# LEVERAGING SMES PERFORMANCE OF SUSTAINABILITY: CREATIVITY AND INNOVATION BASED ON HR COMPETENCY AND MARKET POTENTIAL IN THE ERA OF IR 4.0

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# ABSTRACT

SMEs play a role in the development of the national economy of Indonesia, but on the other side of sustainability is highly dependent on human resources-based creative and innovative human resources and market potential in the industrial revolution 4.0. The study aims to analyze and understand the effects of human creativity and innovation on the performance of SMEs sustainable by considering the target market. Research using quantitative methods with Structural Equation Modeling (SEM), analysis of data using PLS-Smart software. The data collection method and a questionnaire survey with a sample of 246 of the fashion industry. The results showed that HR competencies influence on creativity and innovation and performance of SMEs. Creativity and innovation-based SMEs are not enough human resources to compete, so it takes the analysis of the domestic and international market potential in the global era and the Asean Economic Community (AEC) to excel compete. The business continuity of the fashion industry is highly dependent on the involvement of government and other stakeholders in improving the creativity and innovation of information-based technologies, become independent and capable SMEs clean in the digital age. This model is expected to enhance the innovative SMEs role in improving the nation's competitiveness in the world market through the study of aspects of the sustainable creative economy become independent and capable SMEs clean in the digital age. This model is expected to enhance the innovative SMEs role in improving the nation's competitiveness in the world market through the study of aspects of the sustainable creative economy become independent and capable SMEs clean in the digital age. This model is expected to enhance the innovative SMEs role in improving the nation's competitiveness in the world market through the study of aspects of the sustainable creative economy.

Keywords: HR Competency, Creativity and Innovation, Sustained Performance, Digital Era.

#### **INTRODUCTION**

The 21st Century considerable influence on the radical changes in organizational processes. Challenges to change the methods, techniques, tools or strategies needed every business to survive in the era of industrial revolution 4.0 (Adamik, 2019). Sustainability of the organization in the era of the Industrial Revolution 4.0 is affected by management's commitment to access resources and information to enhance the innovation capability (Imran et al., 2019). Organizational commitment to access to information, especially relating to resources and

markets can improve the ability of innovation and sustainability of the organization. Increased creativity and innovation are not enough human resources to improve organizational performance require high commitment from business managers to human resource management and market orientation. Comprehensive benefits derived innovation,

Indonesian creative economic development of various sectors of the Year 2011-2015 tends to increase the effect on global economic growth. Based on data from Bekraf, the creative economy accounted for 7.38 percent of the total national economy with a total GDP of about Rp 852.24 trillion. Each contributing sub-sectors, is a culinary 41.69%, 18.15% fashion, and craft 15.70%.

The sub-fashion sector in No. 6 out of 15, the mapping of the creative industries by the Ministry of Commerce of the Republic of Indonesia. But on the other side of the fashion sector in the years 2012-2013 decreased from 44.3% to 24.8% and there was no information on data in 2014-2015 (CBS, Pusdatin Ministry of Industry, 2016). The area in West Java increased the growth of the fashion industry that is good enough and the city of Bogor and Sukabumi Regency. However, if the fashion industry is not getting serious attention from the government and the parties concerned, then the long run will be unable to compete in the global era and MEA.

The global marketplace is characterized by three important things, namely transience, diversity, and novelty. Businesses must anticipate the rapidly changing consumer tastes, providing plenty of choice of superior products, the result of creativity and innovation. Human resources play an important role in realizing creative and innovative businesses by leveraging internal and external opportunities. Indonesia with artistic backgrounds and diverse cultures provide a significant opportunity for the fashion industry in developing products that are creative and innovative through human resources have creation without limits and constant innovation is the capital businessman creative, to create products that are unique, multifunctional and competitive,

Some studies found the presence of the creative industry can improve economic growth, social welfare (Gunawan et al., 2017), and creating employment opportunities, (Nasir & Yuslinaini, 2017). Creative fashion industry success in the future depends on the viscosity of government, and the support of industry associations (Achwan, 2013), and the involvement stakeholders. Stakeholders (central and local governments, financial institutions, business associations, universities, cooperatives, and NGOs) have a role in improving the performance of SMEs, (Harini, 2018).

