



The Effect of Dynamic Capability and Entrepreneurship Orientation on Creative Economic Performance of Culinary Sub Sector in Bekasi City with Innovation as Mediating Variable

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Abstract

This study aims to: 1) examine and analyze the effect of dynamic capabilities and entrepreneurial orientation on innovation 2) test and analyze the effect of dynamic capabilities and entrepreneurial orientation on creative economic performance in the culinary sub-sector 3) test and analyze the effect of innovation on creative economic performance in the culinary sub-sector 4) examine and analyze the effect of dynamic capabilities and entrepreneurial orientation on creative economic performance in the culinary sub-sector / food and beverage through innovation. The research was conducted in the creative economy culinary sub-sector/ food and average in Bekasi City with a sample of 93 respondents consisting of micro, small, and medium entrepreneurs. The creative economy culinary sub-sector The sampling technique used a purposive sampling technique. Methods of data analysis using descriptive analysis and path analysis. The results showed that: 1) there is an effect of dynamic capability and entrepreneurial orientation on innovation, 2) there is an effect of dynamic capability and entrepreneurial orientation on performance, 3) there is an effect of creative economy in the culinary sub-sector the effect of innovation on creative economic performance in the culinary sub-sector 4) Innovation is not influence dynamic capabilities and entrepreneurial orientation on performance. Creative economic innovation in the culinary sub-sector does not contribute to increasing dynamic capability and entrepreneurial orientation to performance in the culinary sub-sector creative economy.

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Introduction

The ability of an organization to integrate, build, and reorganize its internal and external competencies to face rapid environmental changes since Covid-19 was declared a pandemic, and many domestic and global economic sectors have been affected. The impact of the pandemic was most felt in the micro, small, and medium business sectors. The Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) reported that in 2018, the number of creative economies in Indonesia was around 64,194,057, with an absorption capacity of 116,978,631 total workforce. This figure is equivalent to 99% of the total business units in Indonesia, with the percentage of workforce absorption in the economic sector equivalent to 97%. While the remaining three percent is divided into large industrial sectors.

Based on preliminary research in April 2020, with a sample of the creative economy recorded at the Ministry of Cooperatives and SMEs, it was reported that 56% of the creative economy admitted to experiencing a decline in sales turnover due to the Covid-19 pandemic, another 22% had difficulty in obtaining financing/credit, 15% experienced problems in distributing goods, and the remaining 4% reported difficulty in obtaining raw materials.

Of all the creative economies recorded in this research, the composition of the creative economy engaged in the micro industry occupied 87.4%. Research data from the Ministry of Cooperatives and SMEs reported that the creative economy consisting of wholesalers and retailers experienced the highest impact of the Covid-19 pandemic (40.92%), followed by the creative economy providing accommodation, food, and beverages (26.86%) and the least affected was the processing industry (14.25%).

The creative economy comes from two words, namely economy and creative. The term economy comes from the Greek *koinonia*. The word is derived from the two words *oikos* and *nomos*. *Oikos* means household, while *nomos* means to regulate. So the original meaning of *oikonomia* is managing a household. Then the original meaning developed into a new meaning, in line with the development of economics into a science. Now as a science, economics means knowledge that is structured coherently to manage a household. Household here is not a narrow meaning but rather refers to a social group that is considered a household. Indication of the Impact of the Covid-19 Pandemic on the creative economy. The highest impact on the creative economy exporter sector (95.4%) was reported to be a direct impact of the PSBB, which made the space to the target product experience obstacles. Social distancing, which is then known as social distancing, also contributed to the triggering of distribution obstacles, causing a decrease in sales turnover from this creative economy exporter. Indirectly, this illustrates that 1) there has been a decrease in people's purchasing power, or 2) there are obstacles to the distribution of goods and services from producers to consumers. The last obstacle is significantly influenced by the effects of the PSBB policy. Meanwhile, for the creative economy that operates in the craft and tourism support sectors, the high impact due to the Pandemic 89.9% was caused by several factors, including a) the decrease in the number of tourists indirectly affected sales turnover, b) the difficulty in distributing goods, c) they had to temporarily close their stalls on the grounds of breaking the chain of transmission of the Coronavirus. The results of LIPI research in April 2020, it was able to provide a quantitative picture of the condition of the creative economy in the craft and tourism sectors.

The creative economy engaged in micro food and beverage businesses was affected by 27%. The creative economy in the culinary sector consisting of small food and beverage businesses was affected by 1.77% and the creative economy classified as medium-sized businesses was affected by 0.07%. Meanwhile, in the creative economy engaged in craft business units made of wood and rattan, the number of COVID-19 pandemic impacts on micro businesses is 17.03%. Small businesses in the wood and rattan craft sector were affected by 1.77% and medium businesses by 0.01%. On the one hand, household consumption was corrected by 0.5% to 0.8%. The creative economy is a manifestation of efforts to seek sustainable development through creativity, where sustainable development is a competitive economic climate and has renewable resource reserves. In other words, the creative economy is a manifestation of the spirit of survival that is very important for developed countries and also offers equal opportunities for developing countries.

The big message offered by the creative economy is the utilization of resource reserves that are not only renewable but also unlimited, namely ideas, talents, and creativity. From the two sectors above, the influence indicators are still

dominated by the following factors: (1) declining sales turnover, (2) difficulty in obtaining capital, and (3) difficulty in accessing industrial raw materials. Based on research results from the relevant authorities, several things have been reported as follows: First, the impact on sales turnover. BI research results reported that the rate of decline that occurred in the average sales of creative economy products was 50%. The cause of this decline was conveyed by LIPI as being influenced by the decision of 58.8% of the creative economy to lower the prices of their products and services to maintain their business so that profits fell by more than 75%.

