

# Model of The Competitive Advantage of Creative Industries in Indonesia based on Helix Quadruple, Creativity and Innovation Capability

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This research aims to know and analyse the relationship between innovation capacity and creative industry performance in Indonesia. This study is based on the contribution of the creative industry in the national economy. The study method uses quantitative method through causal explanatory survey research. Innovative capacity measurements include product innovation and process innovation, while company performance is measured through Financial Perspective, Customer Perspective, Internal Business Process Perspective and Learning and Growth Perspective. The population of study were 368 players of the leather industry, leather goods and footwear in Bandung City Region West Java Indonesia, with sample size, referring to slovin formula, of 192 respondents. All research variables are measured by using Likert scale with data collection techniques through questionnaires on the perpetrators of SMEs. The data analysis model uses Structural Equation Modelling (SEM). The results show that Innovation Capacity has a significant influence on company performance. This study implies that to improve the performance of the creative industry, actors need to optimise the capacity to innovate through product innovation and process innovation, by producing superior and innovative products as well as being the leader of process innovation using the latest technology.

**Key words:** *Creative industry, entrepreneurship, innovation capability.*

## Introduction

Creative Industry is an economic activity that is related to creating or using information knowledge that is created from the use and skills possessed by each individual, to be able to create new jobs and can also create prosperity in an area (Sumawidjaja, R.N., Suryana., Ahman, E., & Machmud, A, 2019). Creative industries are the result of the creativity of every individual who can provide an important role in the economy of a country globally (Machmud, 2019). In Indonesia, there are various sub-sectors included in the scope of creative industries, including 16 sub-sectors (industries), namely: architecture, design interior, visual communication design, product design, fashion, film, animation and video, photography, craft, culinary, music, application and game developer, publishing, advertising, performing arts, fine arts, and television and radio (Perpres No. 72 of 2015).

The growth of the creative industries in Indonesia experienced a varied and encouraging increase from various creative industry sub-sectors. The creative industry has contributed to the national economy, where the creative industry contributes 7.38% to the national economy by absorbing a workforce of 15.9 million people (Statistik, B.P, 2017). The Ministry of Industry has noted that the contribution of creative industries has continued to increase on gross domestic product (GDP) in the last three years. In 2015 this sector contributed IDR 852 trillion, while in 2016 it reached IDR 923 trillion and increased to IDR 990 trillion in 2017. 2018 is projected to be more than IDR 1,000 trillion (Statistik, B.P, 2017). The role of creative industries is very important to economic growth, both on a large scale business or the scale of micro small and medium enterprises (SMEs). In Indonesia, the development of the creative economy in the economy is still dominated especially by the micro, small and medium scale industries (SMEs), which empower many laborers, the utilisation of local natural resources and national cultural wealth, so they deserve attention in their development. In 2016, there were 60 million units of SMEs, which had contributed 61.41% to the Gross Domestic Product (GDP) and 96.87% of employment (Sumawidjaja, R.N., Suryana., Ahman, E., & Machmud, A, 2019).

The growth of the creative industry still needs support from various parties, so that it has a major contribution in economic development and the problem currently faced is the ability of human resources, so that it has an impact on competitive advantage. The ability to foster creativity and enhance the innovation capabilities of creative industry players is needed to be able to grow and compete. Businesses in the creative industry sector are expected to be able to change their profit-oriented life culture to become customer-oriented so that a long-term profitable cooperation is formed (RK Esti, D Suryani, 2008). Good creative industry entrepreneurs are individuals who have the ability to take challenges, compete, develop business strategies and have a strong desire to achieve business goals (Oakley, K, 2004).

Quadruple Helix is the main pillar that plays a role in encouraging the growth of the creative industry which includes four sectors, namely: government, business, academia and civil society. The Quadruple Helix concept is the development of Triple Helix by integrating civil society and integrating innovation and knowledge (Afonso, 2012). Quadruple Helix Innovation Theory is a collaboration of four sectors, namely: Government, Business, Academia and Civil society that play a role in encouraging the growth of innovation. Creativity and innovation in organisations have an inseparable relationship that will support organisational innovation (Fernando, 2012), while the results of So Young's research (2010) state creativity has no effect on innovation performance. Innovation at all levels will produce optimal performance and competitive advantage (Toole, T. M., Hollowell, M., & Chinowsky, P, 2013). In previous literature studies, research on quadruple helix was applied more to large companies with advanced technology, whereas this research was applied to micro small and medium enterprises (creative industries) in the fashion sector, with the hope that new findings would contribute to the development of science. The four actors in the quadruple helix should work in an integrated manner, so that they can play their roles optimally, but the practice in the four sectors has not been able to collaborate well to support the growth of creativity and innovation for creative industry players in the fashion sector.