Research on creativity and innovation management market-oriented has not been done comprehensively manner, some studies do the partial influence of creativity and innovation management on the performance and increase market-oriented organizational performance. The incorporation of human resource management and market management is essential in the global era, so the company does not merely produce an innovative product of creative human resources, yet innovative products that have market potential. This is important in practice some of the innovative products produced through the process of selection of raw materials, technology, and creative human resources but not sold and improve organizational performance because it does not consider the market so it is less interested in the community.

Based on the background and the problems mentioned above, the special purpose of this study to design a model of performance improvement through the development of creativity and innovation potential market-based fashion industry. The research model is expected to contribute to the creative industry and the fashion industry in general in improving organizational

performance on an ongoing basis. Stakeholders to improve the welfare of the fashion industry, the development of the creative economy and the economy of an independent nation.

#### LITERATURE REVIEW

# **Market Potential**

The most important stage in the market analysis is the analysis of the market potential is to know the desires and preferences of consumers before determining which products will be offered (Klink & Athaide, 2006). Analysis of the market potential of consumer desire to increase revenues and state, (Hanson, 2005); (Loez & Faina, 2006). Attention to the wishes and preferences of global consumers can increase the country's export target, Shabaninejad et al. (2019).

# Competency

Competence is a foundation in managing human resources, (Telha, 2016). Competence has a direct relationship with the company's performance (Kabir Ibrahim & Shah, 2017). Entrepreneurial skills influence entrepreneurial competence (Isaac et al., 2018); and competencies (knowledge, skills, and attitudes) are part 6 competencies that are critical to the sustainability of entrepreneurship (Ploum, et al., 2018). Competencies required every entrepreneur to learn to successfully create a more dynamic future.

# Creativity

Creativity is the ability to generate new work, and appropriate or beneficial, (Sternberg & Lubart, 1999). Creativity, the capacity or the ability to produce or create something unique, the solution of a problem, or something different from the standard. Creativity is the main capital for the superior performance of human resources. Creative human resources capable of completing the job effectively and efficiently. Creativity effect on innovation businesses (Bissola, 2011).

#### Innovation

Creative behaviour in life and work to improve innovation, including open innovation, user innovation and community innovation (Amabile, 2017). Kretivitas so it must be managed properly to produce innovation. Innovation management will deliver innovative products as a form of short-term success and long-term viability of the company (Pitt & Mccarthy, 2008). Creativity and innovation are part of the competence (Weinert, 2001) and have an important role for entrepreneurship or business actors industry, (Edwards, et al., 2015), creativity, innovation, and entrepreneurship are interconnected with each other, (Coulson, 2017).

#### **SMEs Performance**

Nowadays, entrepreneurship is determined by how fast the ability to manage creativity and innovation to the company activities. Management of creativity and innovation are key factors in the success of efforts to achieve the business world. Innovation is the implementation of creativity in solving the problems the company is as important as the vision, goals, and strategies of the company (Jakanova, 2012). Competence and entrepreneurial characteristics affect the performance of the business (Sujono et al., 2015). Innovation and entrepreneurship have a relationship (Schumpeter, 1939); business creativity affects business performance (Oktarina, 2019); CEO characteristics positive effect on innovation performance of the biotechnology industry in Korea (Kang & Lee, 2008).

# **Creative Industry**

Creative industries based on industry classification are defined as an attempt to turn inputs into something that is creative or intellectual property nature of the output. Creative industries from the perspective of the definition of new markets are the extent to which demand and supply market operates in a complex network (Potts, 2008).

In other words, creativity and innovation are important for every employee and creative industry businesses by considering the competence and market potential to gain a competitive advantage in the era of industrial revolution 4.0.

