



THE MODEL SUCCESS OF BUSINESS AND THE COMPETITIVENESS OF FEATURED SMES IN BANGKA BELITUNG PROVINCE ISLAND

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Abstract

Purpose: The purpose of this research is to build a model of creative strategy and incremental innovation and to analyze its impact on the success of business and competitiveness of featured small industries in Central Bangka.

Methodology: This research is designed by using the descriptive and verification method. The minimum size of sample that should be obtained in this research is 207 units of featured small industries. The verification tool used is the Partial Least Squares (PLS) using LISREL 8.5 program.

Results: The calculation result of the influence of creative strategy and incremental innovation on the success of the business indicates that the most influential variable on the success of a business is the variable, creative strategy. The increasing of creative strategy variable gives greater encouragement than the incremental innovation variable towards the success of the business of featured small industries. It can be seen that the most influential variable towards competitiveness is a variable of the success of the business. It means that the more successful the business, the greater competitiveness it will provide. The increasing success of the business provides greater encouragement than incremental innovation and creativity.

Implication: The implication of this research is that strategy is very important in maintaining a lasting business and driven by success in business and incremental innovation in small businesses.

Keywords: Creativity Strategy, Incremental Innovation, Success of Business and Competitiveness, Small Industries.

INTRODUCTION

Bangka Belitung Province Island has an abundance of natural resources of tin. However, today, it has been denoted as "Post-Tin Era" due to the negative impact of tin mining, which influences the environmental damage, both on land and at sea. Nowadays, the local government keeps trying hard to find a solution with a design of rooted economic development of society and be able to increase economic growth by maintaining the environment. It is because of tin mining in the social aspect that has led to land conflicts, miner's crash victims, conflicts of interest of land resources management, and tin resources itself.

Bangkanese consists of four ethnic groups, which merged into one identity after the war of Bangka that was led by Depati Amir in 1948–1851. Bangkanese culture based on Alfian (2014) is identified as (a) living encamped, (b) opening to outside influences, (c) prioritizing deliberation and consensus in all respects, (d) carrying out the development of the country by working together, helping one another (*besaoh*), (e) people being *Marwah* (creative, tenacious and tough), (f) keeping away from taboos, religious prohibitions and customs, (g) do not embarrass people (*budayaberpantun*), (h) appreciating the function of soil, forest, water, and oceans, (i) having a spirit of togetherness, and (j) loving the country (region).

In its implementation, the value and culture of Bangkanese can be seen from activities, such as *Nganggung* and living encamped either on land or in coastal areas. The myths that had been attached to the Bangkanese are *Ndakkawahnyusah* (do not want to suffer), *Ndakkene-kene di pade* (do not want to be given a suggestion) and *ndakpacak* (incapable). These issues become crucial and it is viewed as one of the reasons why they are just struggling to take the natural resources (tin) that they have and do not have the desire to manage it as one of the downstream industries. The other phenomenon indicates that the existing products in Bangka Belitung province island, which are dominated by SMEs (small and medium industries), still far from innovation and productivity is the root of the creativity of the entrepreneur community.

The total number of SMEs increased throughout the years. It was 5,506 units in 2009, 6,323 units in 2010, 6,740 units in 2011, and 6,710 units in 2012, which indicated the decreasing number of SMEs.

The result of research conducted by Reniaty et al. (2015) indicated that the cultural value of Bangkanese SME entrepreneurs had been excellent. It showed that the value and the culture of Bangkanese should be preserved, as a social capital. Based



on the variables of entrepreneurial management, all dimensions show high value and one dimension shows fantastic value, which is the commitment to opportunity dimension. It indicates that SME entrepreneurs in Bangka Island have high entrepreneurial management and is the best capital to manage the continuity of their business.

Based on the recapitulation of the average value on each variable, creative entrepreneur community shows the highest value. However, some dimension should be improved, such as support from the entrepreneurs, cooperation, and quality and quality of time. Thus, if we want to enhance the creativity of the business community in Bangka, besides the value and culture of the society, it should also be supported by modern business management. The value and excellent culture of the society are not enough to increase the creativity of the entrepreneur's community; it should also be supported by modern business management. On the other hand, it is also observed that the influence of modern business management is greater than the value and the culture of society.