The role of academics/intellectuals has not been maximised in generating innovation and creative ideas, and research results have not been well utilised by business people. The role of the government is not optimal in stimulating the growth of business investment, and creating a conducive climate, and business has not been able to create a healthy business climate in accordance with business ethics, while civil society is the user of goods and services or overall economic output. A more comprehensive understanding of each party is needed to create a mutually beneficial collaboration between the four main actors, so that each will further enhance its role as the prime mover of the creative industry.

## **Literature Review**

### ***Quadruple Helix, Creativity and Innovation Capability***

Creative industry is defined as an industry that originates from the use of creativity, skills and individual talents to create prosperity and employment through the creation and utilisation of the creative power and creativity of the individual. There are 14 sub-sectors of the creative industries, namely: advertising, architecture, the art goods market, crafts, design, fashion, video/film/photography, interactive games, music, performing arts, publishing and printing, computer software services, television and radio, research and development (Disperindag, 2008).



The development of creative industries requires the support of cooperation between intellectuals, business and government, which is called the Triple Helix system, which is the main actor driving the birth of creativity, ideas and science. A premise is that Triple Helix circulation is an area that can move the community to enhance creativity, ideas and skills (Etzkowitz, et al, 2008). Concept Quadruple Helix is a Triple Helix development by integrating civil society (Afonso, 2012). The close relationship, mutual support and mutual symbiosis between the four actors is expected to be a driving force for the growth of a sustainable creative industry.

The role of scholars in the context of the creative industry is the desire to apply knowledge and transmit it. Scholars include cultural figures, artists, educators in educational institutions, pioneers in associations, cultural and arts studios, individuals or study groups and researchers, writers, and other figures in the fields of arts, culture and science. Determinants of success of small businesses are structural factors in meeting profits and location as well as business uniqueness (Hayes, J. P., Chawla, S. K., & Kathawala, Y, 2015).). The role of the business/company is as an organisational entity created to provide goods or services for consumers. Businesses are generally privately owned and formed to generate profits and increase prosperity for their owners, and can be shaped through sole ownership, partnerships, corporations and cooperatives. The role of government is as an institution that has the authority to develop creative industries, both by the central and regional governments, as well as linkages in substance and administrative relations. Synergy between departments and agencies in the central government, and synergy between the central and regional governments is needed to achieve the vision, mission and goals of the development of creative industries.

Quadruple Helix Innovation Theory aims to pay attention to the mechanism of innovation, economic growth, productivity and technology. The quadruple helix innovation process is directed at the production side, the high technology sector, and integrates innovation, knowledge, final output of goods and services and the role of civil society directed at the consumption side: technology, knowledge, goods and services and overall economic output (Afonso, 2012). Carayannis and Campbell (2009) added that Quadruple helix elements are government, research and development facilities, university laboratories, and civil society as a basis for innovation and knowledge. Intellectual capital is able to increase the capability of innovation (Hongwei, L., & Jun, L,2 015).). Competing industries in the global market not only rely on price and quality, but compete on the basis of technology, innovation, creativity and imagination (Kandampully, J., & Duddy, R. 1999). Innovation depends on employee knowledge, skills, and experience in value creation (Hsiung, H. H., & Wang, J. L, 2012). Creativity and innovation affect small entrepreneurship (Herlinawati, 2019. Machmud, 2018, 2019).

Quadruple helix innovation is the first theoretical framework that integrates relevant public investment and the importance of completeness between economic differences, expensive investments, and policies, to achieve a balance of economic growth (Afonso, 2012).

