, namely: 1. Diversification, 2. Technology and 3. Good Corporate Governance as a relevant strategy so that PDAM is able to be sustainable and develop towards Corporate Entrepreneurship.

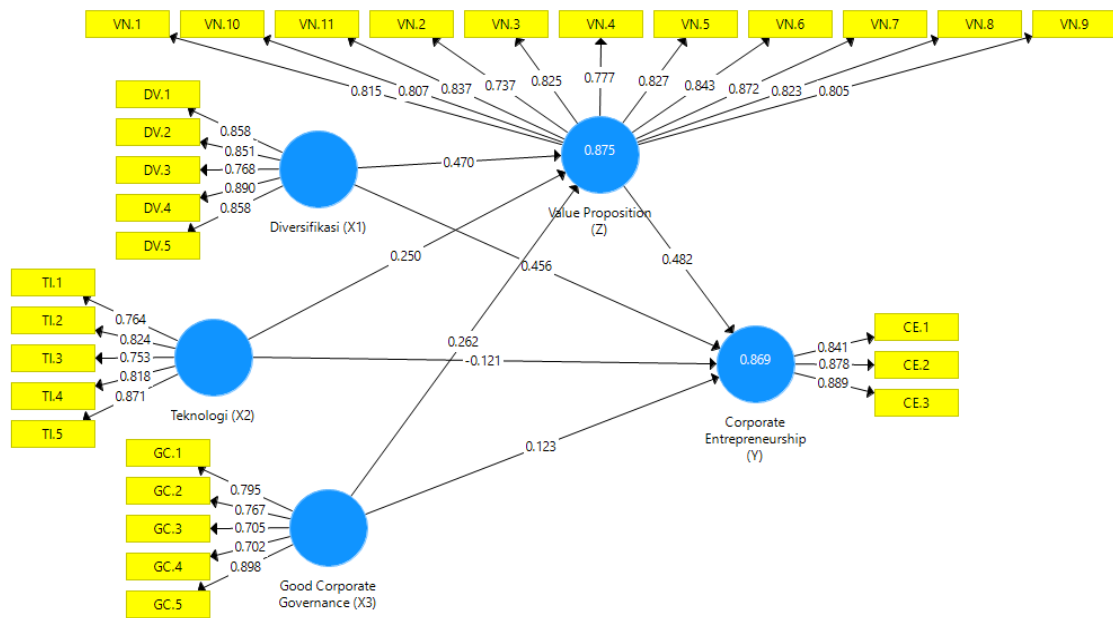
Methods

The object of this research was carried out at the Tirta Mayang Drinking Water Perumda, Jambi City using a quantitative research method, the collection technique used was a questionnaire with a sample of 73 respondents. Primary and secondary data sources. The data analysis technique in this study used Partial Least Square (PLS) version 3. The questionnaire in this study used a Likert scale. using a number of statements with a scale of 5 indicating agree or disagree with the statement. In addition to primary data, this study also uses secondary data obtained from existing studies and books related to the topic and related to Business Model Innovation, Diversification, Technology, Good Corporate Governance, Value Proposition and Corporate Entrepreneurship.

Result and Discussion

Outer Model Test Results (Convergent Validity)

Convergent validity relates to the principle that the gauges (manifest variables) of a construct should be highly correlated. The convergent validity test can be seen from the loading factor value for each construct indicator. The rule of thumb that is usually used to assess convergent validity is that the loading factor value must be > 0.7 . (Ghozali & Latan, 2015:74). The results of the calculation of the PLS algorithm can be seen in Figure 2 below.



Source: PLS Data Processing (2023)

Figure 2. Algorithm Calculation Results

From Figure 2 above, a research framework model is formed consisting of 3 independent variables (Diversification, Technology, Good Corporate Governance) 1 dependent variable (Corporate Entrepreneurship) and 1 intervening variable (Value Proposition). In the convergent validity test it can be seen from the value of the loading factor for each construct indicator > 0.7. This means that it has fulfilled Convergent Validity (Ghozali & Latan, 2015:74). The indicator model in this study is a reflective indicator which is a condition where indicators reflect latent variables. The reflective indicator model mathematically places indicators as influenced by latent variables, but independent variables do not have data. Therefore, in the reflective indicator model, the indicators are correlated with each other,

Inner Model Test Results (Indirect Effect)

According to Haryono (2016) the indirect effect aims to analyze how strong the influence of a variable is on other variables, both exogenous and endogenous. Testing the indirect effect (Indirect Effect) in this research uses intervening variables to show how strong the influence of Diversification (X1), Technology (X2) and Corporate Entrepreneurship (X3) on Corporate Entrepreneurship (Y) through Value Proposition (Z) as an Intervening variable. Indirect test results can be seen in table 3 below.

