# Creativity, Quality of Work Life and Innovation Performance: A Study of Traditional Processed Food SMEs

*by* Anita Rahmawaty Dkk

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# Creativity, Quality of Work Life, and Innovation Performance: A Study of Traditional Processed Food SMEs

**SUDIYARTO[1], Mukarto SISWOYO[2]\*, Endang YEKTININGSIH[3],**
**Awan Kostrad DIHARTO[4], Anton BAWONO[5], Anita RAHMAWATY[6]**

[1]Agribusiness Department, Agriculture Faculty, Universitas Pembangunan Nasional "Veteran" Jawa Timur, Indonesia
[2]Public Administration Department, Social and Political Science Faculty, Universitas Swadaya Gunung Djati Cirebon, Indonesia
[3]Agribusiness Department, Agriculture Faculty, Universitas Pembangunan Nasional "Veteran" Jawa Timur, Indonesia
[4]Management Department, Economic and Business Islamic Faculty, Institute Agama Islam Negeri Surakarta, Indonesia
[5]Sharia Economic Department, Economic and Business Islamic Faculty, Institute Agama Islam Negeri Salatiga, Indonesia
[6]Sharia Economic Department, Economic and Business Islamic Faculty, Institute Agama Islam Negeri Kudus, Indonesia
\*Corresponding author; E-mail: mukartosiswoyougj@gmail.com

**Abstract**

*This research aims to test and analyze; (1) the influence of creativity of the SMEs owner/manager toward Quality of Work Life (QWL); (2) the influence of QWL toward innovation performance (IP); and (3) the influence of SMEs creativity (CR) toward innovation performance mediated by QWL. This research is conducted in two areas, which are East Java Province and DIY, Indonesia. The reason is because the traditional processed food industry in these two provinces is growing rapidly from the number of the businessmen, the product variance, and services offered. The respondent of this research is the SMEs owner/manager of traditional processed food industry in two provinces and it was taken randomly in Surabaya City, East Java and Sleman Regency, DIY with the number of respondents of 148 SMEs. The statistic technique is using Partial Least Square. The research result concluded that creativity is required to improve innovation performance, either directly or indirectly through QWL. QWL will be increased if there is a significant creativity role from the SMEs. Innovation performance also needs a significant role from the QWL of the SMEs owner/manager of traditional processed food.*

*Keywords: creativity (CR); quality of work life (QWL); innovation performance (IP); traditional processed food SMEs.*

## 1. Introduction

The success of SMEs business is mostly determined by its owner. The owner is the one who decide to develop the business or maintain the status quo. Hill (2001)stated that the main characteristic of small company is the omnipresence of the owner. Business success is a subjective concept since it is based on the owner perception about the meaning to be success (Simpson et al., 2004). The owner can feel the success differently and they can assume that they are success, although their success can be evaluated otherwise from the external perspective (Snell et al., 2015). Literature are traditionally defined business success can be seen from financial indicators, such as growth, profit, or turnover (O'Cass and Sok, 2013). Meanwhile, achieving business success is very important to be noticed by the owner. The empirical finding in the literature shows that the main motivation from the owner is not only include financial purpose, but also non-financial purpose (Dunkelberg et al., 20.) such as creativity (Wang and Cheng, 2010; Muafi, 2015), quality of work life (Lee and Sirgy, 2004) and innovation performance (Tabassum et al., 2011; An et al., 2011; Islam & Siengthai (2009; Pot and Koningsveld, 2009). It is known that SMEs that moves in the food processing industry in East Java and DIY are growing rapidly in the past two years. Besides the increased number of the businessmen, the products are also having more variance and become more innovative. The result of the interview and field observe explained that every year, the number of new business permit applications continues to increase. Unfortunately, the development of food processing industry is not followed by turnover increase in the past two years. It is because the business competition is getting tighter, so the selling price is also tight (https://regional.kompas.com/read/2012/05/18/02583393/Usaha.Camilan.dan.Kerajinan.Berk embang. accessed on August 30, 2018). On the other hand, the opportunity is still very great both for the domestic customer from another region who wants to taste the local food specialties and foreign customer. It is known that Surabaya and DIY are a crowd area to be visited by domestic or foreign tourists to taste the food specialties of each region, besides to go to the tourism area. Therefore, this research wants to fill the research gap by study further about the importance of creativity in improving QWL and SMEs innovation performance. It is important so that in the future traditional processed food SMEs in East Java and DIY provinces can survive and compete in a long run from the invasion of local and imported processed food industries that are very innovative and varied.

