STRENGTHENING BUSINESS PERFORMANCE BASED ON BUSINESS OPPORTUNITIES AND UNIQUE CAPABILITIES THROUGH BUSINESS STRATEGIES IN THE CREATIVE ECONOMIC INDUSTRY IN WEST JAVA DURING THE COVID-19 PANDEMIC

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Abstract

Creative industry plays an important role in economic development in Indonesia, especially in West Java. The creative industry is also believed to have strong enough resilience in the face of the COVID-19 pandemic. However, various strategies are needed so that the creative economy can still grow and develop in West Java. One of the efforts that can be made to encourage the creative industry in West Java to grow is to develop an appropriate business strategy based on business opportunities and unique capabilities. Through improvements to the business strategy, it is expected to be able to improve the business performance of the creative industry. The results of the analysis using the structural equation modeling method through partial least square path modeling found that business opportunities and unique capabilities make a significant contribution to business strategy and have a significant indirect impact on improving the performance of creative industries in West Java.

Keywords: creative industries; business opportunities; business strategies; business performance; covid-19

Introduction

Creative Economy is currently an important issue in Indonesia and is one of the industrial sectors to become a new strength of the national economy sustainably and become a support for Indonesia's economic growth. Currently, even during the COVID-19 pandemic, the creative economy sector contributed quite high to the Gross Domestic Product, amounting to IDR1,100 trillion in 2020 [1]. Indonesia is

currently the 3rd largest country in the world, including The United States and South Korea in the contribution of the creative economy to GDP. Of the 17 sub-sectors of the creative economy, the fashion, culinary and craft sub-sectors provide the largest contribution to exports and GDP, with the contribution of each sub-sector being 41 percent for culinary, fashion by 17 percent, and crafts by 14.9 percent. The current profile of the creative economy sector in West Java is quite challenging, with the number of creative economy business actors amounting to 5529, with the contribution of the culinary sub-sector 31.89% and fashion 12.44%. However, in its implementation, there are still obstacles faced by creative economy business actors, including; understanding of the export business is still not optimal, production capabilities are still small, lack of competence in obtaining opportunities in the digital market, as well as regulatory bureaucracy and export licensing processes [2]. Efforts to increase the creative economy sector have been carried out by the government, among others through microfinance access policies, encouraging research and innovation, developing human resources through vocational and entrepreneurship training, and developing creative hubs [3]namely; business opportunities, capabilities, business strategies and their impact on business performance[4].

Literature Review

The research refers to several theoretical approaches as follows: [5], stated that business opportunities are a trigger factor in the entrepreneurial process, where other factors are resources and teams must always be adjusted to the business opportunities faced by the company. An entrepreneurial process is driven by opportunities including market demand that is the main ingredient for measuring opportunities, market structure and size to determine opportunities, margin analysis to distinguish opportunities and issues in competitive advantage. According to [5] stated business opportunities can be identified through analysis of the external environment and to minimize threats and take advantage of opportunities. The external environment consists of the general environment as well as the competitive environment. External environmental factors that can trigger opportunities or threats include; demographic, socio-cultural, political, regulatory, technological, economic, and global[6].

Environmental analysis is a continuous environmental scanning and monitoring process in addition to obtaining information on potential competitors but also anticipating highly dynamic environmental changes.

[7, 8] state that it is almost the same as what was conveyed by Dess at all that business opportunities can be identified from the external environment include; competition, economic growth, political stability, technological developments, legal and regulatory as well as consumer behavior. According to [5] states that that the company's unique capabilities are the company's capability-based approach; resources that include tangible resources, intangible resources, and organizational capabilities. A sustainable competitive advantage over time generally arises from the creation of a pool of resources and capabilities. Profits to be sustainable four criteria must be met; value, scarcity, difficulty in imitation, and difficulty in substitution. [9] and [9, 10] state almost the same thing that business strategy can be linked to the life cycle of an industry. According to Henry, also business strategy is a competitive strategy that can be applied generically including overall cost leadership strategy,

differentiation strategy, and focus strategy, where the strategy can be linked to the position of the industry life cycle whether in the introduction stage, growth stage, mature stage or decline stage. [11] stated that the company's strategy and business strategy are determined based on the results of the business environment analysis, and are grouped based on the choice of scenarios including; integration strategy, intensive strategy, diversification strategy, defensive strategy, generic porter strategy, and collaboration/cooperation strategy. The cooperation strategy consists of several options such as joint ventures, partnerships, business combinations, acquisitions, and outsourcing. Business performance is the result of measuring the performance of a company where according to [12, 13]business performance can be measured from the aspect of sales, market share, and profitability. Meanwhile, [14] expressed almost the same opinion where business performance can be measured from sales, market growth, and market share Furthermore, according to [15] states that to increase the company's new business growth associated with technological disruption, there are three approaches including maintaining innovation, maintaining current performance with low disruption situations and improving performance with innovations in high disruptive situations.

