

Creative Industry: Enhancing Competitive Advantage and Performance

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Abstract

This study is a kind of field research which aims to find out how the relationship between market orientation, product creativity and innovation, competitive advantage and creative industry performance in Malang town, East Java, Indonesia. Data collection on 133 samples of creative entrepreneurs were carried out on a non-probability sampling through a questionnaire instrument. The data obtained were analyzed using Partial Least Square (PLS) analysis. The results of the study show that market orientation has a direct, positive and significant effect on product innovation, competitive advantage, and industry performance. The findings also state that there is an intervening effect of product innovation on the effect of market orientation on competitive advantage and industry performance, there is also an intervening effect on competitive advantage over the effect of market orientation on industry performance. Product creativity has a positive and significant effect on product innovation. However, there is not enough strong evidence to support the hypothesis that product creativity directly or indirectly affects competitive advantage through product innovation, as well as industry performance through competitive advantage. The intervening effect only occurs on the relationship of product creativity with product innovation and industry performance. The managerial implication of the study is that to achieve high industry performance, creative industries need to increase competitive advantage, especially through competitive pricing strategies, improving market orientation, and product innovation.

Keywords

Creative Industry Performance; Competitive Advantage; Market Orientation; Creativity; Product Innovation

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Introduction

The development of the creative economy sector is one of the focuses of the implementation of the Indonesian government's Sustainable Development Goals (SDGs) until 2030. The creative economy has contributed IDR 642 trillion or 7.05% of Indonesia's total Gross Domestic Product (GDP) in the past year. Badan Ekonomi Kreatif (Bekraf) targets the contribution of the creative economy to GDP rise to reach 12% in 2019 (Hartawan, 2016). Indonesia economic growth increased, from 4.41% (2016) to 4.95% (2017). Likewise, the contribution of the economic sector to GDP increased, from IDR 852.56 trillion or 7.38% (2015) to IDR 922.58 trillion or 7.44% (2016) (Saputri, 2018). The creative economy, according to Müller et al., (2009) can indeed increase economic innovation that has an impact on a macroeconomy. So, it is a necessity to improve the performance of the creative economy sector in Indonesia, especially in Malang town.

Malang town plays an important role in the development of the creative economy sector in Indonesia. This is indicated by the trust of the central government by making Malang the host of the IV Indonesia Creative Cities Conference (ICCC) in 2016 which was attended by representatives of creative cities in Indonesia and delegations from several ASEAN countries (Kurniawan, 2016). The seriousness of the government in creating the creative city of Malang is proven to start from the establishment of Malang Creative Fusion (MCF) as a forum for dynamic creative communities from each sub-district to meet and work together (Bidang Informasi Publik,

2016). The creative dynamics of Malang town developed rapidly so that one of the masterpieces in the form of "Malang Festival Mbois" was held every year (Zulaikha, 2016). And through the facilitation of the Ministry of Industry of the Republic of Indonesia and the Department of Industry and Trade of Malang, 31 May - 3 June 2016 MCF had the opportunity to attend the "Communic Asia 2016" exhibition event in Singapore (Baghumas, 2016). Furthermore, in 2018, the government created a Road Map for the 3 leading sub-sectors of the creative economy in Malang: culinary, application and games, and film, animation, and videography (Adhi, 2018). The creative economy is expected to become the economic backbone of Malang town (Sasongko, 2018). Even Bekraf assessed that the creative industry sector in Malang has enormous potential because it has many creative products so that Malang was chosen as one of the regions that received the Bekraf creative community mentoring program. Throughout 2017, GDP from the creative economy sector reached IDR 825 trillion, the figure is believed to continue to increase if creative cities continue to grow rapidly, one of which is Malang (Febrianto, 2018). Moreover, Malang Town Central Statistics Agency (BPS) data in the 2016 Economic Survey alone has recorded a total of 40,690 creative economic actors in Malang (Ratri, 2018). In 2019, Malang finally succeeded in becoming "2019 Indonesian Creative City Model Role" that Bekraf selected, with the superior creative economy subsector in the form of Application and Games Development (Sasongko, 2019).

Industry performance, according to Dibrell et al., (2008), is the orientation of industry on purpose and finance and the ability of the industry to dominate the market. The increasing extent of the market and demand for products trigger spontaneously the additional needs of employee and capital. Febrianto (2016) explains that one way to improve creative economic performance is to expand the market of Indonesian creative products, both to the domestic market and to penetrate international markets. However, without the existence of a generic strategy, these targets cannot be achieved. Moreover, the process of economic integration through the free trade area, also the diffusion of knowledge and information throughout the world that is so heavy now days (Yasar, 2010), and the entry of the industry revolution era 4.0 marked by the massive development of information technology Rozaq (2018), making the degree of globalization getting higher and causing competition in the business world to become tighter. The generic strategy that can be done by the creative industry is to coemployeessate to compete more effectively in the “market place”. This is what Porter (1993) calls a competitive advantage. So, the strategy must be designed in such a way as to create a sustainable competitive advantage. Thus, the industry can dominate the old market and new markets. This competitive advantage, according to Kotler (2010), can be in the form of competitive prices, valuation, differentiation, and high product innovation.

