

## **The Effect Of Structural Capital And Creative Innovation On Increasing Business Performance Of The Cibaduyut Shoes Fashion Industry In Bandung City**

S. Syahyono

*Universitas Islam 45 Bekasi*  
[Syahyono@unisma.ac.id](mailto:Syahyono@unisma.ac.id)

### **ABSTRACT**

The creative industry has a vital role in the economic growth of development. The city of Bandung is a city that has a large proportion of the creative economy, especially in the fashion sub-sector. However, the current situation and condition of the fashion sub-sector are still challenging to achieve the expected competitive advantage. This article examines all aspects of business performance that are influenced by creative innovation and capital structure mediated. The type of research conducted in this research is descriptive-*verificative* survey research. The sampling technique used is probability random sampling. The study results show that creative innovation is included in the low category, and structural capital and competitive advantage are ordinary. Efforts are needed to improve performance and competitive business advantage in MSMEs in the Creative Industry Center in the Fashion Sub-sector, which can be done through synergies from creative innovation, value chains, and structural capital.

**Keywords:** Structural capital, creative innovation, business performance

### **INTRODUCTION**

In this increasingly advanced era, business competition is becoming very tight. This causes companies to find ways to keep up with the competition, either by keeping costs as low and efficient as possible or by developing creative ideas for innovation. This creates a change in the creative industry.

The creative industry is an industry that creates new ideas from individuals or groups of people who are skilled, creative, and talented (Ministry of Commerce, 2008). Every available resource is utilized to improve business performance in the creative industry as expected. However, in reality, business performance in the creative sector is still not as expected. This is because the existing creative industry is still based on financial factors.

The ability of the creative industry to have business performance can be realized by the existence of intangible assets in the form of intellectual capital, mainly structural money, which is expected to contribute to creating added value for the creative industry (Tan et al., 2007). In addition, the innovation process can grow the strength to market innovative industry products with their brands both in the domestic market and in the international market (Creative economy development 2025, Ministry of Industry and Trade, 2008). The strategy to improve business performance encourages the creative industry to survive in global competition. The business performance improvement

strategy carried out by the creative industry is carried out to ensure the healthy sustainability of the business.

In Indonesia, the creative industry plays a vital role in economic growth and development, especially in the absorption of creative industry workers who are superior to other business sectors. One of Indonesia's cities with a large percentage of the creative economy is the city of Bandung. Especially in the fashion sub-sector. As one of the sub-sectors of the creative economy, the fashion sub-sector is a lifestyle in appearance that reflects self or group identity. Creative industry centers in the city of Bandung can be used as a foundation for economic growth, but this has not been fully developed optimally, especially having high competitiveness with similar products from competitors, especially competitors originating from imported products such as imported products from China.

The current state of the fashion subsector in Indonesia is still not showing the expected performance. Business performance measures that have been used in several creative industry sub-sectors, especially the fashion sub-sector, are still only financial measures. Meanwhile, optimal performance measurement is currently limited to financial measurements, but several other measurements can be used to improve and optimize business performance. The creative industry currently requires performance measurement that can translate the mission and strategy of business units into various sizes and objectives. The benefit of the business performance measurement process is to create a variety of essential management processes (Kaplan & Norton, 1996).

The business performance shown in the creative industry of the fashion sub-sector in this study is the measure of business performance used is financial performance and non-financial performance such as customer satisfaction and market share. Financial performance can be seen from the company's level of sales and profits. This research was conducted to determine the business performance of the fashion sub-sector creative industry in Bandung, namely Cibaduyut Shoes Center.

Based on several literature reviews that have been put forward, it was found that the condition of the creative industry of the fashion sub-sector of Bandung has not yet achieved the expected business performance because it still faces various obstacles related to the lack of high competitive advantage, especially related to cost benefits, differentiation advantages, advantages of responding to opportunities, and competitive advantage. Unique competence. Lack of innovative ideas and creativity is an obstacle in improving business performance. In addition, the constraints in business performance are also related to problems in structural capital, which include knowledge, experience, management systems, and copyrights. Based on existing studies, no research examines all aspects of business performance influenced by creative innovation and structural capital.