This study used several other researchers' references as a reference; [16] study used 165 samples of companies in China, to examine how business model innovation mediates the relationship between integrative capabilities, business strategy, and company performance. . The results showed that business model innovation positively mediates the relationship between integrative ability and firm performance, differentiation strategy positively moderates the relationship between business model innovation and firm performance, while cost leadership strategy shows a significant negative moderating effect. Research by [17] using a sample of 27 staff of the western responsible tourism office, as well as smart PLS data analysis techniques to examine the effect of developing and utilizing opportunities and competencies, business strategies, and competitive advantages of the tourism sector in West Java. The results showed that the development and utilization of opportunities and the development and utilization of competencies had a significant effect on competitive advantage through partial and simultaneous business strategies. [18], which was conducted on 254 respondents of creative industry SME business actors in West Java using data analysis techniques Structural Equation Modeling (PLS-SEM). The results show that entrepreneurial competence and the business environment affect the success of SME businesses during the Covid-19 pandemic, but the influence of entrepreneurial competence on business success is higher than the influence of the business environment. [19]is on research 294 shipping companies in Vietnam, to gain a competitive advantage in shipping companies that require the ability to manage the environment, sustainable shipping capabilities, including internal resources and external factors such as cooperation between companies. The results show that the financial bond strategy has the most significant impact on sustainable collaboration between companies, followed by social bond strategy and structural bond strategy. Furthermore, sustainable inter-company collaboration has a direct and indirect relationship to business performance. [20] research uses source-based theory Based on the power and relational view, this study was designed to evaluate the negative impact of cooperation that harms the company's market performance and financial performance. With "too little" competition, companies must struggle to survive in the

market through the volume of resources and capabilities. With "too much" competition, companies can experience increased tension, potentially losing intellectual property and weakening competitive advantage. Research from [21] on a sample of respondents consisting of company presidents, chief executive officers, chief human resources officers and other senior managers in 300 companies located in China with dynamic capabilities mediated by strategic flexibility. Furthermore, strategic flexibility is positively related to dynamic capabilities mediated by human resource flexibility. The implication is that cooperative relationship in companies with high human resource flexibility is stronger than companies with low resource flexibility. 52 small and medium business actors in Indonesia, using the analysis technique, second-order structural equation modeling show that the external environment variable affects the company's ability, but does not directly affect the performance of SME business actors.

Methodology

This study has five hypotheses as follows:

H1: there is an effect of business opportunities on the creative industry business strategy in West Java

H2: there is an influence of unique capabilities on the creative industry business strategy in West Java

H3: there is an influence of business opportunities on industrial business performance creative industries in West Java

H4: there is an effect of business opportunities on the performance of creative industries in West Java through business strategies

H5: there is an influence of unique capabilities on the performance of creative industries in West Java through business strategies

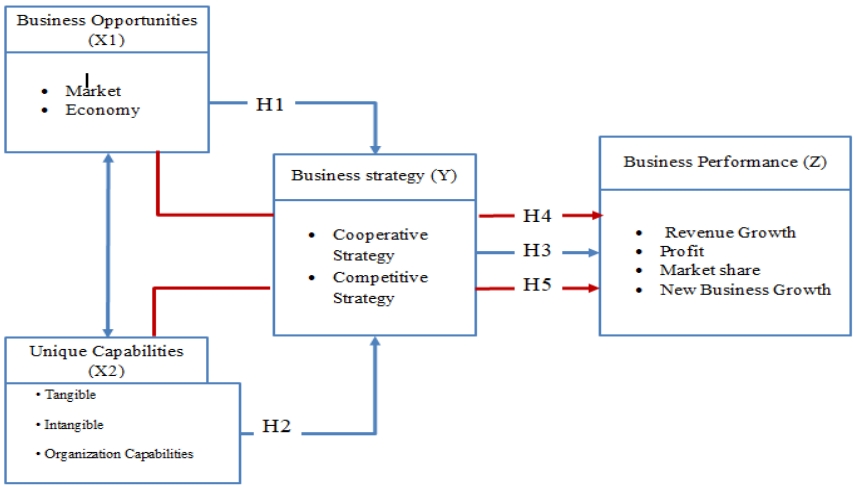


Figure 2. Effects of Business Opportunities and Unique Capability of Business Strategy and Its Impact on Creative Industry Business Performance in West Java