## 2. Literature Review

### QWL: Causes and Consequences

Although there is no definition that formally explain the meaning from quality of work life, industrial psychologist and management scholars generally agree that quality of work life is a construction that related with employee welfare and it is different from work satisfaction. Quality of work life is conceptualized by owner satisfaction with several needs through

resources, activity, and results that come from participation in the work place (Sirgy et al., 2001). Quality of work life understands the 'building' of the work place that desired physically and psychologically so that it can facilitate employee in satisfying important personal needs through their work experience while achieving organization goal (Brooks and Anderson, 2005).The comprehensive picture of quality of work life concept is found in three main works: Walton (1975, in Brooks and Anderson (2005), Taylor (1978), and Levine et al. (1984). Not all empirical references are uniformly prominent for all groups of employees. Therefore, various empirical references setting for different groups of workers are required. Although it is speculative and a priori, Walton (1975, in Brooks and Anderson, 2005), was the first writer who suggest eight dimensions and empirical reference based on the study of workers and their experience in the work place. Taylor (1978) did the first empirical examination using factor analysis to find out the basic structure of quality of work life. Furthermore, Levine et al. (1984) defined and measured the quality of work life in an insurance company from the perspective of white-collar employee. There are seven significant predictor of quality of work life that was found, namely: (a) the degree to which employers treat employee with respect and have confidence in their abilities, (b) variance in the daily work routine, (c) work challenges, (d) work now leads to future opportunities, (e) self esteem, (f) how far the life outside work affects life at work, and (g) how far the work contributes to society (Brooks and Anderson, 2005).Most of the work of quality of work life revolve around career development (Rose et al., 2006), the practice of human resources management (Connell and Hannif, 2009), leadership (Greenberg and Glaser, 1981), organizational change (Nykodym et al., 2008), life quality (Elizur and Shye, 1990), and employee motivation (Sirgy et al., 2001).Walton (1975, in Kumari and Sidhu (2017) suggested eight main conceptual category related with quality of work life, namely:

1. Adequate and Fair Compensation;
2. Safe and Healthy Working Conditions;
3. Opportunity to Use and Develop Human Capacities;
4. Opportunity for Career Growth;
5. Social Integration in the Work Force;
6. Constitutionalism in the Work Organization;
7. Work and Quality of Life;
8. Social Relevance of Work.

Even though the complexity of work life is increasing, the dimension from Walton's eight part typology quality is still become a useful analysis tool (Daud, 2010).These eight aspects have been used frequently by other researchers in examining the cause of QWL. Thus, this research is focused on the importance of the creativity of SMEs owner in designing its product and service for customers.

In the study of organization work and quality of work life, Rice et al. (1985)found that human act and intentional in certain context is very important to realize desired result.More specifically, the quality of work life that felt by a person is influenced by how they are involved in work, responding to the environment, and carrying out certain work activities. A person's intentions and actions towards work can affect the quality of work life they feel. Therefore, a deeper understanding about cognitive participation and behavior (act) can change the way a person feel and experience their work life. In another words, a person can learn to redefine their quality of work life by first understanding the value of work activities and their existence in the organization (Yeo and Li, 2013), especially the one that related with a person's creativity. Creativity is a very important component in the organization (Wang and Cheng, 2010; Muafi, 2015).

Researches that examine creativity toward QWL are still rarely done, while creativity is strongly related to improve someone's psychological well-being (Rasulzada, 2007; Priscilla et al., 2017). Creativity is the result of interaction between individual and environment. Individual will create something new based on the data, information, or previous experience. Knowledge and experience that has been gained throughout his life both in the work environment, family, and from the community can be useful for doing creative behavior (Hurlock, 2010; Ngalimun et al., 2013; Barrow, 2010; Csikszentmihalyi, 1996) and the new result will be more valuable (NACCCE (National Advisory Committee on Creative and Cultural Education, in Craft, 2005), and it can even change the world (Feldman (inCraft, 2005). Creativity emphasizes in 4 important types; person, process, press, and product. Person means someone's ability to create something new based on individual personal character without ever being bound by the values and norms that apply in society. There are four basic criteria: original, appropriate and relevant, fluent, and flexible (Jackson and Messick, 1965; Faidah and Said, 2017). Process means that there is a thinking process in producing new products. It is an ability that reflects smoothness, flexibility, and originality in thinking, as well as the ability to elaborate (develop, enrich, specify) an idea (Faidah and Said, 2017). Press means there is an internal self-encouragement in the form of desire to create or engage in creativity, as well as external encouragement from social and psychological environment. The product means the existence of a new product or an innovative elaboration of something that already exists (Faidah and Said, 2017).