Based on the theoretical framework and the results of previous studies on the potential of the research hypothesis, competence, creativity, innovation and creative fashion industry performance is: no direct impact on the market potential and creativity (H1); no direct impact on the competence of the creativity (H2); no direct effect on innovation competence (H3); No immediate direct influence creativity to innovation (H4); creativity is no direct influence on the performance (H5); no direct influence on the performance of innovation (H6); there is no direct influence on the performance potential for innovation through creativity (H7); there is no direct influence on the performance potential through creativity (H8); No effect of competence to innovation through creativity (H9); No indirect influence on performance through creativity competence (H10) (Figure 1);

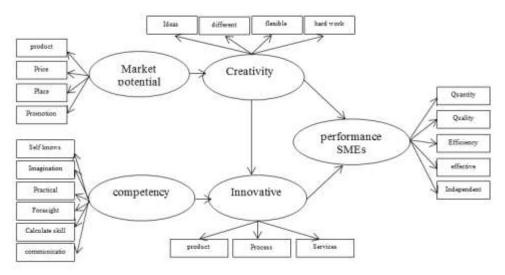


FIGURE 1 CONCEPTUAL FRAMEWORK

#### **Conceptual Framework**

Figure 1 illustrates the framework of this study which aims to determine how creativity and innovation mediate potential, competence and performance of the creative fashion industry in Indonesia.

# **RESEARCH METHOD**

# **Participants**

The sample size is based on a simulation Boomsma, it takes at least 100 for the appropriate analyses (Westland 2010). The study sample as many as 246 businesses fashion creative industries in Bogor and Sukabumi, West Java Indonesia, selected by purposive sampling from March to July 2019. Data were collected using a questionnaire, with a Likert scale of 1 (strongly disagree) to 5 (strongly agree). Thirty additional business operators who have to provide the appraised value of the pilot (Tuntivivat et al., 2013).

#### Data analysis

The estimation of the model using data analysis procedures Partial Least Square (PLS), Hair, Ringle & Sarstedt, (2016). PLS is a statistical technique with the second generation of structural equation models containing latent variables and a set of causal relationships (Piriyakul, 2011). PLS path model used in the analysis of pathways with latent variables to the covariance-based structural equation modelling (SEM CB) as LISREL and AMOS. Model lines PLS do not need the assumption of normal by using the Least Square method in turn algorithms maximum likelihood, requires a sample size that can be received by only 10 times for the total number of indicators, can handle large models, i.e. latent variables and variables manifest, and always convergent (Haenlein & Kaplan, 2004).

# ANALYSIS AND RESULTS

#### **Descriptive Statistics**

CHARA	TABLE 1 CTERISTICS OF THE I	FASHION I	NDUSTRY
	BUSINESS COMM	UNITIES	
No.	Commentary	amount	percentage%
	Types of products:		
	batik	47	19
1	embroidery	30	12
	shoe	103	42
	Bag	66	27
	Gender:		
2	Male	133	54
	Woman	113	46
3	Age (Years):		
3	20-30	74	30

Descriptive statistics fashion creative industry businesses are shown in Table 1

	31-40	115	47
	41-50	52	21
	> 50	5	2
	Education:		
	SD	22	9
4	SMP	59	24
	SLTA	150	61
	Diploma / Bachelor	15	6
	Revenue per year:		
	<12 Million	47	19
5	12-36 Million	128	52
	36-60 Million	54	22
	> 60 Million	17	7
Source: Data p	processed, 2019		

Generally most of the creative industry businesses engaged in the business of fashion bag, with male gender, high school education or equivalent level, age 30-40 years, and the level of income of £ 12-36 million per year. Low-income levels are still thought to be caused by a low level of education that affects the business particularly low competence in creativity and innovation are very important for the business of fashion creative industries.

# Validity and Reliability

The measurement results outer final model of the 41 items (potential = 8 items, competence = 8 items, creativity = 6 items, innovation = 7 items, and performance = 12 items), each of the items had loadings factor ranging between 0503-0821 (more of 0.5). Thus we can conclude the whole item of the questions used to measure construct well or meet the assumption of convergent validity. The results show the value of the discriminant validity root Extract Variance Average (AVE) ranges greater than the value of the correlation, so that the entire construct is valid. And the evaluation results of composite reliability (CR) ranged from 0.8303 to 0.8955 (greater than 0.6) it can be concluded the entire construct is reliable (Table 2).