## **LITERATURE REVIEW**

### **Creative Economy**

The main focus of the creative economy is the creative industry, as stated by UNTACD and UNDP (2008). The central core of the creative economy lies in the process that carries out a series of value creation processes through continuous research and development. The creative industry by UNESCO is defined as an industry that combines creation, production, and commercialization, both intangible and cultural, that is created naturally. The Ministry of Trade of the Republic of Indonesia (2009) states that the

creative industry is an industry that utilizes one's talents, skills, and creativity in realizing prosperity and creating jobs. The focus in this industry is empowering one's originality and creativity.

As the core of the creative economy, the creative industry plays a role in creating prosperity so that it can create jobs that impact reducing unemployment. The creative sector also plays a role in improving business performance by increasing income to build economic equity reducing poverty. The financial gap will be condensed, which will spur reforms that prioritize raw materials originating from within the country.

The scope of activity of the creative economy can consist of various aspects. The Ministry of Trade of the Republic of Indonesia (2008) divides the creative economy into 16 sectors, namely the craft sector, printing and publishing, photography, video, film, performing arts, fashion, design, architecture, software, interior design, design, visual communication, advertising, radio, and television, as well as research and development.

#### Creative Innovation

According to Okpara (2007), innovation adds a new value to an existing product or process. A further explanation is that innovation is new ideas that have been successfully exploited. These ideas can bring profits and, of course, can be marketed.

#### Structural Capital

Structural capital is part of intellectual capital. According to Stewart (in Bontis 2000), intellectual capital consists of three elements, namely human capital, organizational capital, and relational capital. Corporate capital or structural capital is the ability of a company or organization that allows for optimal overall business performance.

Referring to the opinion of Krugman et al. (2012), Zimmerer et al. (2008), Suryana (2013), and Howkins (2001), structural capital can be measured in 4 dimensions, namely Knowledge, Experience, Management System, and the last is Copyright. The knowledge dimension is the collective ability of the company to produce the best solution based on the knowledge possessed by the people in the company. The experiential size is also collective learning in planning, production processes, and business evaluations. The management system dimension is structural support in company operational systems, manufacturing processes, financial management, product marketing, and distribution systems, including service procedures and customer service. The copyright dimension is intellectual property in product designs, trademarks, copyrights, patents, and royalties.

#### METHOD

The approach used in this study based on the type of problem is descriptive-quantitative. In contrast, the kind of research carried out in this study is descriptive-verification survey research. In this study, the research population is the creative industry entrepreneur in the fashion sub-sector of the shoe center city. The sampling technique used is probability random sampling.

#### DISCUSSION

The study results indicate that the description of Creative Innovation at the MSME Creative Industry Center in the Fashion Sub-sector of Bandung City is low (with an achievement of 44.4%). The low achievement of Creative Innovation is caused by the many dimensions of Creative Innovation, which are also common, although there are several dimensions whose achievements are already high.

The response of business actors to SMEs regarding creative innovation variables and their respective dimensions can be seen in the following table:

**Table**  
**The response of Bandung City Fashion SMEs regarding Creative Innovation (IK)**

No	Dimention		1-2-3-4	5-6-7	total	Achievement Criteria
1	Experience	F	271	309	580	high
		%	46,7	53,3	100,0	
2	Creative imagination	F	286	294	580	high
		%	49,3	50,7	100,0	
3	Confidence & Content	F	303	277	580	low
		%	57,2	42,8	100,0	
4	Creative Satisfaction	F	334	246	580	low
		%	57,6	42,4	100,0	
5	Duty Responsibilities	F	319	261	580	low
		%	55,5	45,0	100,0	
6	Creative Intelligence	F	421	159	580	low
		%	72,6	27,4	100,0	
<b>Inovasi Kreatif (IK)</b>		<b>F</b>	<b>1934</b>	1.546	3.480	low
		<b>%</b>	<b>55,6</b>	44,4	100,0	