The research result from Hanson (2014) proved that organizational learning and creativity is a strong predictor to increase QWL. Kelley and Littman (2001) also added that creativity is a precondition result from organizational innovation and business success in a long term. Creativity depends on the person, process, product, and place where someone works in the organization (Csikszentmihalyi, 1999). Organization has to provide support and empowerment in order to create creative person that can be a valuable asset in the long run (Muafi, 2015). The finding from Wenjing et al., (2013) also concluded that individual creativity has a significant influence toward innovation performance. This result is strengthened by the finding from Pereira and Sbragia (2016). Someone who has a high creativity in an organization will be able to give a significant contribution in increasing business success in the long run and competitive advantage of the company (Tushman& O'Reilly, 1997; Muafi, 20015; Hunt & Morgan, 1995; Hanson, 2014).

Quality of work life is not only contributes to the company ability to recruit qualified people, but also to increase the company visibility (Kumari dan Sidhu, 2017). Common belief supports the argument that quality of work life is optimistically fostering a more motivated, loyal, and flexible workforce that is needed in shaping the competitiveness of the company. Quality of work life stimulates employee work satisfaction (Ruzevicius, 2007) and it is very important to improve organization productivity and operation (Tabassum et al., 2011). According to Tabassum et al. (2011), quality of work life program can improve employee morale and organization effectiveness. The research result from Chip (2012) concluded that QWL has a significant positive influence toward organizational performance. The research result from Salajegheh et al. (2015) also proved that QWL has a significant influence in increasing organizational performance, including effectiveness, efficiency, productivity, quality, and innovation. This result is strengthened by the research finding from An et al. (2011; Islam & Siengthai (2009; Pot & Koningsveld (2009). Refers to the indicator, organizational performance can be measured by financial and non-financial performance. In this research, organizational performance is measured using innovation performance (Muafi, 2009; Alleyne, et al. (2005; Mathis and Jackson(2001). Innovation performance is strongly emphasized considering it is one of the encouragements of economic growth of a country. The ability to innovate has direct consequences for the ability to compete in individual company, even regional level. By having a high innovation performance, it will be easier for the owner/manager of SMEs to sell new product and produce a unique and different product compared to the competitor by using technology that

can generate an effective and efficient product/service (Sofyan, 2017).

*H1. The creativity of the owner/manager of traditional processed food SMEs has a significant positive influence toward QWL.*

*H2. QWL of the owner/manager of traditional processed food SMEs has a significant positive influence toward innovation performance.*

*H3. Creativity of traditional processed food SMEs owner/manager has a significant positive influence toward innovation performance mediated by QWL.*

## 3. Research Method

The type of this research is a survey with the population of all small medium enterprises (SMEs) of traditional processed food in Surabaya City, East Java which are spread in 31 sub-districts and in Sleman Regency, DIY which are spread in 17 sub-districts. The product of traditional processed food that is produced is food and snack, such as: cake, crackers, chips, snacks, and others. The method of selecting respondents chosen in this research was determined intentionally (purposive sampling) of 200 respondents, with the criteria as follows:

1. The selected SMEs are those that produce and market local specialties processed food business in Surabaya City and Sleman Regency.

2. Managers/owners of SMEs who have a minimum of two years experiences in running a business.

3. Those who understand and have the authority to do creative and innovative ideas to create products and services to customers.

The data collection result shows that the questionnaire that can be managed comes from 148 respondents, so it has fulfilled the criteria as a survey research. This research is using PLS analysis technique using SmartPLS program. The questionnaire from each variable is measured and sourced from;

1. Creativity (CR) is 6 items which is sourced and modified from Wang and Cheng (2010; Muafi, 2015).

2. Quality of work life (QWL) is 8 items which is modified from Brooks and Anderson (2005), Taylor (1978), and Levine et al. (1984)

3. Innovation performance (IP) is 5 items which is modified from Muafi, 2009; Alleyne, et al. (2005; Mathis and Jackson (2001).