H1a: Intellectuals have a significant effect on creativity

H1b: Intellectuals have a significant effect on the capability of innovation

H2a: Government has a significant effect on creativity

H2b: Government has a significant effect on the capability of innovation

H3a: Business has a significant effect on creativity

H3b: Business has a significant effect on the capability of innovation

H4a: Civil society has a significant effect on creativity

H4b: Civil society has a significant effect on the capability of innovation

### ***Creativity and Innovation Capability***

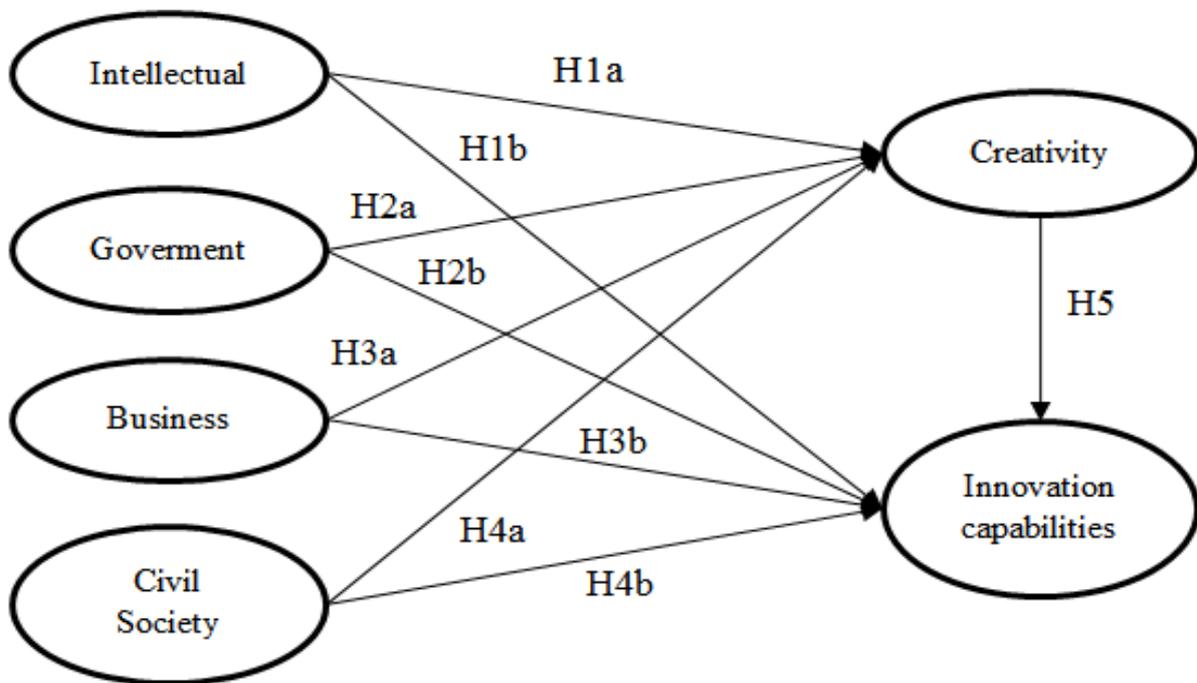
A person who will become an entrepreneur must have the ability to innovate (Larsen, 2007a, 2007b). The abilities that must be possessed by an entrepreneur are self-knowledge, imagination, practical knowledge, search skills, commitment and foresight (Kickul, J., & Lyons, T. S, 2016). The ability to innovate is very important to be able to compete and survive in an era of increasingly sharp competition. The needs and desires of consumers are always changing to satisfy themselves, so businesses will innovate continuously in order to create products that are in accordance with the wants and needs of consumers. Hills (2008) argues that innovation is an idea and practice that is considered new for individuals who carry out business activities. Suryana (2003), also believes that innovation is the ability to apply creativity in order to solve problems and opportunities to enrich and improve life. Entrepreneurs' orientation places more emphasis on innovation orientation, risk-taking, competing and looking for opportunities (Stam et al, 2008).

Keeh, et al (2007) explains the importance of companies innovating: 1) the development of technology changes so quickly that companies must adapt to changes these technologies, 2) rapid environmental changes caused by creativity and innovation, 3) consumer intelligence to meet needs, so innovation is needed to meet consumer expectations, 4) changes in market tastes and technologies that require fast products and services, 5) innovation is being able to create market segment development, establish a good corporate position and increase company growth. Entrepreneurship is passion, behaviour and the ability to take risks, creativity and innovation and management skills (Siagian, 1999). Knowledge sharing between members of an organisation tends to generate new ideas to develop process and product innovations (Mehrabani, S. E., & Shajari, M. (2012).