Source: Data Processing (2020)

The table above shows that the percentage for the Creative Innovation variable is low (with a low rate of 55.6%). The dimensions of Confidence & Content, Creative Satisfaction, Task Responsibilities, and Creative Intelligence are also included in the low category. The measurements included in the high category are the Open to Experience dimension and the Creative Imagination dimension.

Creative innovations in the MSMEs of the Creative Industry Center of the Fashion Sub-sector of Bandung City are not going well. Most of these MSMEs only rely on orders or orders from customers. These SMEs can only imitate their "competitors for shoe designs and models." Due to limited financial and marketing capital, the production of goods can also be determined. In this case, most producers turn to sellers in specific markets.

Overall, the competitive advantage and business performance of an organization, in this case, MSMEs, is reflected in the level of creative innovation of the organization. This is in line with the opinion of Zimmerer (1996) who states that entrepreneurship is the application of creativity and innovation to solve problems and take advantage of opportunities faced every day. The value of creativity and innovation, and flexibility in the face of change are elements of one's authenticity. According to Wirasasmita ( ), innovative entrepreneurs are creative and believe in new ways. Creative innovation here includes developing ideas and finding new ways to solve problems and face opportunities, not all of which have been captured by the MSMEs of the Bandung City Fashion Sub-Sector Creative Industry Center.

In dealing with market competition and advanced management, innovation is one of the options. Freeman (2004) argues that innovation is an effort made by a company by

developing, producing, and marketing new products through the use of technology and information. Because creative innovation has not run smoothly, MSMEs are powerless to face competition, only relying on orders and seasonality (Eid, Christmas, New Year).

**Table**  
**The response of Bandung City Fashion SMEs regarding Structural Capital**

No	Dimention		1-4	5-7	Total	Achievement Criteria
1	knowledge	F	597	563	1.160	low
		%	51,5	48,5	100,0	
2	experience	F	549	611	1.160	high
		%	47,3	52,7	100,0	
3	Manajement system	F	408	752	1.160	high
		%	35,2	64,8	100,0	
4	Copy right	F	886	274	1.160	low
		%	76,4	23,6	100,0	
<b>Capital Struktural</b>		<b>F</b>	<b>2.440</b>	<b>2.200</b>	<b>4.640</b>	<b>low</b>
		<b>%</b>	<b>52,6</b>	<b>47,4</b>	<b>100,0</b>	

Source: Data Processing (2020)

The table above shows that the percentage for the Structural Capital variable is low (with an achievement of 47.4%). Two dimensions are included in the high category, namely experience and management systems, while knowledge is included in the low category, and Copyright is included in the deficient category.

Overall, the structural capital of the MSMEs in the Creative Industry Center of the Fashion Sub-sector of Bandung City needs to be improved so that it can support the formation of competitive advantages and sustainable business performance. Creating infrastructure capital requires institutional capital to create, accommodate, direct, foster and protect the creative economic climate (Suryana, 2016). Suryana (2013), and Howkins (2001), structural capital must at least be able to balance four aspects, namely aspects of knowledge, experience, management systems, and Copyright, so that in turn it can support increasing competitive advantage and ultimately improve the business performance of the MSMEs.

The results showed that the description of Business Performance at the Creative Industry Center of the Fashion Subsector of Bandung City was deficient (with an achievement of 24.8%). All dimensions on this Business Performance range from very low to low, none high.

Business performance requires a vision, mission, and strategy. The ultimate goal of the company's vision, mission, and strategy is viewed from four perspectives: financial, customer, internal business processes, and learning and growth.