Based on the results of data processing and the evaluation of convergent and discriminant validity of the indicators and construct reliability, it can be concluded that the item and indicators as the latent variable measurement is a valid and reliable measurement. The result of goodness of fit model by evaluating the inner model also concluded that the model is fit and it can be applied for research. The explanation will be more detailed in the research result.

## 4. Research Result

### Respondent Description

The majority of the respondent in this research is woman, which is 81 people or around 54.7%. Most of the respondents aged 30–40 years old, which is 61 people or around 41.2%. Most of the respondents education is Senior High School, which is 131 people or around 88.5%, and most of the respondents are married, which is 124 people or around 83.8%.

### Analysis of Research Model using Partial Least Square (PLS)

### Evaluation of Measurement Model (Outer Model)

### Test of Validity and Instrument Reliability

Outer modelor measurement modelis the assessment toward validity and reliability of research variable (Muafi et al.,

2017). There are some criteria to assess the outer model, such as:

Discriminant Validityis a method that is done using cross loading as in Table 1.

| Indicator | CR | IP | QWL |
|---|---|---|---|
| CR1 | **0.741** | 0.486 | 0.507 |
| CR2 | **0.703** | 0.319 | 0.299 |
| CR3 | **0.670** | 0.350 | 0.287 |
| CR4 | **0.713** | 0.356 | 0.383 |
| CR5 | **0.647** | 0.377 | 0.312 |
| CR6 | **0.684** | 0.512 | 0.320 |
| IP1 | 0.429 | **0.747** | 0.457 |
| IP2 | 0.479 | **0.740** | 0.397 |
| IP3 | 0.460 | **0.819** | 0.650 |
| IP4 | 0.453 | **0.674** | 0.521 |
| IP5 | 0.305 | **0.659** | 0.330 |
| QWL1 | 0.360 | 0.479 | **0.737** |
| QWL2 | 0.355 | 0.423 | **0.683** |
| QWL3 | 0.450 | 0.585 | **0.778** |
| QWL4 | 0.342 | 0.505 | **0.722** |
| QWL5 | 0.405 | 0.462 | **0.789** |
| QWL6 | 0.356 | 0.452 | **0.694** |
| QWL7 | 0.392 | 0.524 | **0.771** |
| QWL8 | 0.399 | 0.483 | **0.720** |

*Table 1.* Cross Loading Measurement Result

On Table 1, it has been explain that the cross loading value of each indicator from variable that is researched is greater than the cross loading of other variables. It means that the indicator or researched variable has good discriminant validity.

Discriminant validityalso can be done using square root of average variance extracted (√AVE) as seen on Table 2.

| Variable | CR | IP | QWL |
|---|---|---|---|
| CR | **0.694** | | |
| IP | 0.590 | **0.730** | |
| QWL | 0.521 | 0.667 | **0.738** |

*Table 2.* Square Root AVE and correlation between latent variable

On Table 2, it can be explained that the value of square root of average variance extractedof each latent variables that is researched is greater than the correlation value between each latent variables, so it can be concluded that it has good discriminant validity.

### Convergent Validity

Based on Table 3, it can be seen that in the measurement model of the latent variable of the research, all of the indicators are valid. It is because the result has greater value than 0.5 and the p-value is significant in the significance level of 95%. It reflects that the correlation of all variable indicators is positive and significant in reflecting research variables.

### Composite Reliability

Composite reliability tests the reliability value between indicator from the construct that form it. The test result of the measurement model of composite reliability is presented on Table 4.

Based on Table 4, it is obtained that the value of composite reliability of the research variable is greater than 0.8; and it has the AVE value that is greater than 0.4. It means that the research variable has a good composite reliability.

