Creative Industry in the Post-Pandemic Digital Era: Meaningful Incubation, Customer Focus, and High Innovation as Strategies to Compete

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Abstract. In the post-pandemic digital era, competition will be increasingly tight, so the creative economy must have a competitive advantage. The purpose of this study was to determine the effect of the Penta-helix business incubator, market orientation, and entrepreneurial orientation on dynamic capability and competitive advantage, as well as the mediating function of dynamic capability in this relationship. A total of 252 creative economy entrepreneurs in East Java Province, Indonesia, have been selected as respondents through the accidental sampling technique. The data obtained from the distribution of 5-point Likert-scale questionnaires were analyzed using PLS-SEM analysis. The results showed that the incubation business, market orientation, and entrepreneurial orientation have positive and significant impacts on the dynamic capabilities and competitive advantage. It is also proven that the dynamic capability is a strong mediator. Proper business incubation balanced by customer focus and innovation action will increase innovation capabilities that impact competitive advantage.

Keywords: creative economy, incubator, customer focus, innovation, dynamic capability, competitive advantage.

1 Introduction

The creative economy is one of the most influential economic sources in a country. During the Covid-19 pandemic, which caused an economic crisis in almost all corners of the world, this sector could still contribute around Rp. 1,100 trillion to Indonesia's GDP [1]. Previously, this sector had to face technological disruption and innovation challenges due to the microelectronics revolution, where technological developments have pushed boundaries, revolutionized communication, business strategy, and especially the way companies compete [2], which demands quality human resources and able to implement change management [3]. So, it is very urgent to think about how to compete in this new era.

In particular, East Java, one of the provinces in Indonesia, has excellent potential in the creative economy sector with the number of digital start-ups reaching 113 start-ups [4]. However, the performance will not run effectively and move all economic sectors without being followed by forming a healthy and sustainable ecosystem [5]. A sustainable ecosystem means a

ICEBE 2021, October 07, Lampung, Indonesia

DOI 10.4108/eai.7-10-2021.2316784

connected system that supports the value chain of the creative economy: creation, production, distribution, consumption, and conservation.

It's a strong relationship between dynamic capability and competitive advantage [6]. A direct and indirect relationship between market orientation and competitive advantage mediated by dynamic capability have previously proven [7]. Entrepreneurial orientation strongly influences innovation capability [8]. Innovation is really importance in today's era [9]. The consequences caused by entrepreneurial orientation to dynamic capability is highly proofed [10]. Meanwhile entrepreneurial orientation itself directly has a positive effect on competitive advantage. So, this shows that there is an intervening dynamic capability function [11]. To produce dynamic capabilities, business actors need a kind of business incubation [12].

Meanwhile, the Penta-helix: government, business, academicians, community, and media [13], also act as business incubators needed by creative economy actors. Thus, it is urgent to study the relationship between Penta-helix business incubation, market orientation, entrepreneurial orientation, dynamic capability, and competitive advantage of creative industries in East Java Province, Indonesia, in this digital post-pandemic era. The Penta-helix business incubation and its relationship with other factors is the novelty of this study because such a model has not been revealed in many studies in Indonesia.

2 Literature Review

The concept of creative economy was introduced by John Howkins in which economic growth depends on new ideas which answers an industry-based economy and has shifted from an industrial economy to a creative economy that makes intellectuals the main asset [14]. The number of educated, creative economy entrepreneurs can produce unique and innovative products [15]. Dynamic capability theory explains the company's competitive advantage from the perspective of a vibrant and fast-moving environment [16]. Dynamic capabilities are defined as creating a combination of resources which can provide a competitive advantage for the company [17].

In the development of technology, creating new products is also a must, which is strongly influenced by entrepreneurial orientation [17]. Entrepreneurial orientation has a significant positive correlation with dynamic capability [18]. The impact of entrepreneurial orientation on innovation ability, part of dynamic capability, has proven to be significant [19]. However, there is an empirical gap shows the less strong influence of entrepreneurial orientation on dynamic capability, especially innovation capability [20]. Innovation is considered one of the features of success in economic enterprises [21].

Entrepreneurial Orientation has a positive correlation with competitive advantage [22]. Meanwhile there is a relationship between dynamic capability and competitive advantage [23], where this relationship is significant [24] and dynamic capability is dominated by innovation capability [25]. A significant positive effect on the use of dynamic capabilities to determine a sustainable competitive advantage was proven [26]. There is a significant relationship between market orientation and innovation capability, and an intervening dynamic capability function in the relationship between market orientation and competitive advantage [7]. A kind of business incubation is needed [27] because the company's long-term success does not only depend on its capabilities.