The method used in this study is a descriptive verification method with a quantitative approach. This approach was chosen to provide an overview of the creative industry conditions in West Java based on the variables of business opportunities, unique capabilities, business strategies and business performance and to prove the research hypothesis of the effect of business opportunities and unique capabilities on competitive strategy and their impact on business performance of the creative industries in West Java. The analytical technique used is the structural

equation modeling method through the partial least square path modeling (PLSPM) approach.

Operationalization of variables

There are four variables studied, namely business opportunities, unique capabilities, business strategies and business performance. The fourth indicator is measured using the latent variable dimensions and indicators as shown data Table 1.

Table 1

Operationalization of variables research

Variable	Dimension	Indicator
Business opportunities	Market	customer accessibility
		Market Structure
		Market Size
		Market Growth rate / Industrial
		Capacity Market (Market with business opportunities that have full capacity
	Economy	Issue Competitive advantage
		Barriers to industry entry
		Natural resource environment
Unique Capabilities	Tangible	Financial/Cash Flow
		Place of Business
		Workplace
	Intangible Organizational	Trademark
		Reputation
		Innovation and creativity
	Capabilities	Experience
		Human Resource
		Development Product
		development Internal business process development Business
Strategy	Competitive Strategy	Cost leadership strategy
		Differentiation strategy
		Speed base Strategy
	Cooperative	Franchise
		Makeup
		Joint Venture
		Direct investment overseas
Business		Performance Revenue growth/sales
		Company profit
		Market share
		Business growth New

This variable is as a guide for compiling research instruments with a Likert scale and is assumed to have an interval measurement scale.

Population and sample

The population of this study is the entire creative industry in West Java with a total of 5529 [22]The data were collected using a simple random sampling technique. The survey was conducted online via the link https://forms.gle/DbQKsVqc5Ywyrk4m9 A total of 123 respondents were collected in this study with the characteristics of the respondents as shown in Table 2.

Table 2

Demographics of respondents

	Frequency	Percentage (%)
Business		
Craft	50	40.7
Fashion	31	25.2
Design	16	13.0
Food and Beverage	10	8.1
Photography	5	4.1
Services	4	3.3
Distributor	2	1.6
Industry	1	0.8
Banking	1	0.8
Trade	1	0.8
Agriculture	1	0.8
Photography	1	0.8
Education		
Undergraduate(S1)	101	82.1
Postgraduate (S2)	18	14.6
Postgraduate (S3)	4	3.3
Status		
Owner	86	69.9
Senior Manager	2	1.6
Manager	35	28.5

Based on the survey results are information that the majority of creative industries is engaged in crafts, fashion, design, as well as food and minimums. The

majority of respondents has an undergraduate education and is owners of creative industries. 3.4 Partial least square path modeling (PLS-PM). Partial least square path modeling is an analytical technique that involves a complex structure of relationships between variables. Generally involves more than one sub-structure of the model and involves latent variables. PLS-PM is part of a structural equation modeling technique that uses a variance structure, known as variance-based (VBSEM). Besides PLS-PM, there is also structural equation modeling involving covariance structures or better known as covariance-based (CBSEM). Covariance-based modeling is generally more widely used to confirm the theory. However, CBSEM modeling requires many assumptions that often cannot be fulfilled including data normality, large sample size and reflective measurement model. PLS-PM exists as an alternative solution when these assumptions are difficult to fulfill [23]. The basic principle of PLS-PM modeling is to examine the relationship between latent variables, and between latent variables and their dimensions and indicators, by trying to minimize the error variance between exogenous and endogenous variables [24]. The use of the PLS method is proven to provide more robust results than CBSEM for small sample sizes [25]. Some of the advantages of PLSPM compared to CBSEM can be summarized as follows (i) always has a solution for every complex model, (ii) does not require normal distribution assumptions and also other classical assumptions that are often applied to CBSEM modeling, (iii) does not require sample size which is large as required in CBSEM and (iv) gives a relatively denser result [26]. PLS-PM has two models, namely the measurement model which can be a reflective or formative model known as the outer model and consists of a structural model known as the inner model [27]The outer model or measurement model is used to test the validity and reliability of the indicators, while the inner model or structural model is used to test the research hypothesis. Modeling is done in two steps. In the first step, modeling the measurement model used the PLS algorithm. In the second step, the structural model is estimated using the ordinary least squares (OLS) method and testing is based on the Bootstrap method for testing research hypotheses[28].