### Examination of Goodness of Fit Model

### Predictive relevance model ($Q^2$)

The structural model is evaluated by noticing $Q^2$ predictive relevance modelthat measures how well the observation value is produced by the model. $Q^2$ is based on the determination coefficient of all dependent variable.

| Path | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | Standard Error (STERR) | T Statistics (\|O/STERR\|) | Sig. |
|---|---|---|---|---|---|---|
| CR1 ← CR | 0.741 | 0.739 | 0.058 | 0.058 | 12.881 | 0.000 |
| CR2 ← CR | 0.703 | 0.697 | 0.062 | 0.062 | 11.261 | 0.000 |
| CR3 ← CR | 0.670 | 0.657 | 0.073 | 0.073 | 9.170 | 0.000 |
| CR4 ← CR | 0.713 | 0.705 | 0.065 | 0.065 | 11.003 | 0.000 |
| CR5 ← CR | 0.647 | 0.632 | 0.079 | 0.079 | 8.243 | 0.000 |
| CR6 ← CR | 0.684 | 0.684 | 0.057 | 0.057 | 11.940 | 0.000 |
| IP1 ← IP | 0.747 | 0.744 | 0.057 | 0.057 | 13.212 | 0.000 |
| IP2 ← IP | 0.740 | 0.734 | 0.051 | 0.051 | 14.461 | 0.000 |
| IP3 ← IP | 0.819 | 0.822 | 0.039 | 0.039 | 21.085 | 0.000 |
| IP4 ← IP | 0.674 | 0.674 | 0.064 | 0.064 | 10.525 | 0.000 |
| IP5 ← IP | 0.659 | 0.655 | 0.066 | 0.066 | 9.912 | 0.000 |
| QWL1 ← QWL | 0.737 | 0.730 | 0.067 | 0.067 | 11.065 | 0.000 |
| QWL2 ← QWL | 0.683 | 0.676 | 0.075 | 0.075 | 9.127 | 0.000 |
| QWL3 ← QWL | 0.778 | 0.780 | 0.040 | 0.040 | 19.612 | 0.000 |
| QWL4 ← QWL | 0.722 | 0.718 | 0.054 | 0.054 | 13.492 | 0.000 |
| QWL5 ← QWL | 0.789 | 0.784 | 0.045 | 0.045 | 17.516 | 0.000 |
| QWL6 ← QWL | 0.694 | 0.694 | 0.058 | 0.058 | 11.884 | 0.000 |
| QWL7 ← QWL | 0.771 | 0.770 | 0.052 | 0.052 | 14.941 | 0.000 |
| QWL8 ← QWL | 0.720 | 0.714 | 0.062 | 0.062 | 11.663 | 0.000 |

*Table 3.* Outer Loading of the Research Variable Indicator

| Variable | AVE | Composite Reliability |
|---|---|---|
| Creativity (CRV) | 0.481 | 0.848 |
| Innovation Performance (IP) | 0.533 | 0.850 |
| Quality Work of Life (QWL) | 0.544 | 0.905 |

*Table 4.* Test Result of Instrument Reliability

If $Q^2$ has a value that range from $0 < Q^2 < 1$, when the value is closer to 1, it means that the model is better. In this structural model, there are two endogenous variables which are Quality Work of Life and Innovation Performance. The determination coefficient ($R^2$) from the four endogenous variables is presented in Table 5.

| Structural Model | Endogenous Variable | R-square |
|---|---|---|
| 1 | Innovation Performance (IP) | 0.526 |
| 2 | Quality Work of Life (QWL) | 0.271 |

*Table 5.* Test Result of Goodness of Fit

In order to know the value of $Q^2$, the calculation is done as follows:

$$Q^2 = 1 - \{(1 - 0.526)(1 - 0.271)\}$$
$$= 1 - \{(0.474)(0.726)\}$$
$$= 1 - 0.344$$
$$= 0.656$$

The measurement result of $Q^2$ indicates that it is able to predict model until 65.6% while the rest 34.4% is caused by variables outside the researched model.

### Quality Indexes

PLS is also capable to identify the criteria of global optimization to find out the goodness of fit model (GoF). Based on Table 6, it can be seen that the value of GoF model reaches 0.455 which is greater than 0.36, therefore the model belongs in the large category.

| Variable | R Square | Communality |
|---|---|---|
| Creativity (CR) | | 0.481 |
| Innovation Performance (IP) | 0.526 | 0.533 |
| Quality Work of Life (QWL) | 0.271 | 0.544 |
| Mean | 0.398 | 0.519 |
| GoF | | 0.455 |