LOADING	TABLE 2 LOADING FACTOR, AVERAGE VARIANCE EXTRACT (AVE) AND THE COMPOSITE RELIABILITY (CR)					
variable	indicators	Items	Loading Factor	Statistic T-	AVE	CR
Potential					0.3948	0.8361
	product	P1.1	503	2,049		
		P1.2	624	2,617		
		P1.3	757	3,571		
		P1.4	701	3,313		
	Price	P2.1	517	2,036		
		P2.2	579	2,689		
	Promotion	P3.1	547	2,682		
		P3.2	742	2,844		
Competency					0.5202	0.8955

	immagination	C1.1	772	30 198		
		C1.2	730	17 360		
	Calculate skill	C2.1	761	22 887		
		C2.2	733	19 917		
	Communication	C3.1	707	19 772		
	Practice skills	C4.1	708	19 504		
		C4.2	519	7,743		
		C4.3	804	30 916		
Creativity					0.5423	0.8748
	Ideas	Cr1.1	821	34 317		
		Cr1.2	793	27 224		
	hard work	Cr2.1	733	21 909		1
		Cr2.2	531	7217		
	different personal	Cr3.1	796	31 488		
		Cr3.2	706	18 044		
Innovation					0.414	0.8303
	input	I1.1	579	10,656		
	Process	I2.1	704	17 135		
		I2.2	603	10 021		
		I2.3	550	10 041		
	Services	I3.1	741	23 125		
		I3.2	683	12 336		
		I3.3	620	12 061		
Performance					0.3546	0.8667
	Quantity	P1.1	513	6496		
		P1.2	512	5,907		
	Quality	P2.1	632	12 086		
		P2.2	605	9141		
		P2.3	558	7917		
	Efficiency	P3.1	753	22 046		
		P3.2	671	13 091		
		P3.3	644	9673		
	effective	P4.1	528	7347		
				7 (00		
		P4.2	558	7,680		
		P4.2 P4.3	558 595	7,680 8728		

#### RESULTS

#### **Hypothesis Testing**

The path coefficients used in testing the causal relationship between the variables in the structural equation modelling and the results are presented in Table 3.

	TABLE 3 RESULTS OF HYPOTHESES TESTING		
effect	Hypotheses	coefficient	T-Statistic
Direct	H1: Potential effect on Creativity	0048	0813
Effect	H2: Competency effect on Creativity	0722	21 659 *
	H3: Competency effect on Innovation	0534	6978 *
	H4: Creativity effect on Innovation	0138	1740 **
	H5: Creativity Effect on Performance	0145	1874 **
	H6: Innovation Effect on Performance	0278	3,752 *
indirect Effect	H7: Potential Creativity on controlling out the effect of Innovation	0007	0621
	H8: Potential Performance on controlling out the effect of Creativity	0007	0608
	H9: Competency Innovation on controlling out the effect of Creativity	0099	1703 **
	H10: Competency Performance on controlling out the effect of Creativity	0105	1875 **
	H11: Competency Performance on controlling out the effect of Innovation	0149	3,217 *

- H1: Found no direct influence between the market potential and creativity at the 0.05 level and 0.10. This suggests an opportunity or a potential market does not affect the improvement of creativity.
- H2: Found no direct influence positive and significant at the 0.05 level of competence in creativity. The Influence of competence in creativity is 0722, meaning that the higher the competence of creativity is increasing. The relationship between competence and strong creativity.
- H3: Found no direct influence positive and significant at the 0.05 level of competence on innovation. The Influence of competence of the innovations is 0534, meaning that the higher the competence of the innovation is increasing. The relationship between competences and innovation is strong.
- H4: Found no direct influence positive and significant at the 0:10 between creativity to innovation. The Effect of creativity and innovation is 0138, meaning that higher creativity, increased innovation. creativity and innovation relationship is strong.
- H5: Found the positive and significant direct effect on the level of 0:10 between creativity on performance. Creativity influence on performance is 0.145, meaning that the higher the creativity of the performance increase. The relationship between creativity and performance is strong.
- H6: Found no direct influence positive and significant correlation between innovation performance. The Effect of innovation and performance is 0.278, meaning that the higher the innovation, the performance increase. The relationship between innovation and performance is strong.
- H7: Not found to influence the potential for innovation through creativity at a rate of 0:01 or 0:05. This shows the potential does not affect creativity and innovation.
- H8: Not found a potential influence on performance through creativity at a rate of 0:01 or 0:05. This indicates the potential for creativity and does not affect performance.
- H9: Found indirect influence competence to innovation through creativity at the level of 0.10. The influence of competence to innovation through creativity is 0.099, meaning that the higher the competence of the increasing creativity and innovation is also increasing.

