BREAKTHROUGH IN INDONESIAN CREATIVE INDUSTRY THROUGH SOFT INNOVATION

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ABSTRACT

The creative economy is conceptualized as a process of creating value-added ideas based on the creativity of human resources and the utilization of science, including cultural heritage and technology through the realization of innovation. The difference between hard innovation concept which emphasizes on product functionality aspect, with soft innovation which emphasizes non-functional aspect such as aesthetics and intellectual property will be very valuable in creative industry business practice in improving creative economic development especially in Indonesia. This phenomenon becomes very interesting to be studied. The research method used is survey method with creative industry research object with 2 creative industries sub-sector as much as 30 creative effort in Bandung then analysed by using SPSS and path analysis model. This study examines co-creation variables as a variable mediation for entrepreneurial orientation and creative people in improving soft innovation in the world of creative industries in Indonesia. The results confirm that co-creation is capable of mediating well between variables of entrepreneurial orientation and creative people variables in developing soft innovation in Indonesian creative industries.

Keywords: Soft Innovation, Co-Creation, Creative People, Entrepreneurial Orientation, Creative Industries.

INTRODUCTION

Innovation is interpreted as a successful exploit of new ideas (UK Trade and Industry Department, 2003). This implies that there is no limit to exploiting new ideas. Exploitation of new ideas can be done either on the improvement of functional products, as well as non-functional products. Another statement defines innovation as 'the implementation of a new or improved product, process, new marketing method or a new organizational method in business practices, workplace organization or external relations' (OECD and Eurostat, 2005). Under the definition, it is understandable that the minimum requirement to be said to be an innovation is when the product, process, marketing method or organization method is completely new (or significantly increased) for the company.

Based on these definitions can be understood that the minimum requirement for an innovation is said to be the current product, process, marketing method or organizational method is completely new (or significantly improved) to the firm. Some literature and innovation-related

research results also explain the shift in the meaning of innovation. Postrel states in his book "The Substance of Style: The Rise of Aesthetic Value is Remaking Commerce, Culture, and Consciousness" that aesthetics are an increasingly important element in society, and people not only care about the functionality of the product but also the appearance and nuances (Postrel, 2004).

Other studies confirm the importance of aesthetics (as compared to functionality) in product demand (Swann and Birke, 2005). Similar results confirm the shift in innovations that are beginning to consider aesthetic innovations, including design innovation and style innovation. The main distinguishing characteristics identified are the contrasting aesthetic and functional viewpoints (Alcaide-Marzal and Tortajada-Esparza, 2007; Swann and Birke, 2005). The results of the research have been figured out so that it can examine more hard innovation based on product functionality, and soft innovation that not only emphasizes the functional aspects, but also to aesthetics, and intellectual property. Research conducted on two sub-sectors of creative industry in Indonesia that is in the fashion industry (fashion/ shoes/accessories) and handicraft so that can cultivate the centre of the entrepreneurial industry of craftsmen in Bandung city. The problem in this research is interesting to conduct research on the relationship of entrepreneurial orientation, creative people with co-creation mediation towards soft innovation in the creative industry in Indonesia.

LITERATURE REVIEW

Relationship of Entrepreneurial Orientation to Creative People, Co-Creation and Soft Innovation

Some researchers have found that entrepreneurial orientation can positively influence the level of corporate innovation (not only in companies but also with partner companies in strategic alliances (Jiang et al., 2016). The research on entrepreneurial orientation has grown rapidly along with the strong allegation that entrepreneurial orientation is able to significantly improve company performance (Bayarçelik and Özşahin, 2014; Emake-Szidónia, 2015; Jiang et al., Chavez et al., 2017; Lumpkin and Dess, 1996, 2001; Walter et al., 2006; Zehir et al., 2015; Zhang et al., 2016). Other researchers confirm that entrepreneurial orientation mediated by network capability with its environment will improve performance (Walter et al., 2006).

Entrepreneurial orientation is multidimensional. Miller stated that the dimension of entrepreneurship orientation consists of dimensions of proactiveness, innovativeness, and risk-taking (Miller D, 1983). Next, Lumpkin and Dess incorporate the autonomy and competitive aggressiveness dimensions into the construction of entrepreneurial orientation, bringing the total dimensions of entrepreneurial orientation to 5 i.e., proactiveness, innovativeness, risk taking, autonomy, competitive aggressiveness (Lumpkin and Dess, 1996). Ogunsiji identifies two characteristics of classical entrepreneurship, namely the ability to identify business opportunities and the ability to act. He pointed out that there are some characteristics of entrepreneurial orientation such as opportunistic vision ability, innovative, proactive rather than reactive, and high profile as the basic traits of entrepreneurial orientation that can encourage productivity improvement (Ogunsiji, 2002).