Zimmerer (2008) explains creativity is the ability to develop new ideas and find new ways of looking at problems and opportunities, while innovation is the ability to find creative solutions to problems and opportunities to improve or enrich life. Suryana (2003) says creativity is thinking something new. Creativity is the ability to develop new ideas and find new ways to solve problems and face opportunities, and for the creation of competitiveness and growth for organisations creativity is needed. The role of creativity is very big for the success of the creative industry business because creativity is an individual activity that leads to the birth of innovation, whereas innovation is more of a sub-sector activity that has focused on a problem-solving goal but rarely leads to creativity (Howkins, 2005). Product innovation and the process is very important for the organisation that will determine the success of the organisation (Nusair, N., Ababneh, R., & Kyung Bae, Y, 2012).

H5: Creativity has a significant effect on the capability of innovation.

**Figure 1.** Research Model



## Methods

This study aims to examine the effect of quadruple helix in enhancing creativity and capability of innovation and its implications for competitive advantage. The population in this study are all creative industries that are focused on the fashion sector in West Java, Indonesia. The sampling technique using purposive sampling method, which is choosing 6 districts/cities that have a lot of creative industries in the fashion sector, as well as a total sample of 220 respondents.



Quadruple helix variables include intellectual, government, business and civil society. Intellectual variables are measured through indicators: mentoring, management concepts and networking. Government variables are measured through indicators: government regulations, laws and policies. Business variables are measured through indicators: cooperation, IPR protection and business climate. The variable of civil society is measured through indicators: potential users, culture and communication media. The variable of creativity is measured through indicators: originality of ideas, uniqueness of ideas, variation of ideas and breadth of ideas. The innovation capability variable is measured through indicators: technological innovation, product innovation, market innovation and service innovation.

Then every variable and indicator are tested for validity and reliability. The measurement scale uses a score of 1 to 10, (1 = Strongly disagree, and 10 = Strongly Agree). In this study the data obtained will be processed using the Partial Least Square (PLS) program.

Characteristics of the sample are that they are predominantly male (77%), the majority of respondent ages ranged from 36-45 (49%), the level of education is Senior High School (44%), and based on the number of workers at most are 5-19 people (73%). The detail demographic profiles are presented in Table 1.

**Table 1:** Sample Characteristics

Item	Description	Sample	(%)
Gender	Male	170	77
	Female	50	23
Age	25-35	11	5
	36-45	130	59
	46-55	57	26
	56-65	22	9
	>65	3	1
Education	Elementary school	31	14
	Junior High School	51	23
	Senior High School	96	44
	Diploma	40	19
	Postgraduate	2	1
Duration of business (Year)	5-10	29	13
	11-15	40	18
	16-20	72	33
	21-25	40	18
	>25	39	17
Business Turnover per year (Rupiah)	350 million	94	43
	>350 million-2.5 billion	123	56
	>2.5 billion	3	1

## Results and Discussion

### *Development of Creative Industries in Indonesia*

The growth of the creative industries in the world is also followed by a positive trend in the growth of the creative industry in Indonesia as well. Based on various data compiled from the Creative Economy World Conference 2018, the creative industry sector in Indonesia has contributed gross domestic product of 852 trillion Rupiah, equivalent to 7.3 percent of Indonesia's total GDP over the past 3 years. In addition, the creative industry sector in Indonesia has contributed to exports worth USD 19.4 billion, equivalent to 12.88 percent of Indonesia's total exports. In terms of workers, the creative industry sector contributes to employment 15.9 million people, equivalent to 13.9 percent of total employment in Indonesia. That means there are 14 out of 100 people in Indonesia working in the creative industry.

The growth of the creative industry in Indonesia is also supported by the demographic advantages in Indonesia. Bappenas (2017) stated that the population of the productive age



(15-64 years) is predicted to reach 64 percent of the total population projected at 297 million in the coming 2030-2040. The data and phenomena above prove that the growth of the creative industry in Indonesia cannot be underestimated or has excellent opportunities. The creative industry sector in Indonesia is seriously developed with the aim of preparing Indonesia's young generation with the hope that they will be able to become successful creativepreneurs in the future for the Indonesian economy.