According to the explanation by the Minister of Cooperatives and SMEs delivered in mid-August 2020, 40% of the creative economy has closed down as a result of the difficulty in getting capital back due to the COVID-19 pandemic. This figure emerged as influenced by 2 (two) factors, namely: a) closing because they could not distribute goods or services, and b) closing due to reasons of complying with PSBB and social distancing orders. The research results also reported that as many as 19.93% of the total existing SMEs tried to survive amid the COVID-19 pandemic despite experiencing capital difficulties. For efficiency purposes, they were forced to lay off their employees so that the amount of production also decreased. Third, the impact on distribution. Research from the Ministry of Cooperatives and SMEs reported that as many as 20.01% of the creative economy admitted to experiencing distribution obstacles due to the PSBB policy. The impact of the COVID-19 pandemic indirectly affects the economic growth of a region, therefore Bekasi City has encouraged the creative economy by developing a creative economy that is increasing in number, this can encourage the creative economy to improve products, quality, and services. To make the program a success, it is certainly necessary to improve the quality of human resources, new creativity, and innovation, develop networks and broad access to increase dynamic capabilities, develop knowledge management, develop an entrepreneurship orientation, and innovation so that the Creative Economy can compete in the global market. The creative economy concept was introduced by J. Howkins (2001) ^[21] in his book entitled *Creative Economy*, how people make money from ideas. J. Howkins (2001) ^[21] defines the creative economy as an economic activity that makes creativity, cultural heritage, and the environment the mainstay of the future.

The nature of the value creation process of added value based on creativity, power, and the environment which provides added value to an economy. The point is that productivity comes from creative people introducing the scientific abilities they have (Ginting and Rivani, 2017) ^[17]. In the business world, including micro, small, and medium enterprises, there is currently rapid competition along with the growth of the national economy. This condition is because the market faced by companies is growing and companies must be able to create differences by innovating. Companies must be able to create products or services according to the needs of consumers who are increasingly smart in choosing products and services. In the context of economics, creativity shows a formulation of new ideas by applying these new ideas to produce jobs that come from art and cultural products, functional creations, scientific discoveries, and the application of technology (Suryana, 2013) ^[52]. The creative economy is born from the creativity of the community, which can build skills as the main capital in creating goods and services so that they have economic value. Community skills

are supported by cultural characteristics, natural resources, and even geography as a characteristic of the place where the community lives.

The focus of this study is the creative economy in the culinary/food and beverage sub-sector which is stable during the Covid-19 pandemic. Creative economy data registered with the Bekasi City Cooperatives and Micro, Small, and Medium Enterprises Service in 2022, creative economy data in the culinary/food and beverage sub-sector is 1,234 micro, small, and medium entrepreneurs. The Ministry of Trade defines the creative economy as a new era that intensifies information and creativity by relying on ideas and stock of knowledge from human resources as the main production factors in its economic activities (Basri, 2012) ^[9]. The role of dynamic capabilities and entrepreneurial orientation that can improve innovation and performance of the Creative Economy is very necessary to improve the quality of human resources and service quality. The creative economy makes a significant contribution to improving the regional economy and can create jobs.

The creative economy in Indonesia plays a very important role as a supporter of the economy. The creative economy is the main driver of the economy with the main function of the creative economy being able to provide jobs for millions of people absorbed in the formal and informal sectors. This contribution makes the creative economy the initiator of new economic growth in Indonesia. According to Ginting, Rivani, and Saragih (2017) ^[17], one of the sub-sectors of the creative economy is the advertising industry. Stated that advertising is a one-way communication process aimed at influencing individuals to buy products using mass media to convey information. However, producing an advertisement is very complex and detailed, so it requires quite a lot of human resources. Therefore, most advertisements are produced by advertising agencies.

A company that has dynamic capabilities in the organization will increase its work productivity and show its best competence, which will have an impact on the Creative Economy Performance and organizational performance in achieving goals. Likewise, the implementation of knowledge management in the Creative Economy is very necessary, and entrepreneurial orientation determines the improvement of the Creative Economy performance through innovation as a mediation.

The pre-research data, the problems experienced by the creative economy in developing its business include: (1) the company management system is still not optimal in its application, (2) understanding market opportunities is not optimal, (3) Marketing strategies are still less effective in their application, (4) lack of working capital to support sales strategies, (5) not meeting standards in the production system. Company performance as a product success and market development, where company performance can be measured through sales growth and market share. Company performance has been widely studied by Lin *et al.* (Suliyanto and Rahab, 2012) ^[51]; Eris and Ozmen (2012) ^[31]; and Zafar *et al.* (2016) ^[57] stated that market orientation has a positive and significant effect on company performance.

Different opinions from the research results of Gholami and Birjandi (2016) ^[15] that market orientation does not affect company performance. Company performance can be measured through sales growth, profitability, and market share (Lin *et al.*, 2008; Suliyanto and Rahab, 2012) ^[51]. Different from Gholami and Birjandi (2016) ^[15] company

performance measurement is measured through product performance and customer performance. Research by Lee and Tsai (2005) ^[24]; Eshlaghy and Maatofi (2011) ^[12]; Suliyanto and Rahab (2012) ^[51], suggest that innovation affects company performance. Innovation can be measured by how often a company introduces product innovation, process innovation, marketing innovation, and management innovation. Hisrich and Peters (2008) ^[20], entrepreneurship is a dynamic process of creating additional wealth. Wealth is created by individuals who dare to take big risks with fairness, time, and/or commitment terms that provide value to products and services. These products and services may not be new or unique, but the value must be pumped up by the entrepreneur through the acceptance and allocation of the necessary skills and resources.

The attitude of a true entrepreneur then develops faster. Entrepreneurship emerges when someone dares to develop new businesses and ideas. The entrepreneurial process includes all functions, activities, and actions related to obtaining opportunities and creating business organizations. Therefore, entrepreneurs are people who obtain opportunities and create organizations to pursue opportunities (Avdelidou-Fischer, 2013) ^[5].

The creative economy in Indonesia needs a comprehensive and integrated approach to improve business development and maintain customer loyalty so that it can improve organizational performance. To meet these demands, it is necessary to increase the capabilities and competencies of the company in producing good and sustainable innovations to improve organizational performance. The problem in this study is how dynamic capabilities improve innovation and creative economic performance.