3. Methodology and Data Analysis

This research was conducted on 252 creative economic entrepreneurs in East Java Province, Indonesia, selected through an accidental sampling technique. The collected data through a 5-point Likert scale questionnaire, then analyzed using Partial Least Square (PLS) analysis using

SmartPLS 3.3.3. The exogenous construct of Penta-Helix Business Incubation consists of: business incubation carried out by government, media, community, business, and academicians. The exogenous construct of Market Orientation is measured through: customer focus, inter-functional coordination and integration, information acquisition, shared information and knowledge, and organization learning. The exogenous entrepreneurial orientation construct is measured through: research & developing, high risk high return opportunities, brave actions to achieve goals, first to introduce new products, competitive position, initiating innovative actions, and brave and aggressive postures. The endogenous dynamic capability construct is measured through: innovative capability, integrative capability, sensing capability, and absorptive capability. The competitive advantage construct is measured through 4 indicators, there are: differentiation, value (benefit), price, and innovation.

4. Research Result and Discussion

Research Result

A total of 252 research respondents, namely creative economy entrepreneurs in East Java, Indonesia, have been studied. Around 57% of respondents are male, while about 43% of respondents are female.

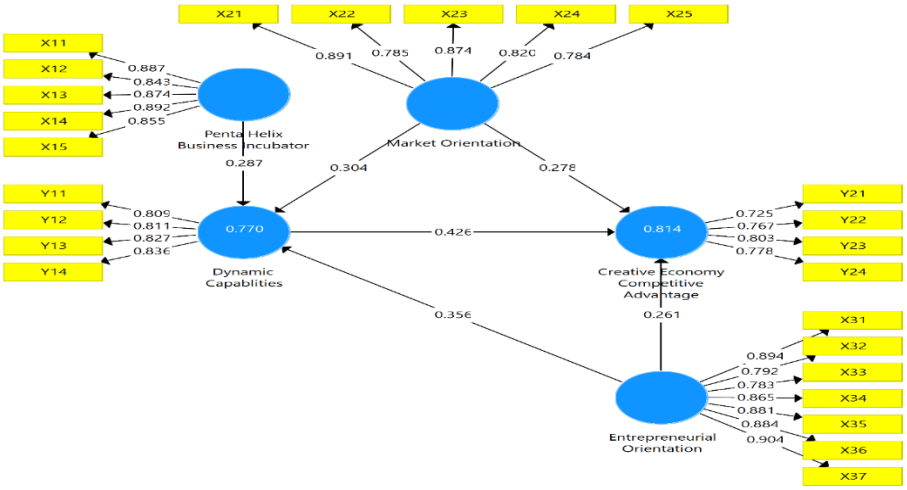

Fig. 1. Structural Model

Based on Figure 1. Structural Model, it's known that all manifest constructs reflecting the research variables have a loading factor value > 0.7. It indicates that the research instrument is VALID. It's known too that the R-Square value in Dynamic Capability is 0.770. About 77% of Dynamic Capability is explained powerfully by Penta-Helix Business Incubation, Market Orientation, and Entrepreneurial Orientation. Meanwhile, the R-square value in the Creative Economy Competitive Advantage is 0.814. The 81.4% Creative Economy Competitive Advantage is explained powerfully by Market Orientation, Entrepreneurial Orientation, and Dynamic Capability. Based on the Original Sample O values in Table 1, as well as in Figure 1. The previous Structural Model, the main structural equations formed are:

Line 1: $Y1 = 0.287X1 + 0.304\ X2 + 0.356X3 + e$

Line 2: $Y2 = 0.278X2 + 0.261X3 + 0.426\ Y1 + e$

which Y1 is Dynamic Capabilities, Y2 is a creative economy competitive advantage, X1 is Penta Helix Business Incubator, X2 is Market Orientation, X3 is Entrepreneurial Orientation, and e is the error term.