Based on the review above, the formulation of the problem is created: how the model of creative strategy and incremental innovation has its impact on the success of business and competitiveness of featured SMEs in Bangka Belitung Province Island.

LITERATURE REVIEW

Creative strategy

The current economic orientation has placed creativity into an ever-present keyword in all fields. The competition, which is more tough, causes each business unit to find ways to reduce costs as cheaply as possible, differentiate or even focus on strategies to serve future market segments (Reniaty, 2013).

According to Zimmerer and Scarborough (2008), creativity is an ability to develop new ideas and to find new ways, given problems and opportunities. In line with this opinion, according to Griffin (2004), creativity is an individual ability to create new ideas or put new perspectives on old ideas.

In measuring creativity, individual creativity is not the only aspect to be measured, but also is other aspect like organizational creativity. Individual creativity is very important for an entrepreneur, especially in a small business that is full of competition, because of its large amount.

Based on the research by Reniaty et al. (2015) there is an interaction matrix between Bangka community values and culture towards creative entrepreneur community. Hence, entrepreneurs in Bangka can be categorized in four quadrants as below:

| | | Low | Values and Culture of Bangka's Society | High |
|---------------------------------|------|---------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Creative Entrepreneur Community | High | QUADRANT I High creativity, with weak values and culture (Young Entrepreneurs) | | QUADRANT II Creativity, with strong values and culture (Creative entrepreneur who cares about values and culture in society) |
| | Low | QUADRANT III Creativity, with weak values and culture (Retarded) | | QUADRANT IV Low creativity, with strong values and culture (Isolated/Traditional) |

Figure 1: Categorization of Small Entrepreneurs in Bangka Island based on Value and Culture of Community and Creativity of Entrepreneurs Community

The creativity of the organization in the perspective of small business is defined by Reniaty (2013, page 20) as the occurrence of creativity process in an organization, involving all elements of human resources in the company, both individually, i.e., entrepreneur and hunter / employee creative, creative working groups, and supported by organizational structure in the form of organizational climate, leadership, organizational culture, resources and expertise, and organizational structure and system to achieve innovation and competitive advantage.



Incremental Innovation

There is no doubt that the twentieth century will be credited as a century of innovation. It may not have witnessed the building of the pyramids or the Roman aqueducts or the birth of the Italian Renaissance, but there were monumental achievements that made a profound difference in how societies live and communicate.

According to Davila et al. (2006), innovation is classified based on changes that are made in technology and business capital. Based on this opinion, innovation is divided into three types; they are incremental innovation, semi-radical innovation, and radical innovation.

Incremental innovation often uses the terms, sustaining = something different, the product is taken as the established product in established markets to the next levels, as the process makes process for established offers in established markets more effective or efficient. *Sedangkan strateginya adalah* reframed an established value proposition to the customer's or the company's role established in the value chain or both.

Iturrioz (2014) highlighted the role of both context-dependent intermediaries and social capital system dynamics in the development of a shared innovation strategy.

The Success of Business

The terms of success and performance are often equated with its use in entrepreneurial research. The success of the business is an instrument to know whether the business can maintain its life (going concern), as well as a basis in formulating the company's operational planning in the future and as information for shareholders, stakeholders, and customers concerning the achievement and success of the company.

According to Mulyadi and Setiawan (2007), "Performance is the success of the personal, team, or organizational unit in realizing strategic goals that have been set before, with the expected behavior". More simply, individual success in running a business is defined as the ability to run business operations and failure is defined as the inability to run a business that ends with the stopping of business operations (Mabhungu & Van der Poll, 2017).

The Competitiveness of Product

In measuring the competitiveness of SMEs, we should distinguish between the competitiveness of the product and competitiveness of the company. Product competitiveness is closely related to the level of competitiveness of companies that manufacture products. The level of competitiveness of a product reflects the level of competitiveness of the company that manufactures it. In other words, the level of competitiveness of a company determines the competitiveness of the products it manufactures (Tambunan, 2017: 99).

Markovics (2005) defines competitiveness as a quite complicated concept. It is difficult to measure competitiveness and no indicator can be used to measure it. However, competitiveness is a general concept used in economics.