In strategic management, dynamic capabilities are the heart of corporate strategy, value creation, and competitive advantage. Dynamic capability studies are based on the concept of a resource-based view stating a perspective that concludes that the competitive advantage of companies is built through both tangible and intangible resources. The creative economy industry in developing its business needs innovation and creativity to face various challenges in the business world, especially in superior services and products. The creative economy requires quality and superior human resources so that it has HR who think progressively and creatively ideas and ideas that can find breakthroughs in entrepreneurship. This is where the importance of the role of innovation in improving the performance of the creative economy lies.

Entrepreneurial performance reflects the extent to which a company can accept risks and be innovative or aggressively competitive, this aspect of performance is very important to strengthen financial performance and survival, especially for small companies operating in a highly competitive high-tech environment according to Fernandez-Mesa and Alegre-Vidal, (2013) ^[13]. Entrepreneurial performance involves innovation and risk-taking by the company.

The company's human resource management system can be expected to contribute significantly to these activities. From the experts' point of view, it shows that dynamic capabilities, knowledge management, entrepreneurial orientation, and innovation affect the performance of the creative economy. dynamic capabilities, and entrepreneurial orientation and their effect on company performance, especially micro, small, and medium enterprises in Bekasi City through innovation as a mediating variable need to be analyzed

further by conducting research. The reason for taking Bekasi City as the object of research is because Bekasi City is a trading city that has flexibility and has a high response to dynamic environmental developments as a buffer city for the Capital City of the Republic of Indonesia, so researchers are interested in analyzing dynamic capabilities and entrepreneurial orientation towards creative economy performance through innovation as a mediating variable, especially in the culinary/food and beverage sub-sector creative economy in Bekasi City.

Literature Review

Creative Economy Performance

The creative economy is defined as the development of human potential in the form of intellectual property supported by creativity, talent, and specific expertise, into a product/service of high economic value. The creative economy is an economic concept in the new era along with the Industry 3.0 revolution. This development is supported by advances in information technology, creativity, ideas, concepts, innovation power, and a stock of knowledge of human resources. The creative economy is the process of producing goods and services whose resources are talent, expertise, and creativity which become intellectual property. In the last ten years, the creative economy has become a potential lever in the Indonesian economy and is based on local resources that can be renewed along with the development of information technology. The driving force of the creative economy is advertising, television and radio, architecture, handicrafts, art markets and art auctions, design, fashion, video film and photography, music, interactive games, music, performing arts, publishing and printing, digital services, computers and software, and the latest research and development results.

The performance of the creative economy is the same as the performance of the company because the creative economy is a type of small and medium business. The performance of the creative economy in Indonesia is reviewed from the aspects of (1) added value, (2) business units, workforce, and productivity, and (3) export value. Added value is the performance of the Indonesian economy created by the creative economy this year when compared to the previous year. Business units and workforce are the total business units in Indonesia and workforce is the total workforce in the business unit or creative economy, productivity, or results of the business. creative economy exports are the results of creative economy production exported abroad which have increased from year to year.

The performance of the creative economy is a result of the management continuously. The results in question are the results of decisions by many individuals (Helfert *et al.*, 2000) ^[18]. Company performance has been widely studied by Lin *et al.*; (Suliyanto and Rahab, 2012) ^[51] showed that market orientation has a positive and significant effect on company performance. Eris and Ozmen (2012) ^[31]; and Zafar *et al.* (2016) ^[57] stated the same thing that market orientation has a positive and significant effect on company performance. Different opinions are the results of research by Gholami and Birjandi (2016) ^[15] that market orientation does not affect company performance. Company performance can be measured through sales growth, profitability, and market share (Suliyanto and Rahab, 2012) ^[51]. Different from Gholami and Birjandi (2016) ^[15] company performance measurement is measured through product performance and

customer performance.

Innovation

According to Armstrong (2014) ^[4], Product innovation is the ability of a product to perform its function. This ability includes product development, benefit development, durability, reliability, precision produced, ease of operation and repair, and valuable attributes of the product as a whole. Product innovation according to Kotler and Keller (2016) ^[23] is the result of new product development by a company or industry, both existing and non-existent. From old products that have reached saturation point in the market, innovation is needed to replace the old product. This replacement can be in the form of a completely new replacement product or with the development of a more modern and up-to-date old product so that it can continue to increase consumer desire in purchasing decisions for the product.

Product development is very important for business continuity, especially in forming customer loyalty. Better product innovation can be implemented by understanding what best practices should be adopted for the product development process, and then adopting these practices to repeat the success and maturity process of the best-performing companies. In general, researchers used the concepts of innovation and innovativeness in research before 2000 and used the term innovation orientation after 2000 (Jabeen, *et al.*, 2013) ^[38] the opinion of Eris and Ozmen (2012) ^[31], innovation is a challenging activity and facing existing uncertainties and an updated version of innovation orientation is the development of current products and production processes, as well as radical innovation which is the development or application of new ideas and new technologies, in other words, Innovation is the idea of openness to new ideas as an aspect of the corporate culture. Innovation is an idea, concept, practice, or object/thing that is recognized and accepted as something new by a person or group to be adopted (Robbins, 2005) ^[37]. Idea screening is necessary and, naturally, some ideas are rejected because they cannot be implemented. This means that the concept of innovation chooses the best of the various ideas. Selectiveness is indeed needed, especially when it comes to choosing a business form, of course, it will be followed by the implications of the chosen business such as profit and loss.

Research by Lee and Tsai (2005) ^[24]; Eshlaghy and Maatofi (2011) ^[12]; (Suliyanto and Rahab, 2012) ^[51], suggest that innovation affects company performance. Innovation can be measured by how often a company introduces product innovation, process innovation, marketing innovation, and management innovation (Serna, Martinez, and Guzman, 2013) ^[39]. So innovation is an idea, a concept that is realized and accepted by a person or group for improvements in products, processes, marketing, and management. Indicators of innovation according to Serna, Martinez, and Guzman (2013) ^[39] are:

1. Product innovation: The introduction of a product or service that is truly new and is introduced to consumers as an update of an existing product or has undergone significant improvements related to the characteristics or purpose of using the product.
2. Process innovation is the application of a completely new or significantly improved method of production or delivery.
3. Marketing innovation: the application of new or

significantly improved marketing methods to product packaging or design, product placement, product promotion, and pricing to increase sales, meet consumer needs, open new markets, position the company's products in the market.