Creative people are an individual competency so that for future success the company is incomplete if only focus on technological and market development, but also should be able to

focus on human resource development (Kamprath and Mietzner, 2015). In Indonesia, especially in the development of creative industry, the need for creative people becomes quite important. This is found from the results of several studies related to this, among others, research that concluded that the basic needs for the development of creative industries in Indonesia include creative workforce and product development capabilities (Ardhala et al., 2016); the workforce in the Indonesian creative industry is very weak in bargaining power and very weak in the ability to provide corporate profits so it needs to be improved and needs the help of the Indonesian government in its improvement (Arifin and Sugiyanto, 2015); creative human resources is an important factor in the formation of local creativity in Riau Province (Hutabarat and Zoel, 2012).

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H1: Relationship of entrepreneurial orientation towards creative people.
H2: Relationship of entrepreneurial orientation towards co-creation.
H4: Relationship of entrepreneurial orientation to soft innovation.

Relationship of Creative People to Co-Creation and Soft Innovation

Today creative people and creative organizations are becoming more businesslike, and the business that is formed becomes more dependent on creativity. The combination of creative people and creative organizations is capable of generating more copyright, registering more patents, often encouraging privatization of something that is public consumption (Howkins, 2001). Creative people are an individual competency so that for future success the company is incomplete if only focus on technological and market development, but also should be able to focus on human resource development (Kamprath and Mietzner, 2015). In Indonesia, especially in the development of creative industry, the need for creative people to be quite urgent. This is found from the results of several studies related to this, among others, research that concluded that "*the basic needs for the development of creative industries in Indonesia include creative workforce and product development capabilities"* (Ardhala et al., 2016); "*the workforce in the Indonesian creative industry is very weak in bargaining power and very weak in the ability to provide corporate profits so it needs to be improved and needs the help of the Indonesian government in its improvement"* (Arifin and Sugiyanto, 2015); creative human resources is an important factor in the formation of local creativity in Riau Province (Hutabarat and Zoel, 2012). Based on previous research above, stating that creative people who are always empowered will be able to improve the company's ability to innovate, and also other researchers who confirm that creative energy from creative people resulted in the company willing to give its own space to

accommodate creativity in the creation of products together (Leadbeater and Miller, 2004; Moon and Sproull, 2001; Nieborg, 2005).

H3: Relationship creative people to co-creation
H5: Relationship creative people to soft innovation

Relationship of Co-Creation to Soft Innovation

The term co-creation initially was used by Kambil et al. (1999) to refer to co-creating value for consumers, in which context they propose that co-creation activities give rise to a new dynamic in the relationship between the company and the customer because customers participate in the production process and the distribution of value. Piller et al. (2012) consider co-creation as an active, creative, social partnership process between producers (retailers) and customers (users), facilitated by the company. For O' Hern and Rindfleisch (2009), co-creation stems from collaborations to develop new products, such that consumers actively contribute and select elements of the new product being offered. Rajah et al. (2008) assert that co-creation happens when the consumer and the company work together to create a consumer experience that adds value to the buying process; Zwass (2010) defines co-creation as the participation of consumers with producers in the creation of value in the market.

"Co-creation can play an important role in improving company performance in the form of; increasing customer satisfaction" (Lakhani and Wolf, 2005; Shah, 2006), "*enhancing corporate growth and profitability by enabling customers to take a more active role in new product creation activities"* (Prahalad and Ramaswamy, 2000; von Hippel, 2005), "*enhancement of new product creativity, decreasing time to market and reducing development costs"* (Grewal et al., 2006; Shah, 2006; Von Hippel and Katz, 2002). Based on the arguments above, the framework of the study is depicted in Figure 1.