Results and Discussion

The results and discussion section will show the results of descriptive analysis and hypothesis testing using the partial least square path modeling (PLS-PM) method.

Descriptive analysis Descriptive

analysis explains the tendency of respondents' assessment of the variables of business opportunities, unique capabilities, business strategies and business performance through statistical measures of mean, standard deviation, minimum score, median and maximum score as shown in Table 3.

Table 3

Descriptive Analysis

Code	Indicator	Mean	SD	Min	Median	Max Business
Opportunity		4.06	0.95	1	4	5
Market		4.05	0.95	1	4	5
X1.1	Customer accessibility	4.12	1.08	1	5	5
X1.2	Market Structure	4.09	0.94	2	4	5
X1.3	Market Size	3.97	0.92	2	4	5
X1.4	Market/Industry growth rate	4.04	0.94	1	4	5
X1.5	Market capacity(Markets with full capacity business opportunities	4.01	0.88	2	4	5
Economy		4.07	0.95	1	4	5
X1.6	Competitive advantage	4.16	0.99	1	4	5
Issues						
X1.7	Barriers enter industry	4.07	1.02	1	4	5
X1.8	Natural resource environment	3.97	0.83	1	4	5
Unique Capabilities		3.76	0.79	1	4	5
Tangible		3.76	0.82	1	4	5
X2.1	Financial/Cash Flow	3.72	0.83	1	4	5
X2.2	Place of Business	3.67	0.79	2	4	5
X2.3	Work Tools	3.89	0.85	1	4	5
Intangible		3.75	0.76	1	4	5
X2.4	Trademarks	3.73	0.78	1	4	5
X2.5	Reputation	3.77	0.73	2	4	5
X2.6	Innovation and creativity	3.74	0.77	2	4	5
Organizational Capability		3.78	0.80	1	4	5
X2.7	Experience	3.86	0.73	2	4	5
X2.8	Human Resource Development	3.84	0.78	2	4	5
X2.9	Product development	3.80	0.86	2	4	5
X2.10	Internal business process development	3.63	0.81	1	4	5
						Business
Strategy		4.07	0.91	1	4	5
Competitive Strategy		4.12	0.88	1	4	5
Y1	Cost leadership strategy	4.16	0.95	1	4	5
Y2	Differentiation strategy	4.11	0.89	1	4	5
Y3	Speed base Strategy	4.11	0.79	2	4	5
Cooperative Strategy		4.01	0.95	1	4	5
Y4	Franchise	4.02	1.00	1	4	5
Y5	Maklun	4.08	0.86	1	4	5
Y6	Joint Venture	4.07	0.96	1	4	5
Y7	Foreign direct investment	3.88	0.99	1	4	5
						Business
Performance		3.56	0.92	1	4	5
Z1	Revenue/sales growth	3.69	0.97	1	4	5
Z2	Company profit	3.41	0.93	1	3	5
Z3	Market share	3.54	0.82	1	4	5
Z4	Growth New Business	3.59	0.94	1	4	5

Based on the recapitulation of the respondent's answer scores, the majority of respondents gave a very good assessment specifically for the business opportunity

and business strategy variables and good for indicators on the unique capabilities and business performance variables.

PLSPM analysis PLSPM

The analysis is used to test the research hypotheses in section 2. The results of the PLSPM analysis include model fit analysis, measurement model evaluation, and influence analysis based on structural models.

Model fit analysis

The first step in the PLSPM analysis is to perform a model fit test to ensure that the research data support the hypothesized model. To test the fit of the model, the absolute goodness of fit index (GoF) measure was used [29]. According to Akter et al. (2011), the GOF value is said to be high if it is greater than 0.36. The GoF value obtained is 0.695 (Table 1) which is a very high number. Based on these results, it can be concluded that the research model fits the data very well.