Several previous studies have proven that competitive advantage has a positive and significant effect on industry performance (Rose et al., 2010; Majeed,

2011; Davcik & Sharma, 2016; Aryana, Wardana, & Yasa, 2017). The research gap occurs in the results of research by Nuryanti & Andreas (2017) and Jamshi & Ganeshkumar (2017) who have found an inverse relationship, where industry performance affects competitive advantage. However, for the case of creative industries in Malang where there are many industries in the start-up category, determining competitive advantage first to achieve optimal performance is more likely.

Determining the competitive advantage of the creative industry is not an easy matter, moreover technological innovation, and the current market character change easily (Noor, 2018). Thus, the products of the creative industry that penetrate the global market are only products launched by the industry that react quickly to new market conditions and can understand customer needs. This ability is what Mitchell et al. (2013) referred to as market orientation.

The relationship between market orientation and competitive advantage has been revealed by several previous studies: Pardi et al., (2014), Sirivanh et al. (2014), Maruta, et al. (2017) and Zeebaree & Siron (2017). The findings of their research indicate that increasing market orientation can improve competitive advantage. However, many studies: Abzari et al. (2011), Bakti & Harun (2011), Widarti (2011), Dismawan (2013), Kalay & Lynn (2015), and Neneh (2016) also reveal that market orientation can improve industry performance. The higher of market orientation, the higher the industry performance. The research results of Felgueira & Gouveia (2012) also show that market orientation not

only affects the performance of the company level but also influences performance at the individual level, in the context of creative industries, the individual level is the worker and the creative industry itself. Another study, conducted by Sutapa et al. (2017) gave results that significantly, market orientation has influenced the industry performance. A similar thing was revealed by Suparman & Ruswanti (2017) that market orientation had a major influence on industry performance, particularly marketing performance. So, market orientation not only affects competitive advantage but also affects industry performance. While the competitive advantage also affects industry performance. That is, competitive advantage can be said as an intervening variable that mediates market orientation relations with industry performance (Murray et al., 2011).

However, an empirical gap occurs in the findings Le et al. (2018) that said there is no significant relationship between market orientation and performance. This empirical gap can occur due to different management conditions between the agricultural sector and the creative industry sector. Tjiptono (2008) states that market orientation is based on certain considerations in which the concept is not the responsibility of the marketing function, but rather reflects a process in which all departments participate in collecting, disseminating and following up market intelligence. So, However, an empirical gap occurs in the findings Le et al. (2018) that said there is no significant relationship between market orientation and performance. This empirical gap can occur due to different management conditions between the agricultural

sector and the creative industry sector. Tjiptono (2008) states that market orientation is based on certain considerations in which the concept is not the responsibility of the marketing function, but rather reflects a process in which all departments participate in collecting, disseminating and following up market intelligence. So, the existence of a market orientation will help the industry to effectively differentiate product offerings in relation to industry competitiveness (Mustafa et al., 2015).

An empirical phenomenon also occurs related to market orientation, the findings of several studies show that market orientation has a significant effect on product innovation (Atuahene-Gima, 2005; Grinstein, 2008; Newman et al., 2016). An empirical gap occurs in the results of research (Aldas-Manzano et al., 2005) which found that was no statistical evidence found showing that market orientation has a direct relationship with product innovation. Market orientation is influenced by organizational characteristics and at the same time is a key antecedent of innovation (Beck et al., 2011). While many studies also show that innovation itself has a significant effect on competitive advantage (Liao, 2016; Dereli, 2015; Bogdan & Marius, 2015; Nadia, 2016; Distanont & Khongmalai, 2018). This shows that there is a possibility that product innovation is an intervening variable that mediates the effect of market orientation on competitive advantage.

In the other hand, innovation has a significant positive effect on industry performance (Sutapa et al., 2017; Suparman & Ruswanti, 2017; Indriastuti et al., 2017; Nybakk & Jenssen, 2012).

This shows the intervening role of innovation in market orientation relations with industry performance (Prifti & Alimehmeti, 2017).