Table 2. Indirect Test Results

Variable	Original Sample (O)	Sample Mean (M)	Standar Deviasi (STDEV)	T Statistik >1,96	P Value < 0.05	Result
Diversification (X ₁) → Value Proposition (Z) → Corporate Entrepreneurship (Y)	0.226	0.216	0.078	2.899	0.004	Positive & Significant
Technology (X ₂) → Value Proposition (Z) → Corporate Entrepreneurship (Y)	0.120	0.125	0.060	2.019	0.044	Positive & Significant
Good Corporate Governance (X ₃) → Value Proposition (Z) → Corporate Entrepreneurship (Y)	0.126	0.125	0.059	2.149	0.032	Positive & Significant

Source: PLS Data Processing (2023)

Discussion

Based on the research results, it can be concluded as follows:

Effect of Diversification on Corporate Entrepreneurship Intervened by a Value Proposition

From this research data it is concluded that Diversification (X1) has a positive and significant influence on Corporate Entrepreneurship (Y) through Value Proposition (Z) as an intervening variable. This is in line with the substance of Government Regulation no. 54 of 2017 concerning Regional Owned Enterprises, that the change in the status of a PDAM legal entity to Perumda provides an opportunity for regional drinking water companies that have only carried out business functions through piped water to be able to create other new business lines such as producing Bottled Drinking Water (bottled water). According to (Anthony & Govindarajan, 2009:67) this diversification strategy is included in the related diversification strategy (Related Diversification). By carrying out this related diversification, companies can use their resources and core competencies jointly from one division to another which allows them to benefit from economies of scale and

economic scope (Anthony & Govindarajan, 2009:67).

The Effect of Technology on Corporate Entrepreneurship Intervened by a Value Proposition

From the results of this study it was concluded that Technology (X2) has a positive and significant effect on Corporate Entrepreneurship (Y) through Value Proposition (Z) as an Intervening variable (Z). This shows that technology is an integral part that cannot be separated from the company's transformation towards corporate entrepreneurship. In the digital age, the power of individual consumers has increased due to the proliferation of information products and services available through digitally enabled platforms and social interactions (Amit & Han, 2017). By improving service technology, it means that PDAM provides added value or value proposition to its products, so as to create convenience and comfort, because public services need to present futuristic elements, which not only answer present challenges but also challenges in the future.

The Influence of Good Corporate Governance on Corporate Entrepreneurship Intervened by a Value Proposition

In this study it was concluded that Good Corporate Governance (X3) has a positive and significant influence on Corporate Entrepreneurship (Y) which is Intervened by Value Proposition (Z). GCG is considered as a balance system within the company. Good Corporate Governance is a tool to achieve a balance between company owners and management (Breliastriti et al. 2020). As a monopoly company that has business and social functions, it should be managed professionally and away from conflicts of interest. Companies that perform well will be able to develop, capture new opportunities and maintain their sustainability, this is in line with the spirit of corporate entrepreneurship focusing companies on entering new markets, developing and implementing new ideas, new products and new processes (Kuratko 2007).

Conclusion

Based on the results and discussion previously described, it can be concluded that Diversification, Technology and Corporate Entrepreneurship can have a positive and significant effect, with indirect testing of Corporate Entrepreneurship through a Value Proposition. This is in line with the mandate of Government Regulation No. 54 of 2017 which requires a change in legal entity status from PDAM to a Regional Public Company (Perumda). It is hoped that by changing the legal status of drinking water BUMDs, it is possible to take advantage of existing opportunities to diversify business lines to increase profitability. Technological improvements also provide added value to facilities such as digital application payment systems and customer complaints based on the Whatsapp Business Application Programming Interface.

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