

# Analysis the Effect of Innovation and Creativity to Business Success

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**Abstract.** This study aims to determine the influence of innovation and creativity on business success. In this study, data was collected using a questionnaire method on 40 Micro, Small and Medium Enterprises (MSMEs) located in Garut. The analysis technique used is multiple linear regression analysis with the help of Software SPSS 26. Multiple linear regression analysis serves to prove the research hypothesis. The results of the research analysis that both variables of innovation and creativity have a significant influence on business success with a significant level of  $0.00 < 0.05$ . Then the R Square number of 0.643 shows that 64.3% of business success can be explained by the variables of innovation and creativity which are independent variables used in the regression equation. While the remaining 35.7% is influenced by other independent variables outside the research focus. The conclusion of this study, that the better the level of innovation and creativity that is applied in running a business, the success of the business will increase so that the business will grow and income will increase.

## 1. Introduction

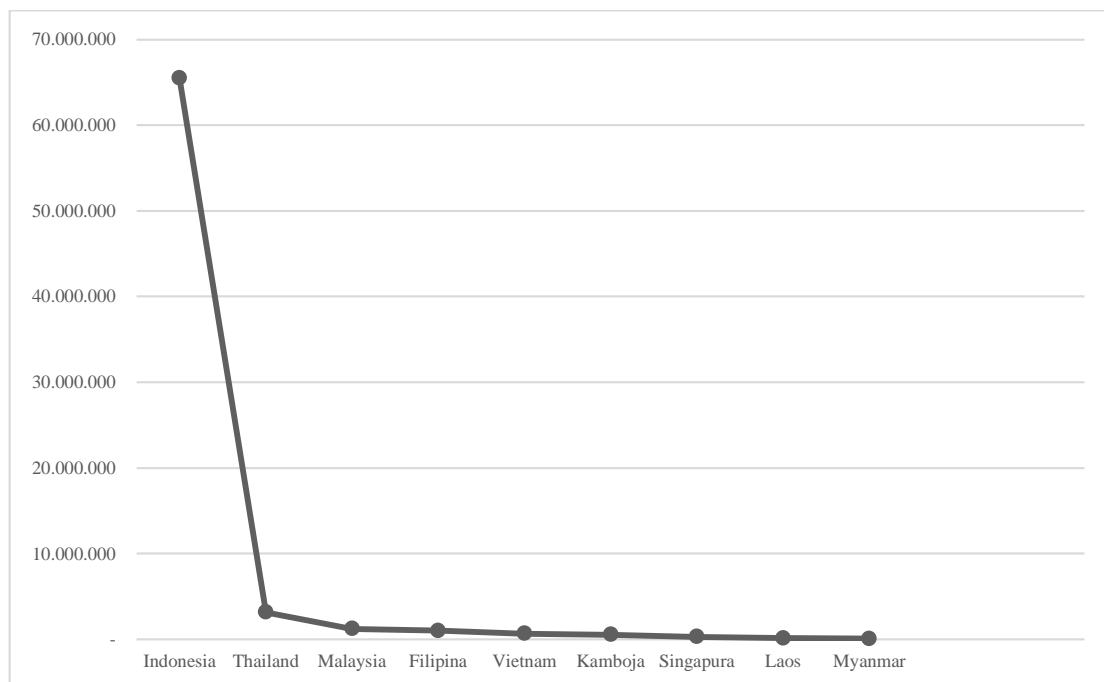
Entrepreneurship is an activity to create a product or service that is valuable and can take advantage of the opportunities that exist around, the purpose of entrepreneurship is to make a profit. Entrepreneurship is related to an independence in conducting a business in obtaining income [1]. As is known, the difficulty of finding jobs causes unemployment to increase from year to year. Therefore, entrepreneurship is one of the best solutions to existing conditions. A company is required to have a competitive advantage in order to compete in the market, therefore there needs to be a distinction between the business to be run and the competitor's business, namely by making an innovation, both in the form of ideas, products, and others.

Innovation is a familiar word in the business world. One very important character of an entrepreneur is his ability to innovate [2]. Good innovation will help management in achieving better performance, so that the sustainability and sustainability of a business will also continue to run in accordance with the company's goals because of the support of innovation capabilities consisting of ideas, products, services and others [3]. Innovation can be divided into three types, namely product innovation has the meaning of generating income, process innovation provides the means to maintain and improve quality saving costs, while market innovation increases the target market of mixed and has the best market that the company must serve. Without doing an innovation the company will not last long. This is because consumer needs, wants, and demands can change. Consumers will not always consume the same product but consumers will look for other products from different companies that are felt to be able to meet their needs. It is necessary to have a continuous innovation if a company wants to continue to survive and be able to stand alone with its efforts.