Based on the above studies, finally, a model of the relationship between market orientation, product innovation, competitive advantage, and industry performance can be drawn. A high market orientation will trigger product innovation that results in competitive advantage which ultimately impacts on high industry performance. However, only based on market orientation and innovation without being based on creativity, the performance of the creative industry in Malang will be less than optimal. Given that Malang is a town, where according to Rodríguez-pose & Lee (2013) the level of creativity in small cities is much higher than in large cities. This indicates that creativity has a big role in building the performance of high creative industries in Malang. The findings Widodo (2014) show that product creativity has a positive and significant effect on industry performance. While the results of the study Weinzimmer et al. (2011) reveal an empirical gap that shows that the influence of product creativity on the industry performance is not significant.

The results of the study Rodríguez-pose & Lee (2013) also revealed that creativity also affects product innovation, although this influence is not significant. While it has been previously explained that product innovation influences competitive advantage and industry performance. In the context of the creative economy, product creativity is also a fundamental thing that cannot be ruled out. Unfortunately, there is still little research that raises the issue of

product creativity relations with innovation, competitive advantage and industry performance. Therefore, based on this background, this study aims to determine the relationship between market orientation, product creativity and innovation, and competitive advantage and the performance of the creative industries in Malang.

The purpose of this study is to analyze: (1) the effect of market orientation on product innovation, (2) the effect of product creativity on product innovation, (3) the effect of market orientation on competitive advantage, (4) the effect of product creativity on competitive advantage, (5) the effect of product innovation on competitive advantage, (6) the effect of market orientation on industry performance, (7) the effect of product creativity on industry performance, (8) the effect of product innovation on industry performance, (9) the effect of competitive advantage on industry performance, (10) the indirect effect of product creativity on competitive advantage through product innovation, (11) the indirect effect of market orientation on competitive advantage through product innovation, (12) the indirect effect of product creativity on industry performance through product innovation, (13) the indirect effect of market orientation on industry performance through product innovation, (14) the indirect effect of product creativity on industry performance through product innovation and competitive advantage, (15) the indirect effect of product innovation on industry performance through competitive advantage, (16) the indirect effect of market orientation on industry performance through product innovation and competitive advantage, (17) the

indirect effect of product creativity on industry performance through competitive advantage, and (18) the indirect effect of market orientation on industry performance through competitive advantage.

Hypotheses Development

Grand Theory

The importance of measuring company performance can be explained by two theories, namely agency theory and signalling theory. The agency theory explains that in a company there are two parties that interact with each other. These parties are company owners (shareholders) and company management. Companies that separate management and ownership functions will be vulnerable to agency conflict because each party has conflicting interests, namely trying to achieve its own prosperity (Panda & Leepsa, 2017). The second theory that explains the importance of performance measurement is (signalling theory). Signal theory discusses how signals of success or failure of management (agent) should be conveyed to the owner (principal). The signal theory explains that signalling is done by management to reduce asymmetric information. According to (Bryant & Karasek, 2012), signalling theory explains why companies have the urge to provide financial report information to external parties. The encouragement arises because of the existence of asymmetric information between the company (management) and outside parties, where management knows the company's internal information is relatively more and faster than outside parties such as investors and creditors.

To achieve high performance, it is important for management to determine the strategy. Competitive advantage can be called a central theme in the field of strategic management. Strategic management, comparing with organizational support, strategic choice variables and competitive advantage. Competitive advantage is a top priority. The following will be given a big theory that supports the study of strategy and competitive advantage. The advantages obtained are obtained from an organization that develops or acquires attributes (or executes actions) that enable it to outperform success. In the initial period, there were two dominant theories of competitive advantage, namely Market Based Display (MBV) and Resource-Based Display (RBV). A resource-based view (RBV) is a managerial framework used to determine strategic resources that companies can exploit to achieve sustainable competitive advantage (Madhani, 2010). While the basic market outlook (MBV), otherwise known as a market position view, determines the role of the market in developing strategies for the company. This view contrasts with RBV which refutes only about internal resources. Finally, in 2002 the "fit concept" became a balancing act between an external oriented MBV and an internal oriented RBV (Wang, 2014).

While this study discusses the "fit concept", where the applied theory of dynamic capabilities and entrepreneurial orientation rests more on the RBV, while market orientation relies more on MBV.