Table 4

Goodness of fit index

	GoF
Absolute	0.695

Based on the results of the model fit analysis, it can be concluded that the research model is good in explaining the phenomenon under study, namely the influence of business opportunities and unique capabilities on business strategy and their impact on the business performance of the creative industries in West Java.

Analysis of the Measurement Model

The research four variables were measured using second-order modeling, namely the business opportunity, unique capabilities and business strategy variables; however, the business performance variable is measured by the first-order measurement model. To ensure the validity and reliability of the research results, each indicator used in measuring the research variables must be valid and reliable. Therefore, it is necessary to analyze the measurement model. To measure validity, two approaches are used, namely convergence validity and discriminant validity. As well as to measure reliability, two indicators are used, namely composite reliability and average variance extracted (AVE). The indicator is said to meet convergence validity if the loading factor value is greater than 0.700 and is said to have discriminant validity if the correlation value between dimensions is smaller than the square root value of the AVE [30]). Furthermore, the instrument is said to be reliable if the composite reliability value is greater than 0.700 and the AVE is greater than 0.500.

Table 5 presents the statistics of the first order measurement model, namely between indicators with dimensions that include standardized loading factors,

composite reliability and also AVE. The standardized loading factor value ranges from 0.647-0.911 with a composite reliability value greater than 0.700 and an AVE value greater than 0.500. There is one item that has a loading factor value of less than 0.700, namely a financial item with a loading factor value of 0.647. However, this indicator was not excluded from the analysis because according to [30])as long as the competitive reliability value is greater than 0.700 and the AVE is greater than 0.500, then items with a loading factor value of less than 0.700 and still greater than 0.400 can still be maintained.

Code	Indicator	Loading	Communality	Composite reliability	AVE
Business Opportunities					
Market				0920	069 7
X1.1	Customer Accessibility	0826	0683		
X1.2	Market Structure	0856	0732		
X1.3	Market Size	0785	0616		
X1.4	Levels Market/Industry growth	0.845	0.714		
X1.5	Market capacity(Markets with full capacity business opportunities	0.862	0.742		
Economy				0.877	0.70 4
X1.6 Issues	Competitive advantage	0.822	0.675		
X1.7	Barriers to industry entry	0.908	0.825		
X1.8	Environment natural resources	0.782	0.611		
Unique capability					
Tangible				0817	060 2
X2.1	Financial/ Cash Flow	0647	0418		
X2.2	Business Premises	0874	0763		
X2.3	Work Tools	0790	0624		
Intangible				0859	067 1
X2.4	trademarks	0819	0670		
X2.5	Reputation	0851	0724		
X2.6	Innovation and creativity	0.786Org anization al	0.618		
Capabilities				0.891	0.64 3
X2.7	Experience	0.757	0.574		
X2.8	Human Resource Development	0.750	0.562		
X2.9	Product development	0.891	0.794		
X2.10	Internal development of bus processes this	0873	0763		
Business Strategy					
Competitive Strategy				0.864	0.68 0
Y1	Cost leadership strategy	0778	0605		

Y2	Differentiation strategy	0.866	0.751		
Y3	Speed base of Strategy	0828.	0685		
Cooperative Strategy				0934	0804
Y4	Franchise	0877	0770		
Y5	Maklun	0.900	0.810		
Y6	Venture	0911	0831		
Y7	direct investment abroad	0841	0708		
Business Performance				0917	0774
Z1	Revenue/sales growth	0.875	0.766		
Z2	Company profit	0.910	0.828		
Z3	Market share	0.853	0.727		
Z4	New business growth	0.783	0.614		

The results of the validity and reliability analysis found that all indicators were declared to have convergent and reliable validity. So this item is feasible to use in measuring the dimensions of the research variables of business opportunities, unique capabilities, business strategies and business performance.

Table 6

The first-order measurement model (dimensions and variables)

Dimensions	Loading factor	communalities	Reliability Composite	AVE
Business Opportunities			0940	0887
Market	0969	0939		
Economy	0914	0835		
Unique Capability			0885	0722
Tangible	0767	0588		
Intangible	0847	0717		
Organizational Capabilities	0927	0859		
Business strategy			0938	0883
Competitive Strategy	0916	0839		
Cooperative Strategy	0963	0.927		

The first-order measurement model is a model for measuring the validity and reliability of the dimensions in measuring research variables. The results of the analysis of all dimensions have a loading factor value greater than 0.700 and a composite reliability value greater than 0.700 and an AVE greater than 0.500 so that it can be concluded that all dimensions have good convergent validity and are also reliable.