H6: Relationship of Co-creation to soft innovation

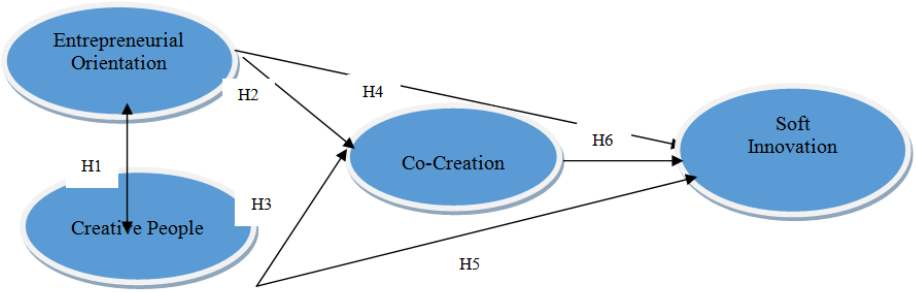

FIGURE 1
RESEARCH MODEL

METHODOLOGY

The research method used is survey method of creative industry research subjects, with the object of research in the form of 2 exogenous variables are entrepreneurial orientation and

creative people, and 1 variable between (intervening variable) that is co-creation, and 1 fruit of endogen variable is soft innovation. Data collection is done on 30 creative business which is incorporated in 2 sub-sectors of creative industry that have a positive contribution to the development of the creative economy of Indonesia, that is fashion (fashion/shoes/accessories) and handicraft. Sampling is done in Bandung City, because of the various previous research results confirming that the city of Bandung is currently developed into one creative city in Indonesia along with several other creative cities in Indonesia that have been identified in certain periods of time (Aritenang, 2015; Cohen, 2015; Fahmi et al., 2016; Fahmi et al., 2015; Maryunani and Mirzanti, 2015; Utami and Lantu, 2014; Wiryono et al., 2015), in addition to the selection of Bandung city is also based on the city of Bandung is one of the cities that have high imaging in Indonesia (Astuty and Pratminingsih, 2017). The research was done by random technique sampling, and data collection using questionnaire. Data processing using path analysis with SPSS 22 statistical tool.

ANALYSIS DATA

Research data from 2 sub-sectors of fashion and handicraft creative industry, consisting of 30 creative effort spread in Bandung City with 70% fashion business composition and 30% handicraft business. Respondents involved in interviews and questionnaires as research instruments are divided into 80% of owners, 8% directors, 12% more are other management teams. The creative effort to be sampled consists of 30% micro scale, 40% small scale, and the rest 30% medium-scale creative effort. The data collected first analysed the validity and reliability using SPSS software and obtained the result of 1 indicator on the variable soft innovation is not valid. Then after the revised obtained valid and reliable data on each latent variable that became the object of this study, where the value of Pearson's correlation on each item question <0.05. All research variables are considered reliable with the value of Cronbach's alpha ≥0.7 in each latent variable. Next, the author conducted a classic assumption test in order to know the characteristics of research data collected, and obtained the test results as in the following Table 1:

Table 1
CLASSIC ASSUMPTION TEST

	EO	CP	CC	SI
Asymp Sig. (2-tailed) of one sample kolmogorov smirnov	0.200c,d	0.109c	0.200c,d	0.142c
Asymp Sig. of Chi Square test	0.998	0.822	1.000	0.980
Collinearity Statistics (after trimming with backward method)-VIF	1.000	1.855	1.328	
Durbin Watson (after trimming with the backward method) - DW	1.380			

It is seen that p-value on one sample Kolmogorov Smirnov test for all variables ≥0.05; and p-value in chi-square test for all variables ≥ 0.05; it can be stated that all variables are normally distributed and homogeneous. In addition, the VIF value of all variables <10, and the Durbin Watson test value of 1.380 is within the range of -2≤ DW ≤ 2, then all data are declared free of multicollinearity and free from autocorrelation.

Table 2
SUMMARY OF RESULTS OF DATA PROCESSING

Direct effect between variable	Path Coefficient	p-value	Conclusion
H1: EO to CP	0.679	***	Sig.
H2: EO to CC	0.475	0.008	Sig.
H3: CP to CC	0.197	0.395	Not Sig.
H4: EO to SI	0.576	***	Sig
H5: CP to SI	0.332	0.04	Sig
H6: CC to SI	0.113	0.525	Not Sig.