### **The Result**

The testing of the empirical model of this research is based on Partial Least Square (PLS) with Smart PLS software, and the analysis is carried out through two approaches:

1. Outer model, which is to measure the specification of the relationship between latent variables and indicators. Data validity testing is done through the Convergent Validity approach, where indicators are assessed based on the correlation between item scores/ component scores. The size of individual reflection is said to be high if it correlates more than 0.70 with the construct measured. But according to Chin, W. W., & Newsted, P. R. (1999) for the initial stage of research the development of a measurement scale of loading values of 0.50 to 0.6 was considered sufficient.

**Table 2:** Validity Test Results

Variable	Indicator	Loading factor	Conclusion
<b>Triple Helix:</b>  -Intellectual  -Government  -Business  -Civil society	Int1	0.872	Valid
	Int2	0.890	Valid
	Int3	0.884	Valid
	Gov1	0.809	Valid
	Gov2	0.877	Valid
	Gov3	0.850	Valid
	Bus1	0.847	Valid
	Bus2	0.886	Valid
	Bus3	0.839	Valid
	Cs1	0.871	Valid
	Cs2	0.907	Valid
	Cs3	0.892	Valid
Creativity	Kre1	0.776	Valid
	Kre2	0.793	Valid
	Kre3	0.885	Valid
	Kre4	0.826	Valid
Innovation capabilities	Ino1	0.820	Valid
	Ino2	0.773	Valid
	Ino3	0.861	Valid
	Ino4	0.874	Valid

In table 2 above the outer model value or the correlation between the contract and the latent variable shows that the loading factor has a value above 0.50, so the construct for all variables proves that the indicators are valid. The construct is said to have high reliability if the composite reliability value  $> 0.60$  and AVE are above 0.50.

Table 3 below shows the results of the Composite Reliability and Average Variance Extracted (AVE) testing that have fulfilled the reliability requirements of a construct.

**Table 3:** Reliability Test Results

Variable	Composite Reliability	AVE
<b>Triple Helix:</b>		
-Intellectual	0.912	0.776
-Government	0.882	0.713
-Business	0.892	0.734
-Civil society	0.920	0.793
Creativity	0.885	0.659
Innovation capabilities	0.902	0.697

2. Inner Model, which is to measure the specification of relationships between latent variables (structural models), also called inner relations, which describe the relationships between latent variables. The influence between research variables can be seen in the result of inner weight output, in Table 4.

**Table 4:** Influence between research variable

Influence between research variable	Original sample Estimate	Mean of Subsamples	Standard Deviation	T-Statistic	Conclusion
Intellectual » Creativity	0.300	0.309	0.071	4.231	Significant
Government » Creativity	0.140	0.152	0.068	2.053	Significant
Business » Creativity	0.383	0.379	0.063	6.067	Significant
Civil Society » Creativity	0.212	0.202	0.080	2.645	Significant
Intellectual » Innovation capabilities	0.136	0.134	0.071	1.918	Not Significant
Government » Innovation capabilities	0.083	0.075	0.060	1.381	Not Significant
Business » Innovation capabilities	0.124	0.118	0.052	2.367	Significant
Civil Society » Innovation capabilities	0.076	0.080	0.083	0.921	Not Significant
Creativity » Innovation capabilities	0.621	0.631	0.063	9.850	Significant



## Discussion

Triple Helix (intellectual, government and business) is a concept that is believed to be able to increase creativity, ideas and skills (Etzkowitz, 2008). The Quadruple Helix concept is the development of Triple Helix by integrating civil society (Afonso, 2012). Good collaboration between the four quadruple helix actors is expected to be the main driver of the growth of the creative industry. The results showed intellectuals, government, business, civil society have a significant effect on creativity. Likewise, business also has a significant effect on the capability of innovation whereas intellectuals, government and civil society do not have a significant effect on the capability of innovation, while creativity has a significant effect on the capability of innovation. Intellectuals have a large capacity in encouraging the growth of creativity, as well as maturing the concept of innovation and have the capacity to disseminate information with business networks.