Brink (2017), in his research finding, highlighted an understanding of how SMEs can contribute to competitiveness. This understanding allows for SMEs, larger enterprises, academia, and policy bodies to take enhanced informed actions.

Framework and Hypotheses

Organizational creativity has an important role to increase business innovation and its impact on the competitive advantage in an organization, and these three of them can be sourced by sustaining competitive advantage. Creativity and innovation are the heart of entrepreneurship, but these have not made a major agenda in a small industry to improve the competitive position. Creativity and innovation are still properties of individual entrepreneurs and not the properties of all members of the organization. Based on the above theoretical framework and research paradigm, the hypotheses of this research are:

H1: Creative strategy and incremental innovation have a positive influence on the success of the business.

H2: Creative strategy, incremental innovation, and the success of business have a positive influence on competitiveness.

H3: Incremental innovation has the highest influence on business competitiveness compared to creative strategy and the success of the business.

METHODOLOGY

Method Used

This is research in economics, especially in economics management, which focuses on the field of entrepreneurial management and organizational behavior. The object and the scope of this research include the analysis of values and culture of the society, entrepreneurial management, and community of creative entrepreneurs. In order to accumulate



further information on the influence between variables, this research is designed using descriptive and verification approaches.

Population and Sample

The technique of analysis used in this research is the Structural Equation Modeling and the testing parameter is a correlation parameter or covariance, i.e., the correlation matrix or the covariance population. According to the covariance matrix population model [H0: $\Sigma = \Sigma(\Sigma)$] that is related to hypotheses testing, the most appropriate technique of size sampling is the technique of power analysis by MacCallum (1996). The determination of the size of sampling for SEM using power analysis is formulated as follows:

$$n = \frac{\lambda}{RMSEA^2 \times db}$$

where λ : Max (c-db), c: 2nF₀, db: degrees of Freedom, RMSEA: Root Means Square Error Approximation, while the number of samples is 207 of featured SMEs in Bangka Island.

The data collecting technique used through direct or indirect combination included literature study, observation, questionnaires and interview, and FGD (Focus Group Discussion).

RESULTS AND DISCUSSION

Measurement Model (Outer)

Outer model is a model that explains the validity of the indicator and/or dimension in measuring the research dimension. In this research, the measurement analysis is divided into two, namely the analysis of first-order and second-order measurement model. Analysis of first-order measurement model is a measurement model analysis that explains the validity and reliability of indicators in measuring dimensions and second-order analysis is the analysis of the validity and reliability of dimensions in measuring the research dimension. An item or dimension is declared valid based on some criteria that are the minimum value of the validity coefficient greater than 0.500 or significance test with an item or dimension expressed significantly at 5% significance level for the left-side test.

Variable of Creative Strategy

Creative strategy variables are measured using two dimensions of organizational creativity and individual creativity.

Table 1: Analysis of First-Order Measurement Model of Organizational Creativity Dimension

| Indicator | Standardized loadings | R ² | Var. Error | Critical ratio (CR) |
|---------------------------------------------------------------------------------------------|-----------------------|----------------|------------|---------------------|
| Encourage the participation of all employees within the company. | 0.535 | 0.286 | 0.714 | 2.794 |
| Giving freedom of expression and experimenting with the products made | 0.530 | 0.281 | 0.719 | 4.525 |
| Has loose performance rules and standards | 0.454 | 0.206 | 0.794 | 3.272 |
| Encourage the preparation of initial ideas. | 0.600 | 0.360 | 0.640 | 5.777 |
| Democratic in leading the company so that all employees participate. | 0.699 | 0.488 | 0.512 | 8.067 |
| Spreading the company's vision or ideals. | 0.786 | 0.618 | 0.382 | 12.705 |
| Developing the effectiveness of work in groups or sections to achieve corporate objectives. | 0.800 | 0.640 | 0.360 | 13.827 |
| Have openness in communication. | 0.650 | 0.422 | 0.578 | 5.572 |
| Encourage employees to have initiative | 0.712 | 0.507 | 0.493 | 6.257 |
| Giving trust and mutual respect between individuals within the company | 0.684 | 0.468 | 0.532 | 5.680 |
| Have a creative HR and high skill level. | 0.803 | 0.645 | 0.355 | 11.044 |