Table 7

Discriminant validity

	Business Opportunities	Market	Economy	unique capability	Tangible	Intangible Capability	Organization	Business Strategy	competitiveness	Cooperative	Business Performance
Business opportunities	0.942										
Market	0.970	0.835									
Economy	0.914	0.787	0.839								
Unique Capabilities	0.522	0.540	0.421	0.850							
Tangible	0.593	0.611	0.481	0.767	0.776						
Intangible	0.333	0.368	0.227	0.847	0.459	0.819					
Capability organizations	0.420	0.421	0.361	0.927	0.571	0.716	0.820				
Business Strategy	0.776	0.745	0.722	0.601	0.668	0.385	0.500	0.940			
Competitive Strategy	0.768	0.734	0.719	0.630	0.686	0.391	0.543	0.916	0.825		
Cooperative Strategy	0.708	0.680	0.655	0.526	0.594	0.345	0.425	0.963	0.775	0.883	
Business Performance	0.679	0.686	0.572	0.608	0.641	0.426	0.500	0.636	0.564	0.622	0.857

*) The main diagonal note states the value of the square root of the AVE

The results of the discriminant analysis validity by comparing the correlation value between dimensions and between variables with the square root value of the AVE found all correlation values are smaller than the square root AVE ($\sqrt{AVE}$) so that it can be concluded that all instruments have excellent discriminant validity, which means that the research instrument can distinguish the dimensions and variables that should be measured.

Structural model analysis

The analysis aims to test the research hypothesis. The stages in this analysis include predictability analysis and analysis of the significance of the effect of business opportunities and unique capabilities on business strategy and their impact on the business performance of creative industries in West Java.

Table 8

Analysis Predictability

Variable Endogenous	R2	Stone-Geisser's Q2
Marketing Strategy	0655	0794
marketing performance	0404	

Predictability analysis results in using note-Geisser's Q^2 gives a value of 0.794. This value is greater than 0.500 so it can be stated that the model has good predictability, in other words, the structural model can explain the phenomenon under study more than 50%.