If the four perspectives can work following the objectives, it is sure that business performance will increase. On the other hand, if there is no synergy, business performance will be challenging to improve.

It is also found that there is an influence of structural capital on competitive advantage. This condition indicates that the better the structural money, the higher the

competitive edge in the MSMEs in the Creative Industry Center for the Fashion Sub-sector in Bandung City, and vice versa.

Structural capital is one of the essential elements in a company's intellectual capital. Kamukama et al. (2011), in their research stated that human capital, relational capital, and structural capital as part of intellectual capital could affect a company's competitive advantage position. In this case, structural capital is several understandings belonging to the company and consists of IT, product innovation, explicit knowledge, corporate culture, optimization processes, and other innovations. It was found that the effect of structural capital on the company's financial performance can be mediated by competitive advantage. This finding also confirms the position of competitive advantage as a mediation of structural capital on business performance.

Referring to the research conducted by Rivkin (2000) and Bontis & Stovel (2002), it is also emphasized that the three elements of intellectual capital are related to each other and act interactively and collaboratively in building the intellectual capital base that can create or influence a competitive advantage position. A company. With adequate structural capital, a company's competitive advantage can be generated from the superior resources and capabilities of the company and the more productive exploitation of these resources. With specific knowledge, experience, and management systems, the use of resources can enable companies to implement various activities with varying degrees of success compared to similar competitors.

The influence of creative innovation on business performance. This condition indicates that the better the creative innovation, the higher the business performance of the MSME Center for the Creative Industry of the Bandung City Fashion Subsector, and vice versa.

This finding is in line with Racela's (2014) research results related to creative innovation capability and company performance, proposing a conceptual model that links creative innovation and company performance. In this case, a dynamic capability perspective is used, which emphasizes the strategic values of resources to enable organizations to create, develop, and modify the resource base to create and renew core competencies and competitive advantages. Creative innovation also plays an essential role in achieving competitive advantage and superior performance. He added that companies with consumer orientation capabilities would be better at executing creative innovation activities and processes to ensure competitive advantage and achieve exceptional levels of business performance.

Structural capital shows the effect on business performance. This condition indicates that the better the structural capital, the higher the business performance of the MSMEs in the Creative Industry Center for the Fashion Sub-sector in Bandung City, and vice versa.

This finding is in line with the results of research by Clarke et al (2011) which states that in intellectual capital, it is necessary to have an interaction between the efficiency of human capital and structural capital so that it can provide more certainty to business performance because if they run individually, the effect will be small. Whereas if there is an interaction, then the effect can be greater. Most companies often emphasize physical and financial capital rather than focusing on human capital and structural capital. In contrast, the influence of human capital and structural capital on the company's overall performance should not be ignored. Similarly, upon further analysis, companies tend to pay more attention to human capital than structural capital. As might be expected, these

companies tend to ignore organizational networks, patents, and brand names because achieving high financial performance matters.

## CONCLUSION

Conclusions that can be drawn from the results of research and discussion related to the effect of creative innovation on business performance at the UMKM Creative Industry Center, Cibaduyut Shoe Fashion Sub-sector, Bandung City, can be stated that business performance is still low. Creative innovation and structural capital, and competitive advantage affect business performance. This means that if creative innovation increases, the business performance also increases, and vice versa. Efforts are needed to improve business performance and competitive business advantage at the MSME Creative Industry Center in the Fashion Sub-sector; these efforts can be made through synergistic support from creative innovation, value chains, and structural capital.