| Indicator | Standardized loadings | R ² | Var. Error | Critical ratio (CR) |
|-------------------------------------------------------------------------|-----------------------|----------------|------------|---------------------|
| Employees have challenges in creating creative and innovative products. | 0.749 | 0.561 | 0.439 | 6.795 |
| Communication within the company is very effective and smooth | 0.692 | 0.480 | 0.520 | 6.783 |
| The company has an organizational structure. | 0.455 | 0.207 | 0.793 | 3.159 |
| The company has a system for evaluating employees | 0.591 | 0.350 | 0.650 | 4.850 |
| The compensation/payroll system used to support creativity. | 0.653 | 0.426 | 0.574 | 5.509 |
| Composite reliability | | | 0.923 | |
| AVE | | | 0.434 | |

Source: Primary data are processed by researchers, 2016

The majority of items used to measure individual creativity dimensions have a validity coefficient (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result states that the items used to measure the dimensions of individual creativity are valid. The most dominant or most important item in explaining the organizational creativity dimension is the item that has a creative HR and a high skill level. This item has the highest factor loading value compared to the other items.

The overall item has a very large composite reliability value of 0.923. This indicates that 92.3% of information from individual creativity can be explained by the items used to measure this dimension. While the average variance extracted value of 0.434 indicates that as much as 43.4% variation of respondents' answers to the items used to measure the dimensions of organizational creativity is influenced by the variation of their assessment of individual creativity as latent variables.

Based on these results, it can be concluded that the items used to measure individual creativity dimensions are valid and reliable.

Table 2: Analysis of First-Order Measurement Models on the Dimension of Individual Creativity

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|--------------------------------------------------------------------------------------------------|-----------------------|----------------|----------------|---------------------|
| Motivate ourselves to make the performance at a high level. | 0.858 | 0.737 | 0.263 | 21.874 |
| Response to constructive criticism. | 0.680 | 0.462 | 0.538 | 3.474 |
| Prioritize tasks by managing time. | 0.846 | 0.716 | 0.284 | 18.071 |
| Identify personal strengths and weaknesses and integrate them with opportunities and challenges. | 0.803 | 0.645 | 0.355 | 11.778 |
| Managing own career development to keep improving. | 0.861 | 0.742 | 0.258 | 17.195 |
| Have the principle of Everyone can Learn Everything | 0.847 | 0.717 | 0.283 | 16.691 |
| Build interest and passion | 0.877 | 0.769 | 0.231 | 18.992 |
| Learn from the best | 0.909 | 0.827 | 0.173 | 32.888 |
| Define one vision, do not deny it | 0.884 | 0.782 | 0.218 | 24.483 |
| Always follow your passion | 0.715 | 0.512 | 0.488 | 4.291 |
| Learn from everything | 0.914 | 0.836 | 0.164 | 23.601 |
| Friendly with technology | 0.851 | 0.725 | 0.275 | 14.502 |
| Always eager for information and stuff | 0.896 | 0.803 | 0.197 | 22.982 |
| Still feeling lacked, despite being praised | 0.929 | 0.863 | 0.137 | 42.055 |
| Have a personal challenge | 0.844 | 0.712 | 0.288 | 11.337 |
| Composite Reliability | | | 0.975 | |
| AVE | | | 0.723 | |

Source: Primary data are processed by researchers, 2016

All items used to measure the individual's creativity dimension have a validity coefficient (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure individual creativity dimensions are valid. The most dominant or most important item in explaining the organizational creativity dimension is the item: still feeling lacking, despite being praised. This item has the highest factor



loading value compared to the other items. This means that individual motivation becomes important in encouraging creativity.

The overall item has a very large value of composite reliability of 0.975. This indicates that 97.5% of the information from individual creativity can be explained by the items used to measure this dimension. While the average variance extracted value of 0.723 indicates that 72.3% of respondents' variations on the items used to measure the dimensions of individual creativity are influenced by the variation of their assessment of individual creativity as latent variables.