Intellectuals have a role as agents who spread knowledge, art and technology and as agents who can develop creative industries in society. The results of intellectuals' research can be applied to the development of ideas for the creative industries and business management development, and intellectuals can implement their activities through continuous assistance for the improvement of management for creative industry players. Intellectuals are one of the drivers of the birth of creativity, ideas, science and technology for the growth of the creative industry, so that it will produce a creative industry that stands firm.

The role of the government, both central and regional, in fostering the creativity of creative industry players is quite good, namely as an institution that has the authority to make and implement laws. The role in driving innovation for the development of creative industries has not met their expectations. Guidance and assistance provided by the government are not yet in line with the needs of business actors, and more program assistance is top down, not according to the needs of business actors, so it has not been able to encourage the growth of corporate innovation. Likewise, monitoring activities have not been carried out continuously so that the assistance provided by the program has not been realised. Regulations and policies that are made should be more pro-creative industries, so they are able to support the growth of a sustainable creative industry. Synergy between departments and central and regional government bodies is needed to achieve the vision, mission and targets of the development of creative industries.

The role of business is as a business actor, investor, creator of new technology and consumers in the hope of being able to support the sustainability of the creative industry. The role can be realised in the form of: creative product and service creators, new markets that can absorb products and services produced, and create jobs for creative individuals, create creative communities and entrepreneurs, namely as a driver for the formation of public space, so



sharing will occur, which can hone the creativity of business people. The formation of the business community will be able to change the mindset of the creative industry business people as well as sharing business management that leads to innovation in various fields capable of supporting the development of creative industries.

Civil society is expected to have a major role in the development of creative industries, namely to become a medium of communication of products produced by creative industry players, as well as to create a culture to use products produced by creative industry players and to be potential consumers who are able to boost domestic product results. Civil society is only able to become the driver of the growth of creativity, but the existing creativity cannot be implemented in the form of innovation, so that innovation has not been able to be an incentive to increase the capabilities of innovation. Civil sociality is part of the Helix Quadruple which has the role of integrating media, culture and consumers (Afonso, 2012). Creativity has a very big role for business success because creativity is an individual activity that leads to the birth of innovation, while innovation is more a sub-sector activity that has focused on a problem-solving goal (Howkins, 2005).

Rapid environmental changes require creativity and innovation, in order to be able to respond to changing consumer needs. This is consistent with the results of Larsen's (2007) research, that companies without innovation will not compete and survive in an era of increasingly sharp competition. Changes in the needs and desires of consumers to satisfy themselves will spur companies to innovate continuously in order to create products that are in accordance with consumer desires, so that businesses must be creative and innovative. Creativity is the ability to develop new ideas and find new ways of seeing problems and opportunities, while innovation is the ability to find creative solutions to problems and opportunities. Creativity is the ability to develop new ideas and find new ways of solving problems and facing opportunities. Therefore, entrepreneurs have a competitive advantage and success must have the ability to think creatively and innovatively. The creative process usually begins with the emergence of new ideas that are unique, new thinking to create something new, different and original. Creativity is the ability to develop new ideas and find new ways of solving problems and facing opportunities.

The idea will become an opportunity if the entrepreneur continuously evaluates, through the process of creating something new and different, observing the door of opportunity, analysing deeply, and calculating the possibility of risks that will occur. Opportunities will be obtained if the business actor has the ability and knowledge, such as the ability to produce new products and services, generate new added values, new techniques, and develop new organisations.



## **Conclusion**

Quadruple helix (intellectual, government, business and civil society) has a large role in developing creativity, but has not been able to improve the innovation capabilities of creative industry players. The synergy of the four actors is needed, so that each is able to play their role in encouraging the growth of the creative industry. The focus of this research is the creative industry in the fashion sub-sector and the variables studied include: quadruple helix (intellectual, government, business, civil society), creativity and innovation capability. The limitations of this study only took a small sample of 220 respondents while the number of creative industries in the fashion sector was very large, so the results of this study were still numerous.

Future research is expected to be able to choose more focused research objects, add other relevant variables that can influence creativity and innovation ability, so that the results obtained will be better for the development of the creative industry as a whole.

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