4. Management/organizational innovation: the application of new organizational methods to business practices, workplace organization, and external company relations. (Serna, Martinez and Guzman, 2013) ^[39].

Entrepreneurial Orientation

To facilitate understanding, the concept of entrepreneurship, entrepreneurs, and the concept of entrepreneurship (entrepreneurial according to Lumpkin and Dess in their efforts to clarify confusion in terms, provide a clear distinction between entrepreneurial orientation and entrepreneurship (Suci, 2012) ^[49].

Entrepreneurship is defined as a new entry that can be done by entering a fixed market or a new market with existing or new products or services or launching a new company. Entrepreneurial orientation is defined as a description of how new entry is carried out by the company (Suci, 2012) ^[49]. The entrepreneurial environment can improve competitive human resources according to the opinion of Arafat *et al.* (Arafat and Buchdadi, 2019) ^[3]. Entrepreneurial orientation is an effort to create value through the recognition of business opportunities, proper risk-taking management, and communication and management skills to mobilize human resources, finances, and raw materials or other resources needed to produce projects so that they are implemented properly.

Gholami and Birjandi's (2016) ^[15] research found that entrepreneurial orientation has a positive and significant effect on organizational performance. Entrepreneurial orientation is measured through five dimensions, namely autonomy, innovation, daring to take risks, and acting proactively and aggressively in competing. Indicators of entrepreneurial orientation are:

1. Autonomy is an action that is not influenced by a team or individual to give birth to a vision or idea. Autonomy is consistent with the view of entrepreneurial independence needed to bring new ideas to completion, unfettered by the shackles of corporate bureaucracy (Nadrol *et al.*, 2010) ^[30].
2. Risk-taking is the tendency to engage in high-risk projects and managerial preferences for decisive action to achieve goals. Risk-taking involves taking decisive action by exploring the unknown, borrowing large amounts, or allocating significant resources to ventures in uncertain environments. The willingness to commit resources to new projects by pursuing opportunities in mind, even though the project already has a definite outcome according to Baker and Sinkula; and (Patel and D'Souza, 2009) ^[32].
3. Proactive companies are called pioneer companies that are the first to enter new markets. Activeness is a search for opportunities, a forward-looking perspective characterized by the introduction of new products or new services that are ahead of the competition and act in anticipation of future demand. This reflects an attitude of anticipating and acting on future changes in the market with new methods and products.
4. Aggressive competition, is the tendency of companies to intensely and directly challenge competitors to

outperform rivals in the market. Aggressive competition also refers to the level of enthusiasm of the company to be one step further than competitors. Excessive aggressiveness can be risky if the company tries to face established competitors (Lumpkin and Dess); (Suci, 2012) ^[49].

From several opinions, it can be concluded that entrepreneurial orientation is an effort to create value through the recognition of business opportunities, proper risk-taking management, and management communication skills to mobilize human resources, finances, and raw materials or other resources needed to produce projects so that they are implemented properly. Entrepreneurial orientation consists of autonomy, risk-taking, proactive, and aggressive competitiveness.

The definition of entrepreneurship according to Zimmerer and Scarborough, is someone who forms a new business that faces risks and uncertainties to achieve profit and growth by identifying opportunities and combining various resources to benefit from these opportunities.

Entrepreneurship is a dynamic process of creating additional wealth. Wealth is created by individuals who dare to take big risks with reasonable conditions, time, and or commitment that provide value for products and services. These products and services are not or may not be new or unique, but the value must be pumped by entrepreneurs with the acceptance and placement of the need for skills and resources.

Various opinions about entrepreneurship above, in general concluded that entrepreneurial orientation is the process of creating something new and has value by sacrificing time and energy, taking financial, physical, and social risks, and receiving financial rewards and satisfaction and personal freedom. This definition emphasizes four main aspects of being an entrepreneur, namely: 1) the process of creating something new, 2) requiring sacrifice of time and energy, 3) involving rewards for being an entrepreneur, and 4) taking risks (Alves *et al.*, 2017) ^[2].

Dynamic Capabilities

The creative economy industry in Indonesia needs a comprehensive and integrated approach to improve business development and maintain customer loyalty so that it can improve company performance. To meet these demands, it is necessary to increase the capabilities and competencies of the company in producing good and sustainable innovations to improve company performance. The problem in this study is how dynamic capabilities improve innovation and creative economy performance. In global market competition, companies are required to continue to develop innovation, by paying attention to the industrial structure by carefully examining existing resources from an internal perspective by combining them to obtain core competencies and competitive advantages.

Competition in the global market is a company that can provide a positive, timely response, fast and responsive service with flexible product innovation and combined with management capabilities with effective coordination and placing internal and external competencies appropriately, then is the winner (Stronen *et al.*, 2017) ^[46]. Management capabilities here are dynamic capabilities which are two keywords, namely "Dynamic" and "Capabilities". According to Teece *et al.* (2014) ^[53] "Dynamic" is the capacity to renew related competencies if there is a change in the business

environment, to make innovative responses if necessary due to the demands of time and speed of market entry, rapid technological change, future competition and difficult market determination. "Capabilities" is an emphasis on the key role of strategic management in the right adaptation, integration and reconfiguration of internal and organizational skills, resources and functional competencies so that there is a match with environmental changes. In strategic management, dynamic capabilities are the heart of corporate strategy, value creation and competitive advantage (Teece, 2014) ^[53].

Dynamic capabilities are something broad from resources, processes and capabilities that are dynamic in nature where companies must continuously build, adapt and reconfigure internal and external competencies to adapt to developments in the business environment. Dynamic capabilities function as the company's capabilities towards its partners. Development and coordination of company resources and company partners to make changes in the market and business environment. The strength of a company's dynamic capabilities determines the speed and level of the company's resource capabilities in adjusting its business model according to customer needs and aspirations, this can be achieved by periodically observing opportunities and changing aspects and the company's culture to be more proactive towards new threats and opportunities along with business/enterprise developments (Teece, 2018) ^[54].