Based on these results, it can be concluded that the items used to measure individual creativity dimensions are valid and reliable.

Table 3: Analysis of Second-Order Measurement Model on Variable of Creative Strategy

| Dimension | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|---------------------------|-----------------------|----------------|----------------|---------------------|
| Organizational Creativity | 0.732 | 0.536 | 0.464 | 8.919 |
| Individual Creativity | 0.952 | 0.906 | 0.094 | 74.070 |
| Composite Reliability | | 0.836 | | |
| AVE | | 0.721 | | |

Source: Primary data are processed by researchers, 2016

All the dimensions used to measure the variables of creative strategy have a coefficient of validity (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the dimensions used to measure the variables of creative strategy are valid. The most dominant or most important dimension in explaining organizational creativity variables is the dimension: individual creativity. This dimension has the highest factor loading value compared to the other dimensions. This means that individual creativity becomes important in encouraging creative strategies.

The whole dimension has a very large composite reliability value of 0.836. This indicates that 83.6% of the information from the creativity strategy can be explained by the dimensions used to measure this variable. While the average variance extracted value of 0.721 indicates that as much as 72.1% variation of respondents' answers to the dimensions used to measure the variables of creative strategies influenced by their variation of the assessment of creative strategies as latent variables.

Based on these results, it can be concluded that the dimensions used to measure the variable of creative strategy are valid and reliable.

Variable Incremental Innovation

The incremental innovation variables are measured using four dimensions: product and service, processing technology, value chain, and target customers.

Table 4: Analysis of First-Order Measurement Model on Product and Service Dimension

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|--------------------------------------------------------|-----------------------|----------------|----------------|---------------------|
| Creating new products that already exist in the market | 0.673 | 0.453 | 0.547 | 3.221 |
| Introducing new product variations | 0.907 | 0.823 | 0.177 | 13.785 |
| Change and/or improve the look of the product | 0.841 | 0.708 | 0.292 | 9.589 |
| Add a product line from an existing one | 0.929 | 0.863 | 0.137 | 32.123 |
| Composite Reliability | | 0.907 | | |
| AVE | | 0.712 | | |

Source: Primary data are processed by researchers, 2016

All items used to measure the dimensions of product and service has a coefficient of validity (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure the dimensions of products and services are valid. The most dominant or most important item in explaining the product and service dimension is the item: adding the product line from the existing one. This item has the highest factor loading value compared to the other items. This means that innovations from products and services should focus more on adding product lines than existing ones.

The entire item has a very large composite reliability value of 0.907. This indicates that 90.7% of the information from product and service can be explained by the items used to measure this dimension. While average variance extracted value



of 0.712 indicates that as much as 71.2% variation of respondents' answers to the items used to measure the dimensions of product and service is influenced by the variation of their assessment of product and service as latent variables.

Based on these results, it can be concluded that the items used to measure dimensions of product and service are valid and reliable.

Table 5: Analysis of First-Order Measurement Model on Dimension Processing Technology

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|-------------------------------------------------------|-----------------------|----------------|----------------|---------------------|
| Has the replacement raw material | 0.670 | 0.448 | 0.552 | 4.124 |
| Fixed the processing | 0.882 | 0.778 | 0.222 | 22.397 |
| Have the right technology | 0.828 | 0.685 | 0.315 | 8.213 |
| Gradual improvement and continuous production process | 0.923 | 0.852 | 0.148 | 41.448 |
| Perform raw material efficiency | 0.798 | 0.637 | 0.363 | 11.521 |
| Composite Reliability | | 0.913 | | |
| AVE | | 0.680 | | |

Source: Primary data are processed by researchers, 2016

All the items used to measure the dimensions of processing technology have a coefficient of validity (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure the dimensions of processing technology are valid. The most dominant or most important item in explaining the dimensions of processing technology is the gradual and continuous improvement of the production process. This item has the highest factor loading value compared to the other items. This means that innovation from the technological process should focus more on gradual and continuous improvement efforts.

The whole item has a very large composite reliability value of 0.913. This indicates that 91.3% of the information from processing technology can be explained by the items used to measure this dimension. While the average variance extracted value of 0.680 indicates that as much as 68.0% of respondents' variation on items used to measure the dimensions of processing technology is influenced by their variation of assessment of processing technology as latent variables.