Table 1. Path Coefficient and T-Statistics

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Inference
Path Coefficients				
Dynamic Capabilities -> Creative Economy Competitive Advantage	0.426	5.251	0.000	Significant
Entrepreneurial Orientation -> Creative Economy Competitive Advantage	0.261	4.815	0.000	Significant
Entrepreneurial Orientation -> Dynamic Capabilities	0.356	5.092	0.000	Significant
Market Orientation -> Creative Economy Competitive Advantage	0.278	4.000	0.000	Significant
Market Orientation -> Dynamic Capabilities	0.304	4.194	0.000	Significant
Penta Helix Business Incubator -> Dynamic Capabilities	0.287	3.740	0.000	Significant
Specific Indirect Effects				
Entrepreneurial Orientation -> Dynamic Capabilities -> Creative Economy Competitive Advantage	0.151	3.698	0.000	Significant
Market Orientation -> Dynamic Capabilities -> Creative Economy Competitive Advantage	0.130	3.977	0.000	Significant
Penta Helix Business Incubator -> Dynamic Capabilities -> Creative Economy Competitive Advantage	0.122	2.623	0.009	Significant

Based on the structural equation formed in Path 1, it's known that each of the Penta helix business incubator, market orientation, and entrepreneurial orientation has a positive and significant effect on dynamic capabilities. Meanwhile, based on the structural equations formed in Path 2, it is known that each of market orientation, entrepreneurial orientation, and dynamic capability has a positive and significant effect on creative economy competitive advantage.

Regarding the intervening effect of dynamic capabilities which shown in the Specific Indirect Effects section, it's known that the indirect impact of market orientation and entrepreneurial orientation on creative economy competitive advantage through dynamic capabilities is significant. Finally, although the direct effect of the Penta helix business incubator on competitive advantage was not tested, the research model showed an indirect effect through dynamic capabilities.

Discussion

The results of this study indicate a significant role for business incubation carried out by Penta-helix [13] for creative economy entrepreneurs. The facilities provided by the incubators will be very beneficial for the creative industry to improve its dynamic capabilities in the face of a rapidly changing and uncertain environment. The most critical capability to be enhanced in the post-covid-19 and the digital era is innovation capability [12]. The creative industry requires

business incubation, which can be an invigorator of innovation capability. Dynamic capability can encourage value creation for an innovative product [28] which will ultimately impact competitive advantage. However, for the long-term success of the creative industry, it does not only depend on its capabilities, but also need incubators to encourage innovation and growth.

The results of this study also show a direct or indirect influence of market orientation and entrepreneurial orientation on competitive advantage through dynamic capabilities as a mediator. The higher the market orientation and entrepreneurial orientation, the higher the dynamic capabilities, and the higher the dynamic capabilities, the stronger the competitive advantage of a creative industry. This finding fully supports the research which revealed the mediation function of dynamic capability in the relationship between market orientation and competitive advantage [7].

The dynamic capability is powerfully explained by market orientation. The same thing is also described that a significant relationship between market orientation and innovation capability [7]. The results of this study are also in line with the research stating that market orientation can encourage the achievement of competitive advantage [20].

The main thing that must be considered by creative economy entrepreneurs in this digital post-pandemic era in market orientation is customer focus. Such free and tight competition requires every business actor to understand and meet consumer needs. The higher entrepreneurial orientation will impact dynamic capability, which will ultimately strengthen competitive advantage [20]. Entrepreneurial orientation has been shown to have a significant positive correlation with dynamic capability [18].

5. Implication and Suggestion for Future Research

The results of this study provide a theory for strategic management by identifying the important role of Penta-helix collaborative incubation, customer-focused market orientation, and innovative action-focused orientation by creative industries that benefit from this type of orientation in enhancing dynamic capabilities to gain competitive advantage in the post-pandemic digital era. The resulting managerial implication is that to compete, every creative industry must improve dynamic capabilities through a strong market orientation and entrepreneurial orientation, as well as participation in business inventories managed by Penta-helix. The main function of the penta-helix business incubation is to guide and foster creative-entrepreneurs so that they can innovate products that are able to compete in the global market. The best creative product innovations today are products based on digital technology.

Further research can develop the research model by analyzing the relationship between business incubation and competitive advantage and researching in more depth what innovations can become the flagship of Indonesia's creative economy, especially in facing competition in the era of industrial revolution 5.0 later.

Acknowledgments

The research team would like to thank profusely to the Ministry of Research and Technology of the Republic of Indonesia - National Research and Innovation Agency (**Kementerian Riset dan Teknologi - Badan Riset dan Inovasi Nasional (Kemenristek – BRIN)**) which later merged into **Ministry of Education, Culture, Research, and Technology (Kementrian Pendidikan, Kebudayaan, Riset, dan Teknologi (Kemdikbudristek))**, which has funded this research through Cooperation among Universities Research (Penelitian Kerjasama antar Perguruan Tinggi (PKPT)) schemes in fiscal year 2021-2022.

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