Creativity is the initiative towards a product or process that is useful, correct, precise, and valuable towards a task that is more heuristic that is something that is an incomplete guideline, hint, or guide that will lead us to understand, learn, or discover something new [4]. Creativity can also be interpreted as the ability to create something new, whether it has not been made by someone before or it can be a combination of existing elements to produce a new idea.

Creativity and innovation in the business world are inseparable from each other. Creativity is related to the discovery of new ideas about a product while innovation is how to implement the existing creativity [5]. Business success can be interpreted as an activity by exerting energy and thoughts so that there is a better change or progress, both in qualitative and quantitative terms in accordance with the goals set [6].

The success of a business can be seen from the increase in capital owned, the amount of production, royal customers, business needs and improvement of the physical facilities of the business being run so as to increase the profit of a business [7]. The company can be said to achieve business success if the business funds it has increased, production results increase, profits increase, customer satisfaction, product quality, business development and employee income from the company increase.



**Figure 1.** MSMEs in ASEAN Countries 2021

Source: [8]

Based on Figure 1, according to the ASEAN Investment Report released in September 2022, Indonesia occupies the first position to have Micro, Small and Medium Enterprises (MSMEs) in ASEAN. In 2021 MSMEs in Indonesia Reached 65.46 million Units. The number contained in the image is much higher than in other countries. MSMEs are a form of productive economic business carried out by individuals or individual business entities that meet the criteria for MSMEs [9]. The increase or decrease in economic growth in Indonesia is influenced by various factors, one of which is MSMEs. In accordance with the UUD 1945 pasal 33 paragraph 4, MSMEs are part of the national economy with an independent perspective and have great potential to improve the welfare of the community [10]. MSMEs have a very important role in the Indonesian economy and are seen with Indonesia's current progress [11]. In 2021, MSMEs in Indonesia are recorded to be able to absorb as much as 97% of the workforce.

Contributed to the Gross Domestic Product (GDP) as much as 60.3% and contributed to national exports as much as 14.4%. However, regarding the contribution of exports, Indonesian MSMEs are currently lagging Singapore which reaches 38.3%.

Based on the information described above, MSMEs in addition to providing many benefits to the economy in Indonesia, but there is a lack of export contribution, so that MSME players can compete in the business world and want their business to run smoothly, these MSME actors must be able to have high creativity because it greatly affects the success of a business that will be run. When running a business, MSME actors must have new ideas and have creativity, by having creativity will be able to turn existing ideas into new ones, issue new products that are not yet owned by competitors so that customers satisfied. One of the regions in Indonesia that has many MSMEs is West Java [12].

Garut occupies the fifth position with the number of MSMEs in 2021 as many as 349,863 after Sukabumi. Therefore, there is a need for Innovation and Creativity for MSME players in Garut Regency to compete with other districts and occupy the first position that has the highest number of MSMEs. There are many advantages that can be used as an opportunity in Garut Regency, one of which is in the field of MSMEs, of the many MSME products in Garut Regency, the superior products include tanning, leather crafts, silk weaving, Batik Tulis Garut, Dodol Garut, Akar Wagi, Coffee and also Bamboo Handicrafts [13]. For its superior products to continue to develop and compete, innovation and creativity are needed so that the business carried out is successful.

Several studies state that there is a relationship between innovation, creativity, and business success. Without innovation and the company's creativity will not last long, for business continuity, an innovation and creativity are needed [14]. In a study conducted by Siti Maryam, et al concluded that creativity and innovation cannot be separated because they have a considerable influence in achieving business success [15]. Based on previous research, it can be concluded that innovation and creativity have a significant influence on business success. Therefore, it is necessary to conduct research to determine the influence of innovation and creativity on business success in MSMEs in Garut.

## **2. Literature Review**

### **2.1 Innovation**

Innovation is a new change towards improvement, which is different or different from the previous one, which is done intentionally and planned or not by chance [16]. At this time innovation is at the core of the company's strategy and initiatives [17]. Innovation is also very important in doing a business, without innovation the company will not develop. Innovation is also in someone who has a creative behaviour in everyone who wants to make a change, renewal, who want to move forward and dare to face every challenge as well as students, lecturers, and the community who can contribute to success in running a business. Good innovation will lead to business success [18]. Therefore, we propose the following hypothesis:

H1: There is significant influence of innovation toward business success.