Market Orientation and Product Innovation

Uncles (2000) states that market orientation is a process and activity related to customer creation and satisfaction by continuing to assess the needs and desires of customers. Market orientation can also be referred to as a multidimensional concept consisting of customer orientation, competitor orientation and cross-functional coordination (Slater & Narver, 1994; Augusto & Coelho, 2007; and Migliori et al., 2017). The concept is not the responsibility of the marketing department alone, but a process in which all departments participate in the framework of collecting, disseminating and following market intelligence (Tjiptono, 2008). Several studies have shown that market orientation has a positive and significant effect on product innovation (Atuahene-Gima, 2005; Grinstein, 2008; Newman et al., 2016; Sutapa et al., 2017). Market orientation significantly influences innovation, so that high-activity market-oriented companies will enhance innovation. Market-oriented business decisions will manifest in three dimensions, namely customer orientation, competitor orientation, and cross-functional coordination. Based on this background, the first hypothesis can be drawn, namely:

H1: Market orientation has a positive and significant effect on product innovation

Product Creativity and Innovation

Creativity, according to Reisman (2014), is a skill that is owned which can regularly solve problems, product modes, or define new questions in a

domain in a way that was initially considered novel but eventually accepted in certain cultural environments. While according to Bashor & Purnama (2017), creativity is a person's ability to produce new ideas and by the guidance of the country, place of ideas and needs. The product creativity can be interpreted as an initiative of a product or process that is useful, appropriate, and valuable to a heuristic task that requires learning, understanding to discover a new idea (Hadiyati, 2011). The results of the study Rodríguez-pose & Lee (2013) revealed that creativity had a positive effect on product innovation, though it was not significant. Creative industries are more likely to introduce truly new products than other sectors, but there is no overall relationship with innovation more generally. Creative work, on the other hand, appears as a more important driver of innovation in general and is used to develop entirely innovations (Sutapa et al., 2017). Some concepts of the development of creative industries have not yet materialized in the form of products, processes, markets, and management innovations. Based on this background, the second hypothesis is drawn, namely:

H2: product creativity has a positive but not significant effect on product innovation

Market Orientation, Product Innovation, Competitive Advantage, and Industry Performance

Previously it was explained that market orientation has a positive effect on product innovation. While, market orientation relationships with competitive advantages (Pardi et al., 2014; Sirivanh et al., 2014; Maruta et al.,

2017; Zeebaree & Siron, 2017). The results of these studies mention the fact that market orientation has a positive and significant effect on competitive advantage. Competitive advantage, according to Kotler (2010), is the offering of a product to the market that delivers value-added than competitors who try to win the same market, in this case, the industry must maintain strong relationships with customers, by offering competitive prices, valuation or benefits, high differentiation and product innovation which Supranoto (2009) are termed "products that are not easily replaceable". On the other hand, product innovation also has a significant positive effect on competitive advantage (Distanont & Khongmalai, 2018; Liao, 2016; Nadia et al., 2016; Dereli, 2015; Bogdan & Marius, 2015). This shows that there is a direct and indirect relationship between market orientation and competitive advantage. In this case, product innovation can be an intervening variable that mediates market orientation relations with a competitive advantage.

Industries that excel in the competition will have an impact on high performance (Rose et al., 2010; Majeed, 2011; Davcik & Sharma, 2016; Aryana et al., 2017; Collymore et al., 2017). This shows that competitive advantage has a significant influence on industry performance. Some previous studies also showed a positive relationship between product innovation and industry performance (Kalay & Lynn, 2015; Ting, et al, 2012; Suparman & Ruswanti, 2017; Brem, Maier, & Wimschneider, 2016; Nybakk & Jenssen, 2012; Salim, et al., 2011). This shows the direct influence of product innovation on industry performance and indirect influence through competitive advantage. It has

been proven by research (Sutapa et al., 2017). Market orientation also affects industry performance (Abzari et al., 2011; Bakti & Harun, 2011; Widarti, 2011; Dismawan, 2013; Kalay & Lynn, 2015; Neneh, 2016). That is, there is a direct influence of market orientation on industry performance and an indirect effect through product innovation as an intervening variable (Menguc & Auh, 2006; Prifti & Alimehmeti, 2017; and Le et al., 2018). Also, based on relationship analysis, there is a direct influence of market orientation on industry performance and indirect influence through competitive advantage (Hult & Jr. Ketchen, 2001; Talaja et al., 2017). So, based on this background, the third hypothesis is drawn, namely:

H3a: Market orientation has a direct, positive and significant effect on competitive advantage

H3b: market orientation has an indirect effect on competitive advantage through product innovation as an intervening variable

H3c: market orientation has a direct, positive and significant effect on industry performance

H3d: market orientation influences indirectly on industry performance through product innovation as an intervening variable

H3e: market orientation has an indirect effect on industry performance through competitive advantage

H3f: market orientation influences indirectly on industry performance through product innovation and competitive advantage as intervening variables.