Table 9

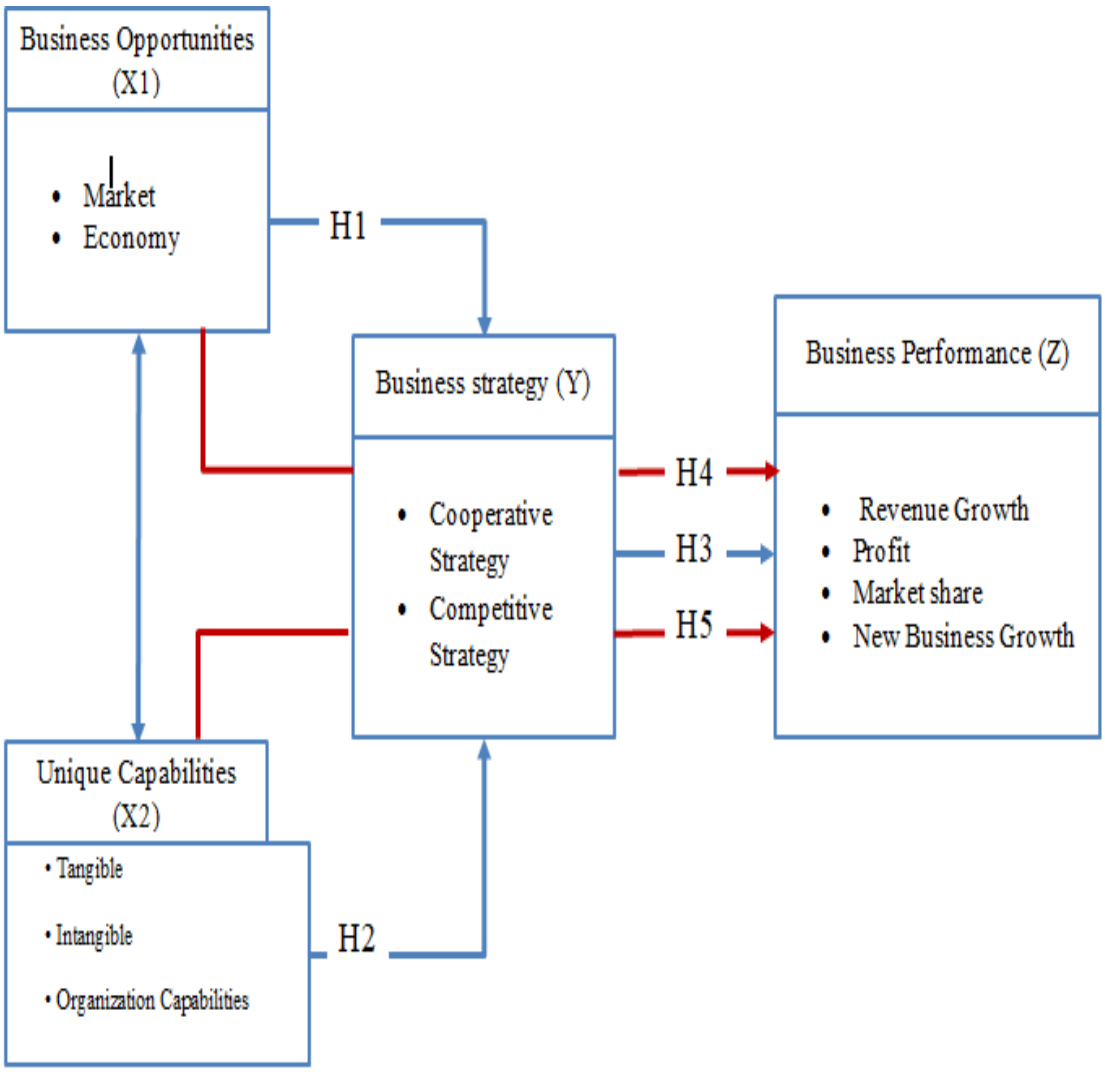
Effect of Business Opportunities and Business Strategies against Unique Capabilities and their Impact on Business Performance of Creative Industries in West Java

Effect	Effect	Std.Error	z-value	p-value
Business Opportunities -> Business Strategy	0636	0054	11 765	0000
Unique Capability -> Business Strategy	0269	0.066	4.047	0.000
Business Strategy -> Business Performance	0.636	0.072	8.798	0.000
Business Opportunity->Business Strategy -> Business Performance	0.404	0.057	7.046	0.000
Unique Capabilities -> Business Strategy -> Business Performance	0.171	0.047	3.677	0.000

Furthermore, hypothesis testing is carried out and the magnitude of the effect is by the research hypothesis. The results of the analysis found that all hypotheses had a p.value of less than 0.05 which indicates that hypotheses 1-5 are significant, namely, there is a significant effect of the business opportunity and unique capabilities variables on business strategy, there is a significant effect of business strategy on business performance and there is a mediating effect. From the business opportunity and unique capability variables to the creative industry business performance through the business strategy variable. The results of the study found that the influence of business opportunities on business strategy was 0.623 standard deviations, much larger than the unique capability variable whose influence value

was 0.269 standard deviations. These results inform that the success or failure of developing creative industry business strategies in West Java is more determined by success in mapping business opportunities. Business strategy has a big influence on business performance that is equal to 0.636. This means that the success of business performance cannot be separated from success in business strategy. The existence of a significant indirect effect of business opportunities and unique capabilities on business performance through business strategy shows that these two variables have an important role in driving the business performance of the creative industries in West Java through improving business strategies.

A large range of influence can be seen in. Figure 2.



The Influence of Business Opportunities and Unique Capabilities on Business Strategies and Their Impact on Creative Industry Business Performance in West Java

Performance

Importance and analysis Importance and analysis aims to determine the dimensions that are considered relatively important and perform well and vice versa. The results of the analysis are depicted in Figure 3.