Dynamic capabilities according to Teece (2018) ^[54] in a business model consist of three components, namely:

1. Sensing capabilities, namely identifying opportunities by always observing the environment and looking for opportunities that arise from within or outside the company's boundaries
2. Seizing capabilities, namely when there is an opportunity, its potential and value are captured to be studied by choosing the right technology or better understanding the target customers.
3. Transforming/Reconfiguring capabilities, namely when opportunities are felt and captured, the company reconfigures resources to adjust to changes and opportunities in the company's environment.

Methods

The research time was carried out from April to June 2024. The research location is the creative economy of the culinary/food and beverage sub-sector in the City, both micro, small and medium enterprises. The research was taken in Bekasi City with the consideration that Bekasi City has a dynamic level of economic development because it is a buffer city or close to the nation's capital, namely DKI Jakarta and the collection of research data on the creative economy of the culinary/food and beverage sub-sector with the consideration that this creative economy sector is a primary need and continues to survive during the Covid 19 pandemic.

This study uses a quantitative design approach to answer the formulation and proof of the research hypothesis. This study aims to analyze the influence between exogenous variables, namely dynamic capabilities, and entrepreneurial orientation on endogenous variables, namely creative economic performance through intervening variables, namely innovation.

Population and Sample

Population is the scope that will be used for research by a

researcher, the population must be determined first because it is the basis for fairly clear problem boundaries. According to Sugiyono, (2018) ^[50], population is a generalization area consisting of objects/subjects that have certain qualities and characteristics that are determined by research to be studied and then conclusions drawn. According to Hadi, population is all possible values resulting from calculating or measuring quantitatively or qualitatively regarding certain characteristics of all members of a complete and clear population group whose characteristics are to be studied. Population is the entire object of research. Based on the opinion above, the population in this study is all micro, small and medium enterprises, namely the creative economy of the culinary sub-sector in Bekasi City, totaling 1,234 culinary / food and beverage entrepreneurs (culinary) consisting of 304 micro businesses, 626 small businesses and 304 medium businesses.

A sample is part of the population that has the main characteristics of the population and is used as a representative or representation in research. The determination of the research sample used a purposive sampling technique, namely taking samples with certain considerations (Sugiyono, 2018) ^[50]. The criteria used in this study were samples of micro, small, and medium enterprises or creative economy sub-sectors of culinary/food and beverages (culinary) in Bekasi City, recommendations that can be used to determine the minimum sample size are based on the complexity of the model and the characteristics of the basic measurement of the model.

A sample is a portion of the population that has the main characteristics of the population and is used as a representative or representation in the study. The determination of the research sample used a purposive sampling technique, namely taking samples with certain considerations (Sugiyono, 2018) ^[50]. The criteria used in this study were samples of micro, small, and medium enterprises or creative economy sub-sectors of culinary/food and beverages (culinary) in Bekasi City, recommendations that can be used to determine the minimum sample size are based on the complexity of the model and the characteristics of the basic measurement of the model. Determination of the number of samples in this study, using the Slovin Formula (Sevilla *et al*, 2007) ^[40]. The research sample consisted of 93 respondents, namely owners/entrepreneurs of creative economy businesses in the culinary/food and beverage sub-sector.

Analysis Model

Descriptive analysis is an analysis method that aims to describe or explain something as it is in Baroroh (2008) ^[8]. In this study, data presentation uses a data analysis table of average values (mean) and frequency distribution.

Path Analysis is a technique for analyzing causal relationships that occur in multiple regression if the independent variable affects the dependent variable not only directly but also indirectly. In this study, path analysis was used to test the influence of mediating variables.

Research Results

1. The Effect of Dynamic Capabilities and Entrepreneurial Orientation on Innovation

To find out this, it is necessary to use the F test. The following is the test of each variable:

The F-count value of the organizational culture and job

satisfaction variables is 151.131, while the F-table is 3.950. Thus, $F\text{-count} > F\text{-Table}$. Thus, H_0 is rejected and H_1 is accepted at the real level.

This provides the conclusion that dynamic capabilities and entrepreneurial orientation affect the performance of the creative economy. Thus, the first hypothesis is tested and proven. The results of the t-test for the Dynamic Capability variable obtained a t-count value = 3.143 and a t-table of 1.66177. This means that $t\text{-count} > t\text{-table}$ ($3.143 > 1.66177$), which means that H_0 is rejected and H_1 is accepted. This provides the conclusion that Dynamic Capability has a positive and significant effect on Innovation simultaneously. Thus, hypothesis one is tested and proven. This is shown by I believe E-members will be easily accessible anywhere in making transactions with customers so that the Company always meets customer expectations.

2. The Effect of Dynamic Capabilities and Entrepreneurial Orientation on Creative Economy Performance

To test the effect of dynamic capabilities and entrepreneurial orientation on creative economy performance, an F test was carried out. The following are the results of the F test:

The results of the F test for the dynamic capability and entrepreneurial orientation variables obtained 69.708 and the F-table was 61.116. $F\text{-count} > F\text{-table}$ which means H_0 is rejected and H_1 is accepted. This provides the conclusion that dynamic capabilities and entrepreneurial orientation on creative economy performance. Thus the second hypothesis is tested and proven.

Thus the second hypothesis is tested and proven. The results of the t-test for the Entrepreneurial Orientation variable obtained a t-count value = 4.057 and a t-table of 1.66177. This means that $t\text{-count} > t\text{-table}$ ($3.143 > 1.66177$), which means that H_0 is rejected and H_2 is accepted. This provides the conclusion that Entrepreneurial Orientation has a positive and significant effect on Innovation simultaneously. Thus, hypothesis two is tested and proven. This is indicated by I believe E-members will be easily accessible anywhere in making transactions with customers so that the company always meets customer expectations.