## REFERENCE

- Agnew, J., & Szykman, L. (2011). Asset Allocation and Information Overload: The Influence of Information Display, Asset Choice and Investor Experience. SSRN Electronic Journal. <https://doi.org/10.2139/ssrn.1142932>
- Baker, H. K., & Nofsinger, J. R. (2011). Behavioral Finance: Investors, Corporations, and Markets. Behavioral Finance: Investors, Corporations, and Markets. <https://doi.org/10.1002/9781118258415>
- Baker, H. K., & Nofsinger, J. R. (2011). Behavioral Finance: Investors, Corporations, and Markets. Behavioral Finance: Investors, Corporations, and Markets. <https://doi.org/10.1002/9781118258415>
- Baker, H. K., & Ricciardi, V. (2014). Investor Behavior : The psychology of Financial Planning and Investing. Wiley Finance Series.
- Banerjee, A. V. (2009). Investment Efficiency and The distribution of wealth (Commisson on Growth and Development). The International Bank for Reconstruction and Development/ TheWorldBank. Washington DC.
- Copur, Z. (2015). Handbook of Research on Behavioral Finance and Investment Strategies : Decision Making in the Financial Industry. USA.
- Copur, Z. (2015). Handbook of Research on Behavioral Finance and Investment Strategies. <https://doi.org/10.4018/978-1-4666-7484-4>
- Curtis, G. (2004). MODERN PORTFOLIO THEORY AND BEHAVIORAL FINANCE FALL 2004 Modern Portfolio Theory and Behavioral Finance. THE JOURNAL OF WEALTH MANAGEMENT, 7(2), 16–22.
- Dirgantoro, C. (2001). Manajemen strategik: Konsep, kasus, dan implementasi. Jakarta: Grasindo.
- Djatmiko, M. B. (2011). Entrepreneurship: Go International: cara mudah dan benar menjadi pengusaha. Bandung: STEMBI-Bandung Business School.
- Haryono, S. (2017). Metode SEM Untuk Penelitian Manajemen dengan AMOS, LISREL, PLS. Jakarta: Luxima Metro Media.
- Hersh Shefrin. (2002). Beyond Greed and Fear: Understanding Behavioral Finance and The Psychology of Investing. Choice Reviews Online (Vol. 41). New York , USA: Oxford University Press. <https://doi.org/10.5860/choice.41-1676>
- Jurczenko, E. (2015). Risk-Based and Factor Investing. Risk-Based and Factor Investing. <https://doi.org/10.1016/C2015-0-01201-1>

- Jurczenko, E., & Michel, T. (2015). Generalized Risk-Based Investing. *Journal of Investment Strategies*, 4(4), 31.
- Kadir. (2015). *STATISTIKA TERAPAN* (1st ed.). Jakarta: Rajagrafindo Persada.
- Kapellas, K., & Siougle, G. (2017). Financial Reporting Practices and Investment Decisions: A Review of the Literature. *Industrial Engineering & Management*, 06(04), 1–9. <https://doi.org/10.4172/2169-0316.1000235>
- Lovric, M., Kaymak, U., & Spronk, J. (2010b). Modeling loss aversion and biased self-attribution using a fuzzy aggregation operator. 2010 IEEE World Congress on Computational Intelligence, WCCI 2010. <https://doi.org/10.1109/FUZZY.2010.5584899>
- Maginn, J. L., Tuttle, D. L., McLeavey, D. W., & Pinto, J. E. (2007). *Managing investment portfolios: a dynamic process*. CFA Institute (Vol. 37). Canada: John Wiley & Sons Ltd. Retrieved from <http://www.ncbi.nlm.nih.gov/pubmed/22165571>
- Majeed, M. A., Zhang, X., & Umar, M. (2017). Impact of investment efficiency on cost of equity: evidence from China. *Journal of Asia Business Studies*, 133(5), 578–597.
- USLU DIVANOGLU, S., & Hasim BAGCI, D. (2018). Determining the Factors Affecting Individual Investors' Behaviours. *International Journal of Organizational Leadership*, 7(3), 284–299. <https://doi.org/10.33844/ijol.2018.60407>
- Yuniningsih, Y., Widodo, S., & Nizarudin, B. (2012). An analysis of Decision Making in the Stock Investment. *Economic: Jurnal Ekonomi Dan Hukum Islam*, 2(1), 122–129.