Creativity, Product Innovation, Competitive Advantage, and Industry Performance

Previously, it was explained that creativity, although not significantly influencing product innovation. While there are studies that also show that creativity has a positive direct effect on competitive advantage (Bashor & Purnama, 2017; Chang et al., 2010; Teodorescu, 2015). On the other hand, it has been explained previously that product innovation influences competitive advantage. This shows the intervening role of product innovation in the relationship of creativity with a competitive advantage. Unfortunately, little research has been discussed about this relationship. Several studies revealed that creativity influences industry performance, but the effect is not significant (Bashor & Purnama, 2017; Sue-Chan & Hempel, 2016; Weinzimmer et al., 2011). While previously it was also discussed if innovation has a significant positive effect on industry performance. Likewise, competitive advantage has a significant positive impact on industry performance. This shows that there is a possible intervening effect of product innovation on the influence of creativity on industry performance as well as the intervening impact of competitive advantage over the influence of creativity on industry performance, even though the impact may not be significant. Overall, there appears to be a relationship between creativity, product innovation, competitive advantage, and industry performance. Creativity is identified as the most important attribute for future business. Despite its popularity in the industry, researchers have not found conclusive empirical

relationships that show that creativity impacts on firm-level performance (Rebeka & Indradevi, 2017). Based on this background, the fourth hypothesis is drawn, namely:

H4a: creativity has a direct, positive and significant effect on competitive advantage

H4b: creativity influences indirectly on competitive advantage through product innovation as an intervening variable

H4c: product creativity has a direct, positive and significant effect on industry performance

H4d: creativity influences indirectly on industry performance through product innovation as an intervening variable

H4e: creativity influences indirectly on industry performance through competitive advantage

H4f: creativity influences indirectly on industry performance through product innovation and competitive advantage as intervening variables

Method

The object of this research is that creative entrepreneur in Malang town form 16 sub-sectors of the creative industry. Samples were selected on a non-probability sampling with a purposive sampling approach, namely creative entrepreneur who is willing to become research respondents and domiciled in Malang town. The population is unknown, so in this study, the number of samples was based on theory from (Hair et al., 2010), as many as 5-10 times the number of indicators, so it used $7 \times 19 = 133$ samples. Data collection is done by field survey method, with 7 points scale questionnaire instruments. The industry performance, based on (Purwaningsih & Kusuma, 2015), was measured through

indicators: (1) sales growth, (2) capital growth, (3) employees growth, (4) market growth, (5) profit growth. The competitive advantage, based on (Kotler, 2010), was measured through indicators: (1) price, (2) valuation, (3) differentiation, (4) innovation (not easily replaced). Product innovation, based on (Kuratko & Hotgetts, 2004), was measured through indicators: (1) new product discovery, (2) product development, (3) product duplication, (4) product synthesis. Product creativity, based on (Dismawan, 2013) was

measured through indicators: (1) product authentic and novelty, (2) product transformation, (3) product feasibility. Market orientation, based on (Fatah, 2013) (Slater & Narver, 1994), was measured through indicators: (1) customer orientation, (2) competitor orientation, (3) cross-functional coordination. The collected data is processed and analyzed using Partial Least Square (PLS) analysis with the help of SmartPLS software version 3.2.7.