3. The Effect of Innovation on Creative Economy Performance

To test the effect of innovation on creative economy performance, a t-test was carried out. The following are the results of the t-test:

The results of the t-test for the innovation variable obtained a t-count value = 14.082 and a t-table of 1.66177. This means that $t\text{-count} > t\text{-table}$ ($14.082 > 1.66177$), which means that H_0 is rejected and H_3 is accepted. Thus, hypothesis three is tested and proven. This provides the conclusion that innovation affects creative economy performance. Thus, the third hypothesis is tested and proven.

4. The Effect of Dynamic Capability and Entrepreneurial Orientation on Creative Economic Performance Through Innovation

$$X1 \rightarrow X3 \rightarrow Y = (px3x1) \times (pyx3) = 0,220 \times 0,832 = 0,183$$

$$X2 \rightarrow X3 \rightarrow Y = (px3x2) \times (pyx3) = 0,698 \times 0,832 = 0,580$$

In the dynamic capability variable, the indirect influence value is obtained from the path coefficient value $px3x1$ multiplied by the path coefficient value $pyx3$. The multiplication result shows that the indirect influence

coefficient value is smaller than the direct influence coefficient value.

In the entrepreneurial orientation variable, the indirect influence value is obtained from the path coefficient value $px3x2$ multiplied by the path coefficient value $pyx3$. The multiplication result shows that the indirect influence coefficient value is smaller than the direct influence coefficient value. This shows that innovation cannot mediate, namely dynamic capability and entrepreneurial orientation in influencing creative economic performance. Thus, the fourth hypothesis is not proven and not tested.

Discussion

1. The Influence of Dynamic Capabilities and Entrepreneurial Orientation on Creative Economy Innovation in Food and Beverages in Bekasi City

Dynamic capabilities in this study are formed by sensing capabilities, seizing capabilities, and transforming capabilities which refer to the business model theory of Teece *et al.* (2018) ^[54]. Dynamic capabilities are an organizational culture that focuses on external market needs, market desires, and demands as a basis for formulating strategies for each business unit in the organization and determining the success of the company. To determine the success of the creative economy industry company in the food and beverage sub-sector of Bekasi City, customer orientation is needed, by conducting market research running a business, so that the results of information from market research, the creative economy industry company in the food and beverage sub-sector of Bekasi City can understand customer needs and customer satisfaction as a priority. Complaints from customers must be responded to quickly as an assessment of the quality of products and services to customers, based on a commitment to continuous improvement so that the company can provide superior value to customer needs.

The creative economy industry in the food and beverage sub-sector of Bekasi City is not enough to be customer-oriented, so there needs to be a Creative Economy effort that is oriented towards competitors. Competitor orientation is defined as an understanding of the strengths and weaknesses as well as the capabilities and strategies of competitors. Competitor orientation has a strong relationship with customers in terms of gaining competitive advantage opportunities. Bekasi City's competitor-oriented Creative Economy requires information about competitors and after obtaining competitor information, Bekasi City's creative economy industry entrepreneurs must respond quickly to the actions taken by competitors by discussing with all business units to discuss competitor strategies in the company so that Bekasi City's creative economy has opportunities for competitive advantage. Information about the market is coordinated between functional business units. Coordination between company functions reflects the coordinated utilization of all resources available in Bekasi City's creative economy to create superior value for customers. Coordinated integration of company resources is closely related to customer and competitor orientation, where coordination is built based on market information obtained and through coordinated resource utilization. The information obtained is distributed to all business units and shared resources between business units with others to carry out work following company goals and to contribute to customer value and the results are periodically evaluated in all business units to improve Bekasi City's creative economy through monitoring. The Creative

Economy of Bekasi City must be aware of customer needs, customer satisfaction, and complaints are a priority by assessing the quality of service and products for customers as a commitment to continuous improvement by conducting market research in running a business.

Entrepreneurial orientation in this study is formed by autonomy, proactive, aggressive competitiveness and risk-taking according to Lumpkin and Dess. Entrepreneurial orientation is an effort to create value through business opportunities, appropriate risk-taking and communication and management skills to utilize human resources, finances and raw materials or other resources needed to produce desired goals or results. The creative economy of food and beverages in Bekasi City which is oriented towards entrepreneurship is required to have the courage to take business risks, both in making firm decisions against employees who are guilty of harming the company and daring to make large business investments with an aggressive competitive attitude. Aggressive competitiveness is the tendency of companies to intensely and directly challenge competitors to outperform competition in the market.

Aggressive competitiveness refers to the level of enthusiasm of the company to be one step further than competitors with the ability and courage and enthusiastic attitude possessed to outperform competitors to become an advanced and best company. In entrepreneurial orientation, in addition to having an attitude of liking challenges and risks, it is also required to have an attitude of autonomy. Autonomy is an action that is not influenced by a team or individual to produce a vision or idea. Autonomy that is consistent with the view of entrepreneurial independence is needed to bring new ideas to completion, not constrained by the shackles of corporate bureaucracy and have independence in running a business looking for business opportunities consistently with an attitude of entrepreneurial independence. An attitude of entrepreneurial independence to continue to be active by having a strong ambition in seeking business opportunities to become a pioneer in leading the market.

The innovation variable in this study is formed through product innovation, process innovation, marketing innovation, and management innovation, this is following the opinion of Serna, Guzman and Pinzon (2013) ^[39] who stated that innovation is a company's tendency to engage and support novelty, new ideas, creativity processes and experiments that lead to new products or new technological processes. Product innovation is a process that seeks to provide solutions to existing problems. The problems that often occur in business are good but expensive products or cheap but poor quality products. Creative economy industry companies in Bekasi City must periodically update product quality and prices and entrepreneurs as business actors must be sensitive to customer desires and needs. The most common customer desires and needs are wanting good products at low prices.