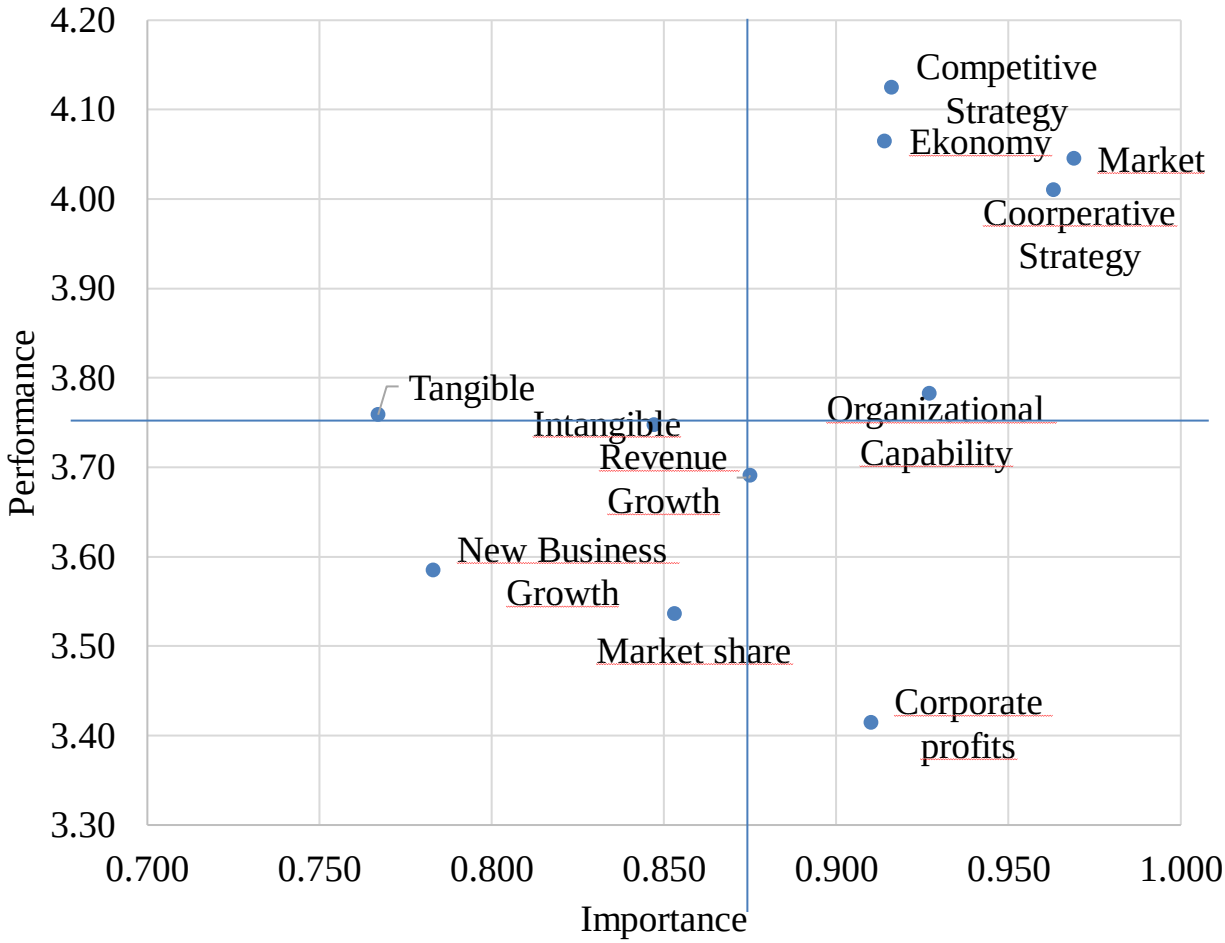


Figure 3. Importance and Performance Analysis

The results of the important performance analysis found that the indicators of competitive strategy, economy, market, and cooperative strategy are the most important dimensions and also have the best performance assessed by respondents. While the indicators of organizational capability and company profits, although they are important indicators about the business performance of the creative industry, are still considered to have relatively low performance compared to other dimensions, so improvements are still needed.

Conclusion

Creative industries have an important role in improving the national economy, especially in West Java. However, the COVID-19 pandemic has also shaken the sustainability of the creative industry even though it is believed that the creative industry is more resistant to the shocks of the COVID-19 pandemic. Various efforts to improve the business performance of the creative industry are needed to encourage the growth and development of the creative industry amid the COVID-19 pandemic. The results of the study used survey methods and partial least square path modeling analysis techniques found that business opportunities and unique capabilities had a significant effect on business strategy and were able to encourage the performance of creative industries in West Java. This implies that it is very important for every creative industry to find the right business opportunities by understanding the advantages in unique capabilities. A business strategy based on these two factors is considered effective in improving business performance.

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