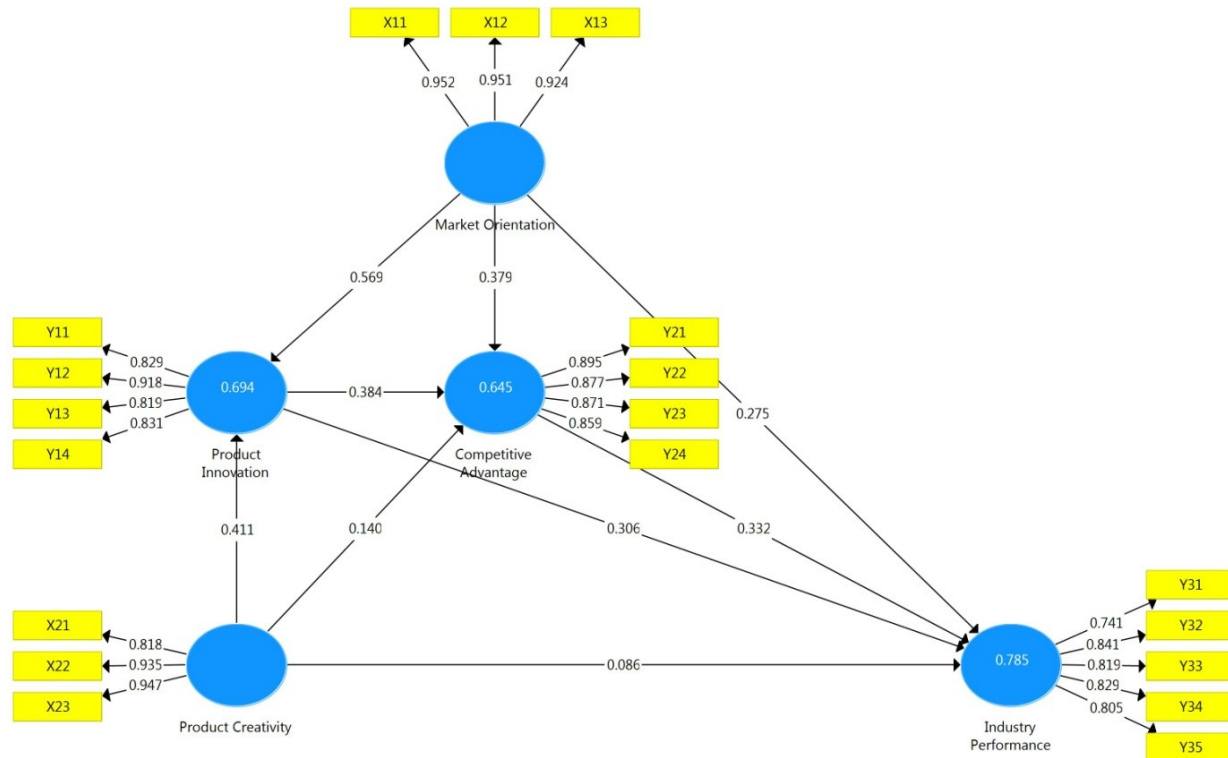


Figure 1. Structural Model

Results

Based on the structural model formed as presented in Figure 1. It is known that the R-Square value of the relationship between market orientation and product creativity towards product innovation is 0.694. This shows that 69.4% of product innovation is explained by market orientation and product creativity. The market orientation path coefficient towards product innovation is positive at 0.69, as well as the product creativity path coefficient towards product innovation is positive, but at 0.411. Based on the t-statistics value, the two coefficient values are significant. Finally, this analysis results that both market orientation and product creativity have a positive and significant effect on product innovation. Although here, the contribution of market orientation is greater than creativity in shaping product innovation.

Furthermore, with R-Square of 0.785, industry performance is explained by 78.5% by market orientation, product creativity and innovation, and competitive advantage. While 21.5% is explained by other independent variables which were not considered in the study. Based on the path coefficient values and t-statistics, only product creativity does not have a significant effect on industry performance. The variable that has the most significant influence on industry performance is a competitive advantage. In the case of the relationship between market orientation, creativity and product innovation towards industry performance, the competitive advantage also acts as an intervening variable that mediates the relationship of market orientation and product innovation to industry performance. However,

competitive advantage was found to be insufficient to mediate the relationship of product creativity to industry performance. This is because the direct influence of creativity on competitive advantage and industry performance is not significant.

The direct effect of market orientation on industry performance is 0.275. This is greater than the indirect effect of market orientation on industry performance through product innovation of 0.174 or competitive advantage of 0.126. The direct influence is far greater than the influence through two mediators at once, namely product innovation and competitive advantage of 0.072. The direct effect of product creativity on industry performance is only 0.086. This is higher than the indirect influence of product creativity on industry performance through competitive advantages which are only 0.046, also through two mediators at once, namely product innovation and competitive advantage which is only 0.052. However, different things happen to the indirect influence of product creativity on industry performance through product innovation, the effect is 0.126. This is due to the significant influence of product creativity on product innovation and the significant influence of product innovation on industry performance. So that mediate the relationship between product creativity and industry performance is product innovation, while the competitive advantage is not enough to do this.

Discussion

Market Orientation and Product Innovation

This study provides results that product innovation is influenced positively and significantly by market orientation and creativity. This shows that one way to improve product innovation is by improving market orientation and product creativity. These results are in line with the findings Atuahene-Gima (2005), Grinstein (2008), Newman et al. (2016) and Sutapa et al. (2017) which state that market orientation has a significant impact on product innovation. Three important parts of market orientation that can break through innovation are customer orientation, competitor orientation, and cross-functional coordination, as defined by (Slater & Narver, 1994). Information about the actions and strategies used by competitors quickly arrived at the creative team by being balanced by information related to the things desired by customers, through cross-functional coordination, determined strategies in dealing with these situations. What efforts will be made by the industry in the short and long term are immediately mapped and immediately take concrete action.

Product Creativity and Innovation

Related to the relationship between creativity and product innovation, this study shows results that are slightly contradictory with previous studies. The results of the study Agbor (2008), Rodríguez-pose & Lee (2013) and Sutapa et al. (2017), state that the influence of creativity on product innovation is not significant, but

research on the creative industries in Malang shows that influence creativity towards product innovation is significant. Again, referring to the results of the study Rodríguez-pose & Lee (2013) which states that the creation of industries in small cities is much higher than in large cities. Again, be reminded, Malang is a town which is rich in creativity. To achieve product creativity, creative industries in Malang prioritize the feasibility of the products produced, this concerns the aspects of product quality and attractiveness. However, it does not rule out product transformation, so that the product has its uniqueness or character and the novelty of the product. Most of the creative industries in Malang, in innovating, emphasize product development rather than finding new products, doing duplication or product synthesis. In almost all sub-sectors of the creative industry, especially the mainstay 3 sub-sectors of Malang: (1) culinary, (2) applications and games, and (3) films, animation and video (Choirul, 2017) produce high innovation.