Innovation consists of four indicators, namely: 1) discovery, 2) development, 3) duplication, and 4) consistency [18]. Invention is by creating a product, service or process that has never been done before. Development is by means of the development of existing products, services, or processes. This concept makes the application of existing ideas different. Duplication is by impersonating existing products, services, or processes. Duplication here opens solely imitating but adding to the whole creatively to improve the existing concept to be better able to win the competition. Consistency by combining existing concepts and factors into a new formulation. This process involves taking a few ideas or products that already exist or have been formed so that they become products that can be applied in a new way.

## 2.2 Creativity

Creativity is the ability of a person to create or develop an idea or new idea that is created to be accepted by audience. Creativity is an initiative towards a product or process that is useful, correct, precise, and valuable for a task that is more heuristic, that is, something incomplete guide, hint, or guide that will lead us to understand, learn, or discover something new [19]. Creativity and innovation are two things that cannot be separated from each other, both are like children who can accelerate to produce a business idea that continues to grow and can be profitable. Good creativity will lead to business success [19]. Therefore, we propose the following hypothesis:

H2: There is significant influence of creativity toward business success.

Creativity consists of five indicators, namely: 1) curious, 2) optimistic, 3) flexible, 4) looking for solutions to problems, and 5) original [20]. Curiosity is an emotion related to curiosity such as exploration, investigation, and learning, which is evidenced by observations on human aspects and others. Optimism is the feeling of being confident that something good will happen that gives positive hope and becomes an impetus to strive for progress and glory. Flexible refers to the ability to adapt and work effectively in different situations, and with different individuals or groups. Looking for a solution to a problem is looking for a way out to solve a problem. Original is authenticity in creating a product.

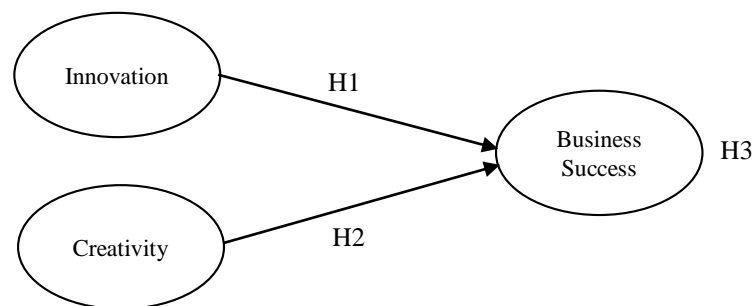
## 2.3 Business Success

The goal of a business is to increase profits and maintain the products marketed so that the goals of the business are achieved. Business success is the success of a business in achieving its goals or a circumstance that describes the situation better than before [18]. An entrepreneur will succeed if he is able to think creatively, and implement the results of his creativity in his business. Creativity and innovation are two things that cannot be separated from each other, both are like children who can accelerate to produce a business idea that continues to grow and can be profitable. Good innovation and good creativity simultaneously will lead to business success [18][21]. Therefore, we propose the following hypothesis:

H3: There is simultaneously influence of innovation and creativity toward business success.

Business success consists of five indicators, namely: 1) profitability, 2) productivity and efficiency, 3) competitiveness, 4) competence and business ethics, 5) good image [22]. Profit is the main goal of a business. Operating profit is the difference between revenue and costs. Productivity and efficiency, namely the size of the productivity of a business, will determine the size of production. This will affect the size of sales and then ultimately determine the size of the revenue, thus affecting the size of the profit obtained. Competitiveness is the ability or resilience in competing for the attention and loyalty of consumers. A business can be said to be successful, if it can beat competitors or at least it can still survive against competitors. Competence and business ethics are the accumulation of knowledge, research results, and experience quantitatively and qualitatively in their fields so that they can produce innovations in accordance with the demands of the times. The establishment of a good image, namely the good image of the company can be divided into two, namely, internal trust and external trust. Internal trust is the trust or trust of all people in the company. Meanwhile, external trust is the emergence of a sense of trust or trust from all company stakeholders, be it consumers, suppliers, the government, or the wider community, even competitors. Based on a literature review of the relationship between innovation, creativity and business success, the research model is:





**Figure 2.** Research Model

Source: [18][21]

### 3. Methods

This article is causal research at 95% of confidence interval. This design allows the researcher to collect the data and construct the data structure to perceive the cause-and-effect on the research variables [23]. The causal research aims: 1) to understand exogenous and endogenous variables towards marketing phenomena, 2) to decide the nature of the relationship among the variables, and 3) to test the hypothesis of causal relationship variable.