In addition to product innovation, companies can also innovate processes. Process innovation is a combination of facilities, skills and technology used to produce products or provide service processes in different ways and different production strategies. Process innovation must be balanced with marketing innovation to support the products and services produced. Marketing innovation is an update in serving customers by providing services to customers in a coordinated and integrated manner by each business unit. Creative economy industry companies in Bekasi City that

carry out product innovation, process innovation and marketing innovation will create the expected innovation management. Innovation management or management innovation is the process of managing innovation in a company so that it can be useful for creating sustainable competitive advantages for the company. Management innovation is needed to recognize that good ideas must continue to flow as quickly as possible and at all times in anticipation of increasingly rapid, diverse and dynamic world developments.

Based on multiple linear regression analysis, it shows that dynamic capabilities and entrepreneurial orientation contribute to innovation in the creative economy of food and beverages in Bekasi City. The greatest support for increasing innovation is dynamic capabilities and entrepreneurial orientation. The results of this study are in line with the opinion that dynamic capabilities are processes embedded in the company, meaning that these values are already in the company in the form of internal competence (Khaliq and Zafar Saeed, 2015) ^[36]. Dynamic capabilities are the process of a company or organization that uses special resources to adapt to existing market changes to adapt to dynamic changes that occur in the market, dynamic capabilities are also a configuration of resources that are following its product life cycle, namely the market is advanced, impactful, dividing, developing and finally dying/disappearing, according to Khaliq and Zafar Saeed, (2015) ^[36]. The same study on the influence of dynamic capabilities on innovation, namely sustainable innovation strategies in companies can significantly increase dynamic capabilities (Breznik and Hisrich, 2014; Cabral, 2010; Storer and Hyland, 2009; Strønen *et al.*, 2017; Wang and Ahmed, 2007) ^[10]. From the above opinion, it is clear that there is a direct positive influence of dynamic capabilities on innovation. Based on the results of the study, show that entrepreneurial orientation encourages increased innovation and creative economic performance, meaning that the creative economy industry in Bekasi City dares to outperform competitors by making large investments in developing marketing innovations by carrying out organizational renewal, planning and control carried out in a coordinated and integrated manner to all business units will increase the creative economy of Bekasi City, meaning that if entrepreneurial orientation increases, innovation and the performance of the creative economy of Bekasi City will also increase. Research by Carvalho and Sugano, (2017) to examine the influence of entrepreneurial orientation in creating innovation to improve creative economic performance concluded that entrepreneurial orientation can increase innovation and creative economic performance.

2. The Influence of Dynamic Capabilities and Entrepreneurial Orientation on the Performance of the Creative Economy in the Culinary/Food and Beverage Sub-Sector in Bekasi City

The performance of the creative economy in this study is formed by sales growth, profitability, and market share. The performance of the creative economy is a perception of the results made by the management continuously. This is in line with the opinion of Helfert (2000) ^[18] Lin *et al.* 2008); Suliyanto and Rahab (2012) ^[51]. One of the indicators in measuring the success of the performance of a creative economy industry company is market share. Market share is part of the total demand for a product that reflects customer groups according to characteristics, such as income level,

age, gender, education, and social status.

In addition to market share, performance measurement can also be done by looking at sales growth. Sales growth is a manifestation of success in maintaining sales, having high sales competitiveness, and being able to determine the number of products set in a certain period. Every profitable business is one of the indicators of the success of the company's performance. Profitability is the ability of a company to generate profits during a certain period at a high level of sales or profits, capable of managing business operational costs and capable of managing company assets.

Based on the results of the descriptive analysis, dynamic capabilities in this study are formed by sensing capabilities, seizing capabilities, and transforming capabilities which refer to the business model theory of Teece *et al.* (2018) ^[54]. Dynamic capabilities are an organizational culture that focuses on external market needs, market desires, and demands as a basis for formulating strategies for each business unit in the organization and determining the success of the company. To determine the success of the Bekasi City Creative Economy food and beverage industry company, customer orientation is needed, in conducting market research in running a business, so that the results of information from market research, the Bekasi City Creative Economy food and beverage industry company understand customer needs and customer satisfaction as a priority.

Complaints from customers must be responded to quickly as an assessment of the quality of products and services to customers, based on a commitment to continuous improvement so that the company can provide superior value to customer needs. The Bekasi City food and beverage sub-sector creative economy industry is not enough to be customer-oriented, so there needs to be a creative economy effort that is oriented toward competitors. Competitor orientation is defined as an understanding of the strengths and weaknesses as well as the capabilities and strategies of competitors. Competitor orientation has a strong relationship with customers in terms of gaining competitive advantage opportunities. Entrepreneurial orientation in this study is formed by autonomy, proactiveness, aggressive competitiveness, and risk-taking according to Lumpkin and Dess. Entrepreneurial orientation is an effort to create value through business opportunities, appropriate risk-taking, and communication and management skills to utilize human resources, finances, and raw materials or other resources needed to produce desired goals or results.

Based on the results of multiple linear regression analysis, show that dynamic capabilities and entrepreneurial orientation can provide support for improving the performance of the creative food and beverage economy in Bekasi City. The greatest support for improving the performance of the creative economy is entrepreneurial orientation. The results of this study are not in line with the results of research conducted by Protogerou, Caloghirou, and Lioukas, (2012) which analyzed the influence of dynamic capabilities on company performance and stated that dynamic capabilities directly affect company performance. Research conducted by Teece *et al.* (2014) ^[53] is to analyze the influence of dynamic capabilities on company performance. The company's competitive advantage comes from dynamic capabilities embedded in high daily performance in the company, inherent in the company's processes and conditioned by its development (Teece, 2014) ^[53]. According to Wilden *et al.* to understand the perspective of dynamic

capabilities, it expands the argument of the view based on valuable, rare and difficult-to-imitate resources that can be replaced imperfectly and can adapt to a changing environment (Wilden, Gudergan, and Lings, 2007). Dynamic capabilities do not automatically lead to improved performance. Companies that have dynamic capabilities have positive performance results. Research by Carvalho and Sugano (2017) to examine the influence of entrepreneurial orientation in creating innovation to improve the performance of the creative economy concluded that entrepreneurial orientation can improve innovation and creative economy performance.