Market Orientation, Product Innovation, Competitive Advantage, and Industry Performance

The results of this study indicate that the three main variables that have a large impact on improving industry performance are market orientation, product innovation, and competitive advantage. Market orientation has a direct, positive and significant effect on competitive advantage. The higher the market orientation, the higher the competitive advantage that the creative industry has. This study fully supports the results of the study Zhou et al. (2009), Felgueira & Gouveia (2012),

Mustafa et al. (2015), Suparman & Ruswanti (2017), Pardi et al. (2014), Sirivanh et al. (2014), Maruta et al. (2017), Zeebaree & Siron (2017) which state that increasing market orientation can increase competitive advantage. Market orientation allows industries to analyze the external environment because of understanding consumer preferences, competitor strategies, and changes in the overall market situation. Suparman & Ruswanti (2017) explains that if the industry focuses on customers, it is the starting point of view of quality to achieve customer satisfaction. The industry will pay more attention to what customers need. Zhou et al. (2009) explained that the greater the customer orientation, the more the company will be able to develop competitive advantages based on innovation and market differentiation. But the competitor's orientation will hurt market differentiation advantages. However, this will be offset by other trends, in this study it was found that creative industries in Malang town tend to be competitively oriented with competitive advantages in the form of competitive prices. This is consistent with the results of the study Suparman & Ruswanti (2017) which revealed that in the competitor's orientation, there was an assumption that customers were more sensitive to prices.

The results of this study also indicate that market orientation also indirectly influences competitive advantage through product innovation as an intervening variable. The higher the market orientation, the higher the product innovation produced. High innovation will have an impact on the strength of competitive advantage. Product innovation can also increase the

differentiation advantage (Liao, 2016). Besides, product innovation can be used as a way to find market opportunities and maintain a competitive advantage in a dynamic environment (Liu, 2017). The industry should invest in innovation to get a strong competitive advantage and win the market (Nadia et al., 2016). Innovation through the design of new products and product development using new technology drives efficient production that has an impact on low prices. Product differentiation and entering the market with new products faster than competitors will be able to create competitive advantage (Sutapa et al., 2017). Meanwhile, Nishitani & Itoh (2016) said that to improve competitive advantage, if it cannot be done through competitive prices, it can be done with product innovation that has environmentally friendly attributes. Also, creative entrepreneurs need to adapt and prepare themselves to face future economic changes, which will occur not only at the global level but also at the regional and state level. Innovation will be a strategic tool in this important competition for the creation and enhancement of business to enhance the equal or better competitive advantage in foreign countries to achieve sustainable development (Distanont & Khongmalai, 2018).

Another result of this research is that market orientation has a positive and significant direct effect on industry performance. The results of this study contradict the findings (Le et al., 2018) which state that there is no significant relationship between market orientation and performance. However, Another result of this research is that market orientation has a positive and significant direct effect on industry performance.

The results of this study contradict the findings (Le et al., 2018) which state that there is no significant relationship between market orientation and performance. However, the results of this study are consistent with the results of the study (Šályová et al., 2015) which reveal that businesses with a higher market orientation show better financial and economic market results. Developing and enhancing industry market orientation can make industry capabilities more distinctive in the long run and produce sustainable competitive advantages (Jain, al., 2013). The link between market orientation and industry performance appears strong in all environmental contexts characterized by various types of market turbulence, the intensity of competition, and technological turbulence (Jaworski & Kohli, 2018). Market orientation, in the long run, is very useful for improving industry performance. Market orientation is cost-effective regardless of all the possible medium-term effects of environmental conditions (Slater & Narver, 1994). When referring to the theory of resource-based view, and dynamic capabilities, market orientation, and marketing capabilities are complementary assets that contribute to superior performance. Market orientation has a direct effect on industry financial performance (Morgan et al., 2018). Market orientation should have a more tangible effect on industry profits than sales because market orientation focuses on customer retention rather than acquisition (Kumar et al., 2018). The effect of market orientation on industry performance is also felt by non-profit organizations (Kara et al., 2018). So, being aware of, understanding and applying market orientation for the creative industry is very important. In

fact, (Egeren et al., 1998) states that industries that do not move quickly to make goods or services by the wishes of customers, the result is a disaster.