*Table 6.* GoF Result

### Test of Inner Model and Research Hypothesis

Inner model or structural model is evaluated by observing the value of parameter coefficient of path relationship between latent variables. Based on the conceptual framework of this research, the test of relationship model and hypothesis between variables can be done in two stages, which are:
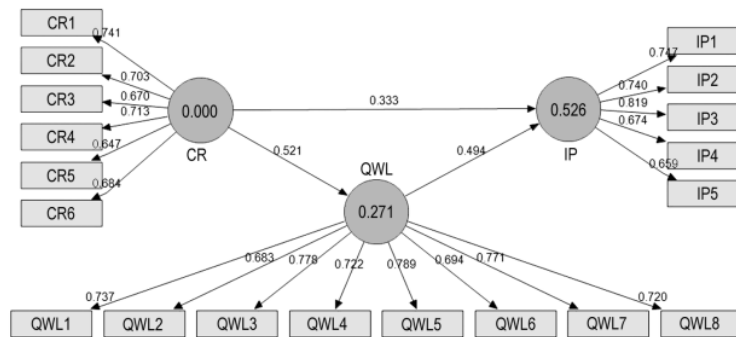


*Figure 1.* Diagram of Path Coefficient and Hypothesis Test

| Hypothesis | Path | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (\|O/STERR\|) | Sig. |
|---|---|---|---|---|---|---|
| 1 | CR→ QWL | 0.521 | 0.541 | 0.091 | 5.706 | 0.000 |
| 2 | QWL → IP | 0.494 | 0.499 | 0.119 | 4.138 | 0.000 |
| 3 | CR→ IP | 0.333 | 0.330 | 0.120 | 2.771 | 0.006 |

*Table 7.* Inner Model Test Result

### (1) Test of Path Coefficient of Direct Influence

The test result of the inner model in Table 7 shows that all of the relationships are significant at $\alpha = 0.05$.

1) Creativity (CR) has a positive and significant influence toward Quality of Work Life (QWL) with the path coefficient of 0.521 and the t test value = 5.706 (Sign $0.000 < \alpha$ (0.05). This means that the increase of Creativity (CR) will encourage the improvement of Quality of Work Life. Therefore, the first hypothesis is **accepted**.

2) Quality Work of Life (QWL) as a positive and significant influence toward Innovation Performance (IP) with the path coefficient of 0.494 and the t test value = 4.138 (Sign $0.000 < \alpha$ (0.05). This positive coefficient indicates that the increase of Quality of Work Life (QWL) will encourage the improvement of Innovation Performance (IP). Therefore, the second hypothesis is **accepted**.

3) Creativity (CR) has a positive and significant influence toward Innovation Performance (IP) with the past coefficient of 0.333 and the t test value = 2.771 (Sign $0.000 < \alpha$ (0.05). This positive coefficient indicates that the increase of Creativity (CRV) will encourage the improvement of Innovation Performance (IP). Therefore, the third hypothesis is also **accepted**.

### 2) Test of Path Coefficient of the Indirect Influence (Mediation)

Indirect influence is the magnitude of the influence of an exogenous construct on endogenous construct through other endogenous construct. In the path analysis model, there is one indirect influence as seen on Table 8.

| Hypothesis | Exogenous | Mediator | Endogenous | Sobel Test (a x b) | | | Decision |
|---|---|---|---|---|---|---|---|
| | | | | axb | Z-test | p-value | |
| 4 | CR | QWL | IP | 0.257 | 3.350 | 0.001 | Mediating |

Table 8. Path Coefficient of the Influence of Mediation and Hypothesis Test

The indirect influence of Creativity (CR) toward Innovation Performance (IP) through the Quality of Work Life (QWL) has a path coefficient of 0.257 with the z test of 3.350 (Sign $0.000 < \alpha$ (0,05). It means that Quality Work of Life (QWL) mediates the influence of Creativity (CVR) toward the Innovation Performance (IP).