- H10: Found no competence indirect influence on performance through creativity at the level of 0.10. The influence of competence on performance through creativity is 0105, meaning that higher competence, creativity increases, and higher performance.
- H11: Found no indirect influence on performance through innovation competence at the 0.05 level. The influence on performance through innovation competence is 0149, meaning that the higher the competence of the innovations will increase and higher performance.

# DISCUSSION

The study found that the potential does not affect the creativity of the creative industry businesses. This study did not confirm the finding that creativity is based on the potential market or consumer desire to reduce the risk and uncertainty for businesses (Lopez, et al., 2017), and the application of market orientation in product development to support the success of the company's product innovation (Cassel, 2015). Attention to potential markets or market orientation can improve company performance through creativity and innovation in thinking and practice of modern marketing, (Wang & Miao, 2015). This shows that the creative industry businesses do not utilize the market potential as part of its marketing strategy, which is thought to be an obstacle for creative industries to compete in local and international markets.

The influence of competence to innovation through creativity show that competence is needed to enhance the creativity of the creative industry businesses, thus increasing creativity will be able to increase innovations in inputs, processes, and products. The study was supported by Palacios (2016), found that competency-based management can improve the ability of innovation. Creativity is the foundation of innovation development. Thinking, behaviour, problem solving, innovative new knowledge can address business risk and create value for entrepreneurs (Matthews & Brueggemann, 2015), Creativity is associated with the ability to innovate within the competence of an entrepreneurial base (Edwards, et al., 2015).

Competence influence performance through creativity. This shows that the improvement of competence is essential to creativity creative industry businesses increased and therefore contributes to the improved performance. This study confirms the results Lau (2016), found that competence and creativity are developed through professional training programs for the development of creative industries. Competence, creativity, and innovation affect the performance of entrepreneurs found by Osei & Ackah (2015); Al Mamun & Fazal, (2018); and Van et al. (2018). Therefore, an increase in competence through education, training, workshops, and mentoring industry partners can enhance the creativity of businesses to find new ideas for the product produced.

Creativity's influence on performance through innovation shows that, for the performance of businesses increases, the creative industries should be enhanced innovation capabilities through increased creativity. This is in line with the study of Chen et al., (2016); Dessie & Ademe, (2017); Darus et al., (2018), that an increase in creativity and innovation affect industry performance. Therefore, the comparative study to major industrial and industrial visits to other countries, and involvement in exhibitions of creative products can enhance the creativity and innovation that affect the performance of entrepreneurs of creative industries.

Finally, the study concluded that increased competence must be done so that creativity and innovation increases and the impact on the performance of entrepreneurs enhancing creative industries. Training through funding the development of quality human resources from government and related agencies, assisting educational institutions in improving the ability of IT entrepreneurs and facilitation of study visits or visits to the country of residence may improve the insight and knowledge entrepreneurs creative industries so as to increase the power of creativity and innovation in the input, processor technologies, and global product development.

#### CONCLUSION

Competence effect on creativity, innovation, and performance of entrepreneurs of creative industries. For the performance of entrepreneurs of creative industries is increasing the competence enhancement is done by giving the fund the development of quality human resources through learning, training, workshops, mentoring and facilitation of study visits to industrial partners as well as other countries are oriented in the era of green management 4.0.

Although the results showed potential has no effect on creativity and innovation, suspected this was due to creative industries have not ever seen the market potential as an important part that must be considered to be competitive in the global era that is competitive in the era of the Industrial Revolution 4.0, so understanding the meaning important attempt to look at the potential market strategy needs to be done in order to improve the insight and knowledge as superior businesses to compete.

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