Market orientation is also proven to have an indirect effect on the performance of creative industries through product innovation as an intervening variable and competitive advantage as an intervening variable. The results of this study support the findings Menguc & Auh (2006), Le et al. (2018), (Prifti & Alimehmeti, 2017) which state that innovation can mediate market orientation relations with industry performance. The results of this study also support the findings of Hult & Jr. Ketchen (2001), Javalgi et al. (2005), Talaja et al. (2017), Murray et al. (2011) which show that competitive advantage is also capable mediating market orientation relations with industry performance. However, the results of this study reveal that the intervening impact of product innovation is slightly stronger than the intervening impact of competitive advantage. This shows that product innovation gives a little more meaning to improving industry performance than determining competitive advantage in the face of the market, in this case in the form of competitive prices. The direct impact of market orientation on industry performance is higher than the indirect impact of market orientation through product innovation and competitive advantage. Even so, still considering innovation and competitive advantage is a necessity to obtain a positive total impact on the performance of creative industries in Malang.

Creativity, Product Innovation, Competitive Advantage, and Industry Performance

The results of this study indicate that the direct influence of product creativity on competitive advantage and industry performance is not significant. Likewise, the indirect impact of product creativity on industry performance produced by mediating competitive advantage is not significant. This is by previous studies, namely, research Weinzimmer et al. (2011) which states that there is no conclusive empirical relationship that shows that creativity has an impact on firm-level performance. However, this result is a little contradiction with the results of the study Widodo (2014), Barrett et al. (2005) which revealed that there is a strong and positive relationship between product creativity and industry performance. Also a little contradiction with the findings (Rebeka & Indradevi, 2017) which revealed that creativity has a major influence on competitive advantage and industry performance. In this study, it was found that a fairly strong relationship only occurred in the indirect relationship of creativity to industry performance through product innovation. Finding truly new and unique products is indeed not easy, it requires very high creativity. Even if a product that is a truly new is found, it is not necessarily the product that is immediately acceptable to the community. This is what causes the impact on competitive advantage and industry performance is not significant. The level of creativity in creative industries in small cities like Malang is higher than in large cities (Rodríguez-pose & Lee, 2013). This is a more important point for the people of Malang, so the results of the innovations

obtained are also high, which in turn has an impact on industry performance.

Conclusion

The results of this study indicate that market orientation and product creativity have a very important role in shaping product innovation. Market orientation has a direct or indirect effect on competitive advantage and industry performance. Product innovation has a strong intervening impact on the influence of market orientation on competitive advantage and industry performance. Competitive advantage also has a strong intervening effect on the effect of market orientation on industry performance. Unlike market orientation, product creativity does not have a significant impact on competitive advantage or the performance of the creative industry. However, the significant impact is statistically proven on the indirect relationship of product creativity to industry performance through product innovation.

The managerial implication of this research is that to achieve high industry performance, creative entrepreneurs should increase market orientation. If the industry is more competitively oriented, the industry should use competitive pricing strategies to win customers. However, product innovation is still needed to provide value-added to customers. Innovations can be formed precisely based on customer orientation, and optimal cross-functional coordination, and creativity. The type of product innovation that has the most potential to do is develop existing products rather than find products that are truly new and unique. Product innovation that is by the customer's

wishes, accompanied by competitive prices, even though the level of differentiation is low, will be able to dominate the market and win customers. Offsets the use of technology, both in the production and marketing processes, will have a positive impact on the market expansion. The expanding market reach will increase demand which ultimately increases industry profits. This also attracts investors to get additional capital for the industry. An increasingly broad market, increasingly high demand and sufficient capital have an impact on industry development. The industry can add employees and innovate so that the product is not easily replaced.

The findings of this study support the development of strategic management theory. "Concept fit" which shows the need for the balance between external oriented MBV and internal oriented RBV in strategic management practices. The market orientation that only focuses on cross-functional coordination, without being balanced by the orientation of customers and competitors, is not enough to produce competitive product innovation, because the product is not by the customer's wishes. Product creativity, however, is also one of the important factors in shaping superior product innovation. In this case, the theory of RBV is more instrumental, but market orientation based on the MBV theory provides a greater contribution to produce products that are innovative and have competitive advantages. So, both RBV and MBV both need to be practiced for achieving strong and sustainable competitive advantages that ultimately have an impact on high industry performance.

The weakness of this study is on the object of research that has not been specified in one sub-sector of the creative industry. Also, product innovations and competitive advantages have not been revealed as what is needed by each sub-sector of the creative industry. Even though from 16 sub-sectors of the creative industry it does not necessarily have the same character. It is expected that further research to examine more specific objects, especially the 3 sub-sectors of the creative industries that are the leading cities of Malang, there are: applications and games, culinary, film, animation, and video. Also, further research could reveal the types of innovations and competitive advantages that should be done by each sub-sector of the creative industry.

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