To collect the data, this causal research design utilized survey as a method to collect the data from a sample through questionnaires comprising structured questions [23]. Questionnaires as the data collection was carried out by giving a series of questions or written statements to the respondents to be answered. Questionnaires as instruments used are distributed to respondents via email.

The target population was the MSME owners domiciled in Garut as one of the cities at West Java [12]. Furthermore, the ideal limit of the population according to the provisions of the number of stakeholders who have been more than five years. Sampling was conducted randomly, thereby everyone had the same probability of being selected from the population and representing it. Basic formula of the sample refers to the number of the independent variables, namely  $N \geq 50 + 8i$  ( $i$  is the number of independent variables) [24]. Therefore, the sample of this study was 58 respondents:  $50 + 8(2)$ . However, this number is still in the appropriate sample size range from 30 to 500 [25]. Therefore, the sample of this study was 39 MSME owners.

The data analysis technique in this quantitative study utilized statistical analysis. Verifiable data analysis will be used to test hypotheses and focus on the disclosure of the behaviour of research variables. The data analysis technique used to determine the correlative relationship in this study is Partial Least Square to provide a combination of three main goals, namely: 1) to estimating path analysis using latent contracting with multiple indicators, 2) does not assume a specific distribution so that it can be used for Likert scales with a small sample count of less than 100, and 3) to confirm or predict an applied, middle, or grand theory. The program used to perform data analysis with path analysis method was SPSS.

The measurement scale used was interval as a scale that allows researchers to perform arithmetic calculations on data collected from respondents [23]. The measurement has no real zero value. The measure of attitude that is commonly used in business research is the Likert scale. The Likert scale is a scale that requires respondents to respond to the extent to which they agree or disagree about a perceived object, namely strongly agree, agree, neutral, disagree and strongly disagree.

#### 4. Result and Discussion

The first analysis is carried out to determine the value of the coefficient on innovation and creativity to business success can be seen from the table below:

**Table 2.** Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.414	7.183		1.032	.309
	Innovation	.571	.212	.451	2.690	.011
	Creativity	.412	.176	.392	2.335	.025

a. Dependent Variable: Business Success

Source: Data Processing

Based on Table 2, the signification value of innovation is  $0.011 < 0.05$  and  $t_{\text{value}} 2.690 > 2.026$ . H1 is accepted which means that there is an influence of innovation toward business success. The signification value of creativity is  $0.025 < 0.05$  and  $t_{\text{value}} 2.335 > 2.026$ . H2 is accepted which means that there is an influence of creativity toward business success.

Summary model analysis is carried out to determine the level of relationship between creativity, innovation, and business success. The coefficient of determination is used to calculate the magnitude of the influence of innovation and creativity on business success. The value of the coefficient determination describe below:

**Table 3.** Coefficient Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.802 <sup>a</sup>	.643	.624	3.974

a. Predictors: (Constant), Creativity, Innovation

Source: Data Processing

Based on Table 3, correlation (R) of 0.802 and coefficient of determination (R Square) of 0.643 which is innovation and creativity influence business success about 64.3%. Furthermore, ANOVA analysis is carried out to determine whether indicators of innovation and creativity simultaneously affect the success of the business. In this study, there is a third hypothesis that is tested about the simultaneous influence of innovation and creativity on business success. The significance of  $0.000 < 0.05$  then H3 is accepted.

**Table 4.** ANOVA

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1051.546	2	525.773	33.298	.000 <sup>b</sup>
	Residual	584.229	37	15.790		
	Total	1635.775	39			

a. Dependent Variable: Business Success

b. Predictors: (Constant), Creativity, Innovation

Source: Data Processing

Based on Table 4,  $F_{\text{value}}$  is  $33,298 > 3.245$  with a significant level of  $0.000 < 0.05$ . The research model allow to use asses business success. There is simultaneously influence of innovation and creativity toward business success.

## 5. Conclusion

Based on data analyze, business success influenced by innovation about 57.1% and creativity 41.2%. In the context of MSMEs domiciled in small citie Garut, it is known that innovation has a more important role than creativity. Innovation acts as a thinking pattern where in entrepreneurial theory to produce creative products and services, it must first have an innovative thinking pattern. from the observations of MSMEs owner, the new product was actually developed from existing products in the form of discovery, development, duplication and sistension. then, as an MSME actor in Garut, they must have innovation and creativity for the success of their business so that the business they run can survive and can increase profits for micro, small, and medium enterprises (MSMEs) in Garut.

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