## 5. Discussion

It cannot be denied that today the traditional processed food industry has grown rapidly. In one side, the growth of this industry is worth to be appreciated since it can absorb a relatively large amount of labor, capable to increase the per capita income of a region, and capable to utilize local resources that is owned by an area. However, this industry is still faced with fundamental problems that continue to be faced from year to year; capital, technology, resources, and human resources. They are also faced with a condition to be able to compete with creative and innovative imported processed food product. Therefore, the owner/manager of traditional processed food SMEs is required to have a high creativity spirit in producing processed food. A high creativity spirit can be obtained by processing food ingredients that are fresh and natural, more hygienic, not using coloring materials, varied, healthy, and can meet market tastes. This will be an added value for SMEs because customers will look for varied products that can meet their tastes and healthy. They will, from mouth to mouth, recommend to their colleagues and families to buy the product if they visit the two locations, Surabaya and DIY. It should be realized that Indonesia is wealth of food raw materials that are very abundant and it is supported by the local wisdom owned by each region. It shows that the potential of this industry is still very large to be developed. First, the market demand from domestic and foreign tourists is still very likely. Those who come to visit usually will buy souvenirs or fruit from typical processed foods of each region. Moreover, Surabaya and DIY are known to have excellent tourism potential. Second, it can be used as a way to promote their respective regions while still highlighting the local wisdom. SMEs owner/manager will feel that they have life satisfaction if they can optimize local resources and can empower local communities to be able to improve the quality of their work life so that their innovation performance will increase. This condition shows an opportunity that this industry can be directed towards exports. This explanation also **supports the first and third hypotheses** that the creativity of SMEs owner/manager can improve the innovation performance through the quality of work life. Creativity and quality of work life must be able to understand employee physically and psycho-logically so that their personal needs can be achieved. It surely can be obtained through work experience and training in accordance with their needs in achieving innovation performance.

By having a good quality of work life, the owner/manager of SMEs will have a strong urge to improve innovation performance in managing their business both from the product and service aspects provided to customers. The owner/manager of SMEs must have an efforts and policies about employee cognitive and behavioral participation that can change the quality of work life so that they can understand the value of work activities and their presence in the organization to become more innovative.

It is known that this business is usually inherited from one generation to the next. Therefore, if it cannot produce unique product and service performance, this business will be abandoned by its customers. Some product modifications from the taste and color aspects also make the appeal of its own tailored to the local and international customer segments. Local branding has also become a strong icon that is known to customers between regions and even abroad. The most interesting and important thing is that there must be work challenges and future opportunities, and also the contribution to society from the business. This can be a motivation for SMEs to improve their innovation performance. **This condition also supports the second hypothesis**. Therefore, there needs to be a harmonious collaboration with the surrounding community and local government. Local governments must support traditional processed food industries by providing policies and also coaching and mentoring programs to those who concerned about; regulation, capital and technological assistance, as well as technical assistance to them in order to further accelerate the industry's accelerated growth towards the global market.

## 6. Limitations of the Research

This research was only conducted in two major provinces in Indonesia. There are many other locations that are worth considering since each province in Indonesia has a characteristic that is both from the aspect of food and drink, or other aspects. Indonesian culture is very diverse and has its own uniqueness to be highlighted. This research is not be able to generalized traditional processed food SMEs in Indonesia because it is only carried out in two provinces in Indonesia, which is Surabaya and DIY.

Respondents filled out the questionnaire by cross section. The results tend to be less consistent and sometimes different if it is done in different situations and conditions. Therefore, in the future it is better to do research with experimental designs and

divide the export-oriented and local industry segments, so that the creativity models, quality of work life, and innovation performance can be identified more precisely.

## 7. Theory and Managerial Contribution

This research contributes in the strengthening of the model in the relationship between creativity-QWL-innovation performances especially in the setting of traditional processed food SMEs. The strengthening of creativity construct of the SMEs can be measured using respondents who are directly involved in increasing the creativity of business enterprises associated with the performance of innovations mediated by QWL. QWL constructs are very rarely found in SMEs owner/manager applications because there are so many studies that use employee respondents, especially if they are directly related to innovation performance.

The managerial contribution of this research is that SMEs owner/manager is required to have a lot of creativity and be innovative in producing unique and different products and services while paying attention to the local wisdom. Likewise, the SMEs owner/manager should pay attention to QWL and provide facilities, infrastructure, and compensation related to QWL aspect. On the one hand, the increase of Creativity (CRV) will encourage the increase of QWL. Therefore, SMEs should facilitate creative managers because they will be able to realize a good QWL. It also should be done in order to create a conducive work environment so that it can have an impact on the increase of QWL. If SMEs can facilitate a good QWL, it will be able to create new innovations that can encourage an increase in Innovation Performance. SMEs must motivate their employees to be creative so that Innovation Performance also increases.

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