The result of path coefficient test on each variable above, it is found that there are some variables that significantly have positive effect on other variables, among others; (1) the entrepreneurial orientation variable proved to have a positive influence on the appearance of creative people of 67.9%, it is seen from the value of the path coefficient of 0.679 with p-value of *** (this means far below 0.05). This shows that hypothesis 1 proved to be significantly positive; (2) entrepreneurial orientation variable proved to have a positive influence on co-creation appearance of 47.5%, it is seen from the value of the path coefficient of 0.475 with p value of 0.008 and this shows that hypothesis 2 proved to have a significant positive effect; (3) entrepreneurial orientation variable proved to have a positive influence on soft innovation 57,6%, it is seen from path coefficient value equal to 0,576 with p value ***, and this shows that hypothesis 4 proved significantly positive ; (4) creative people variables proved to have a positive influence on the appearance of soft innovation of 33.2%, it is seen from the value of the path coefficient of 0.332 with p value of 0.040 and this shows that hypothesis 5 proved to significantly have a positive effect.

In contrast to the above results, the creative people variable proved to have no significant effect on the appearance of co-creation in the creative industry in Indonesia; it is seen from the coefficient of the path value of 0.197 and p-value of 0.395, so hypothesis 3 is refuted because it has no significant positive effect. Subsequent co-creation variables also proved not to have a significant positive effect on the appearance of soft innovation in the creative industry, seen from the coefficient of the path value of 0.113 and p-value 0.525> 0.005. So hypothesis 5 is refuted because it has no significant positive effect. This is allegedly happening because of the understanding of co-creation, even the implementation of co-creation is still not well known as a trigger for the creation of new products in the creative industries of Indonesia. In the Indonesian creative industry, things about giving ideas (submitting), co-designing, product modification with producers and consumers (tinkering), to full collaboration between producers and consumers or partners work is still a thing that is not familiar done so that the process of product creation is still traditional and has not adopted the science of co-creation in business practices.

DISCUSSION AND CONCLUSION

Based on the result of complete path analysis, can be tabulated direct influence, indirect influence, and total influence of variables as follows:

Table 3
RESULTS OF HYPOTHESIS TESTING

Direct effect	EO to	CP to	CC to	Indirect effect	EO to	CP to	Total effect	EO to	CP to	CC to
EO				EO			EO			
CP	0.679			CP			CP	0.679		
CC	0.475	0.197		CC	0.134		CC	0.609	0.197	
SI	0.576	0.332	0.113	SI	0.294	0.022	SI	0.87	0.354	0.113

The direct influence of entrepreneurial orientation toward soft innovation is 57.6% and indirectly through co-creation is increased by 87%. It shows that co-creation is a good mediating variable for entrepreneurial orientation in creating soft innovation in the creative industry in Indonesia. Although co-creation is not familiar with the creative industries business practice in Indonesia, it still shows that co-creation has a positive influence in mediating entrepreneurial orientation towards improving soft innovation. This is in line with the results of previous research which states that the co-creation of the company can intensively improve the ability to innovate the company (Anning-dorson, 2017; Etgar, 2008; Evans and Wolf, 2005; Grewal et al., 2006; Huston and Sakkab, 2006; Malhotra, 2010; Parmentier and Mangematin, 2014; Pitt, 2006; Prahalad and Ramaswamy, 2004; Shah, 2006; Sharma et al., 2002; Vargo and Lusch; 2004; Von Hippel and Katz, 2002; Von Krogh et al., 2003). Furthermore, creative people variables directly positively influence the appearance of soft innovation of 33.2% and indirectly with co-creation mediated able to increase to 35.4%. This is in line with previous research which states that creative people who always empowered can improve the company's ability to innovate (Ardhala, 2016; Arifin and Sugiyanto, 2015; Astuty and Suryana, 2017; Howkins, 2001; Hutabarat and Zoel, 2012; Kamprath and Mietzner, 2015; Kemenparekraf, 2014; Murphy, 2016).

CONCLUSION

The findings of the research indicate that soft innovation done in some creative industry sub-sector in Indonesia can be triggered by co-creation in business practice, although its development is still not significant because the adoption of co-creation in recent years is still relatively new in the world of creative industries Indonesia. It was found that co-creation can be a good mediating variable for entrepreneurial orientation in bringing soft innovation, also co-creation able to be a good mediating variable for creative people in bringing soft innovation into Indonesian creative industry.

The soft innovation dimension of the dimension of the development of the theory conceptualized by Stoneman in 2010. In Indonesia, soft innovation from several sub-sectors of the creative industry shows that in addition to innovating on the elements of 'aesthetics', several sub-sectors of creative industries also innovate on the strength of the community in business

development, and the strength of 'local experience' in creating products that sell high selling, unique and not easily imitated.

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