

Internationalization Model for Increasing the Competitiveness of Local Creative Industries in ASEAN Economy Community

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Internationalization Model for Increasing the Competitiveness of Local Creative Industries in ASEAN Economy Community

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Abstract

The main problem in this study is the weak performance of SMEs. This can be caused by business culture factors (market orientation and entrepreneurial orientation) as well as competitive strategy factor in SMEs. The research problem raised was how the effect of market orientation, entrepreneurial orientation, and competitive strategy on SME performance. The purpose of this study was to analyse the effect of market orientation, entrepreneurial orientation, and competitive strategy on SME performance. The research sample was 100 creative industry SMEs in Special Region of Central Java Province with business field of handicrafts (various handicrafts of silver, natural fibres, earthenware, leather, and wood) and fashion business field (various batik). Hypothesis testing used path analysis. The results show that there is a positive and significant influence between market orientation and entrepreneurial orientation on competitive strategy (differentiation, low cost, and focus strategies). Market orientation and entrepreneurial orientation have a positive effect on SME performance. Competitive strategies (differentiation, low costs, and focus strategies) have a positive effect on SME performance. Entrepreneurial orientation has a higher direct influence than market orientation.

Keywords: *entrepreneurial orientation; competitive strategy; performance.*

1. Introduction

Creative industry SMEs are SMEs that focus on the creation and exploitation of intellectual property works such as art, film and television, software, games, or fashion design and include creative services such as advertising, publishing, and design. The Indonesian government has mapped 14 creative industry sectors namely: (1) advertising; (2) architecture; (3) art and antiques markets; (4) crafts; (5) design; (6) fashion; (7) video; film; and photography; (8) interactive games; (9) music; (10) performing arts; (11) publishing and printing; (12) computer and software services; (13) television and radio; and (14) research and development.

The prospect of the development of the creative industry in the Special Region of Central Java Province is very large due to the very conducive environmental conditions for the development of creative industries, especially fashion, handicraft, and information technology. This is possible because the position of Central Java as a centre of art and culture is also supported as an education centre that able to produce creative workforce in very potential quantities. The creative industry as the main pillar in developing the creative economy sector will have a positive impact on the lives of the Central Java community considering that Central Java is undergoing a social transformation that is so fast from agriculture to semi-industry, especially the creative industry.

The growth of Central Java creative industry SMEs shows a positive trend as indicated by the increasing number of industry players from year to year. In 2015, the creative industry in Central Java was 33,882 business units, in 2016 it increased to 34,977 business units, and in 2017 increased to 36,456 business units (<http://disperindag.jatengprov.go.id/v2/>).

The rapid development of creative industry SMEs in terms of the quantity of business units has not been accompanied by maximum performance due to number of obstacles faced by SMEs. These constraints include, among others, SMEs have not been maximally market-oriented as in carrying out marketing activities that are still conventional and have not maximally utilized information technology to accelerate services and expand market access (Nuvriasari, 2012). Other constraints include limited production facilities, limited access to capital, HR skills, and the spirit of entrepreneurship (Wicaksono & Nuvriasari, 2012).

Given these limitations and given the important role of SMEs in the Indonesian economy, it is necessary to study efforts to improve the performance of creative industry SMEs by considering number of factors that influence them such as: competitive strategy, market orientation, and entrepreneurial orientation.

Market orientation is the most effective and efficient organizational culture in creating behaviours that are needed for the creation of superior value for customers to produce superior business performance on an ongoing basis. Market orientation has three components, namely customer orientation, competitor orientation, and inter-functional coordination (Idar, Yusoff, & Mahmood, 2012). An entrepreneurial orientation reflects the extent to which a company identifies and exploits untapped opportunities as an organizing principle within a company (Baker & Sinkula, 2009). Entrepreneurial orientation is a significant contributor to the success of the company. The concept of entrepreneurial orientation developed a multidimensional construct which includes dimensions of innovation, risk taking, and proactive attitudes (Idar & Mahmood, 2011).

Competitive strategies are intended to answer the problem of how companies must compete with competitors in similar

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