3. The Influence of Innovation on the Performance of the Culinary/Food and Beverage Creative Economy in Bekasi City

The innovation variable in this study is formed through product innovation, process innovation, marketing innovation, and management innovation, this is the opinion of Serna, Guzman, and Pinzon (2013) ^[39] which states that innovation is a company's tendency to engage in and support innovation, new ideas, creativity processes and experiments that lead to new products or new technological processes. Product innovation is a process that seeks to provide solutions to existing problems. Problems that often occur in business are good but expensive products or cheap but poor quality products.

Creative economy industry companies in Bekasi City must periodically update product quality and prices and entrepreneurs as business actors must be sensitive to customer desires and needs. The most common customer desires and needs are wanting good products at low prices. In addition to product innovation, companies can also innovate processes. Process innovation is a combination of facilities, skills and technology used to produce products or provide service processes in different ways and with different production strategies. Process innovation must be balanced with marketing innovation to support the products and services produced. Marketing innovation is an update in serving customers by providing services to customers in a coordinated and integrated manner by each business unit. Creative economy industry companies in Bekasi City that innovate products, process innovations and marketing innovations will create the expected innovation management. Innovation management or management innovation is the process of managing innovation in a company so that it can be useful for creating sustainable competitive advantages for the company. Management innovation is needed to recognize that good ideas must continue to flow as quickly as possible and at all times in anticipation of increasingly rapid, diverse and dynamic world developments.

The performance of the creative economy in this study is formed by sales growth, profitability and market share. The performance of the creative economy is a perception of the results made by the management continuously. This is in line with the opinion of Helfert (2000) ^[18] Lin *et al.* 2008); Suliyanto and Rahab (2012) ^[51]. One of the indicators in measuring the success of the performance of a creative economy industry company is market share. Market share is part of the total demand for a product that reflects customer groups according to characteristics, such as income level, age, gender, education, and social status. In addition to market share, performance measurement can also be done by looking at sales growth. Sales growth is a manifestation of

success in maintaining sales, having high sales competitiveness and being able to determine the number of products set in a certain period. Every profitability business is one indicator of the success of a company's performance. Profitability is the ability of a company to generate profits during a certain period at a high level of sales or profits, being able to manage business operational costs and being able to manage company assets. Based on the results of a simple regression analysis, shows that innovation can provide support for improving the performance of the creative economy of food and beverages in Bekasi City. The results of the study indicate that in line with the research of Moretti and Biancardi (2018), Gomes and Wojahn, (2017), Patel and D'Souza, (2009) ^[32], Zafar *et al.* (2016) ^[57], Subagja, I. K., Astuti, W., & Darsono, J. T. (2017).

4. The Influence of Dynamic Capabilities and Entrepreneurial Orientation on the Performance of the Creative Economy in the Culinary/Food and Beverage Sub-Sector of Bekasi City Through Innovation

Based on the results of the descriptive analysis of the dynamic capability variable, the indicator that dominates the formation of the dynamic capability variable is the indicator of the ability to seize opportunities in carrying out target targets in business.

The entrepreneurial orientation variable that dominates the formation of the entrepreneurial orientation variable is being ready to face risks in business, therefore the creative economy industry must have reliable business strategy capabilities to survive in following various very dynamic changes. In the innovation variable, the dominant indicator in the formation of the innovation variable is marketing innovation, namely the creative economy industry in the food and beverage sub-sector of Bekasi City to advance by continuing to innovate in marketing, especially during the Covid-19 pandemic, the marketing innovation that continues to be developed is digital marketing.

In the creative economy performance variable of food and beverages, the most dominant indicator is profitability where the creative economy in running its business is oriented towards profit, namely with the smallest possible cost to get maximum profit. Based on the results of the path analysis, show that innovation does not provide support for increasing dynamic capabilities and entrepreneurial orientation toward the performance of the creative economy of food and beverages in Bekasi City. The results of this study are in line with the research of Cabral (2010), Hult *et al.*, (2004), Atmana, (2014), Strønen *et al.*, (2017), Valdez-Juárez *et al.*, (2016), Rufaidah (2015), Alves *et al.*, (2017) Breznik and Hisrich, (2014) ^[10], Giniuniene and Jurksiene (2015), Fitriati *et al.*, (2020), Subagja, I. K., Astuti, W., & Darsono, J. T. (2017).

Conclusions and Suggestions

Conclusion

Based on the results of the study on the influence of dynamic capabilities and entrepreneurial orientation on the performance of the creative economy industry in the food and beverage sub-sector of Bekasi City through innovation, and based on the results of descriptive analysis, regression analysis, and path analysis, the following conclusions can be drawn:

1. The results of the study indicate that Dynamic capabilities have a positive and significant effect on

Innovation. Thus, hypothesis one is tested and proven. This is indicated by the Company having the ability to respond to the environment to identify new business opportunities and competitive advantages so that the company makes updates to product quality.

2. The results of the study indicate that entrepreneurial orientation has a positive and significant effect on innovation. Thus, hypothesis two is tested and proven. This is indicated by the company having independence in running its business so that the Company makes regular product updates.
3. The results of the study indicate that innovation has a positive and significant effect on the performance of the creative economy. Thus, hypothesis three is tested and proven. This is indicated by service updates being carried out in a coordinated manner so that the company has the ability to maintain sales.
4. The results of the study indicate that dynamic capabilities and entrepreneurial orientation have a positive and significant effect on the performance of the creative economy simultaneously. Thus, hypothesis four is tested and proven. This is demonstrated by the Company having the ability to respond to customers in running a business and the Company having the independence to create business opportunities so that the Company can generate high profits.

Suggestions

1. The results of this study are expected to contribute to the knowledge, insight, and experience of researchers in the field of human resource management, especially regarding dynamic capabilities, entrepreneurial orientation, innovation, and performance of the creative economy of food and beverages in Bekasi City.
2. The results of this study are expected to be used as input and reference for the Cooperatives and Micro, Small, and Medium Enterprises Office and the Bekasi City Tourism Office in making policies or decisions that are deemed necessary to improve dynamic capabilities, entrepreneurial orientation, innovation, and creative economy performance to improve.

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