Based on these results, it can be concluded that the items used to measure the dimensions of processing technology are valid and reliable.

Table 6: Analysis of First-Order Measurement Models on Value Chain Dimension

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|------------------------------------------------------------------------|-----------------------|----------------|----------------|---------------------|
| Has an alternative supplier | 0.966 | 0.934 | 0.066 | 48.612 |
| Has a more efficient alternative supply chain | 0.974 | 0.949 | 0.051 | 61.038 |
| Calculate the margin (profit) of each alternative distribution channel | 0.953 | 0.908 | 0.092 | 47.948 |
| Composite Reliability | | 0.976 | | |
| AVE | | 0.930 | | |

Source: Primary data are processed by researchers, 2016

All items used to measure the value chain dimension have a standardized loading factor greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure the value chain dimension are valid. The most dominant or most important item in explaining the value chain dimension is the item: has a more efficient alternative supply chain. This item has the highest factor loading value compared to the other items. This means that the value chain should be more focused on the effort to create a more efficient supply chain. The whole item has a very large composite reliability value of 0.913. This indicates that 91.3% of the information from the value chain can be explained by the items used to measure this dimension. While the average variance extracted value of 0.680 indicates that as much as 68.0% variation of respondents' answers to the items used to measure the value chain dimension is influenced by the variation of their assessment of the value chain as a latent variable.

Based on these results, it can be concluded that the items used to measure value chain dimensions are valid and reliable.



Table 7: Analysis of First-Order Measurement Model on Customer Target Dimension

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|-------------------------------------------------------------|-----------------------|----------------|----------------|---------------------|
| Consumer goals vary | 0.881 | 0.776 | 0.224 | 12.704 |
| Unique consumer goals (specific) | 0.941 | 0.885 | 0.115 | 26.249 |
| Try to enlarge the market segment | 0.952 | 0.907 | 0.093 | 54.393 |
| Has a variety of ways to attract consumers (offline/online) | 0.858 | 0.736 | 0.264 | 12.318 |
| Composite Reliability | | 0.950 | | |
| AVE | | 0.826 | | |

Source: Primary data are processed by researchers, 2016

All the items used to measure customer target dimensions have a validity coefficient (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure customer target dimensions are valid. 'Trying to enlarge the market segment' is the most dominant or the most important item in explaining the target customer dimension is the item. This item has the highest factor loading value compared to the other items. This means that the target customer should be more focused on efforts to enlarge the market segment. The entire item has a very large composite reliability value of 0.950. This indicates that 95.0% of the information from the target customer can be explained by the items used to measure this dimension. While the average variance extracted value of 0.826 indicates that as much as 82.6% variation of respondents' answers to the items used to measure customer target dimensions is influenced by their variation of the assessment of customer targets as latent variables.

Based on these results, it can be concluded that the items used to measure customer target dimensions are valid and reliable.

Table 8: Measurement Model Analysis Second Ordinates Variable Incremental Innovation

| Dimension | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|-----------------------|-----------------------|----------------|----------------|---------------------|
| Product and Service | 0.775 | 0.600 | 0.400 | 9.616 |
| Processing Technology | 0.856 | 0.733 | 0.267 | 13.417 |
| Value Chain | 0.714 | 0.510 | 0.490 | 4.727 |
| Target Customer | 0.825 | 0.680 | 0.320 | 11.025 |
| Composite Reliability | | 0.872 | | |
| AVE | | 0.631 | | |

Source: Primary data are processed by researchers, 2016

All dimensions used to measure incremental innovation variables have a validity coefficient (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the dimensions used to measure incremental innovation are valid. The most dominant or the most important dimension in explaining incremental innovation is the dimension, processing technology. This dimension has the highest factor loading value compared to the other dimensions. This means that processing technology becomes important in encouraging incremental innovation. The whole dimension has a very large composite reliability value of 0.872, indicating that 87.2% of information from incremental innovation can be explained by the dimensions used to measure this variable. While the average variance extracted value of 0.631 indicates that 63.1% of respondents' variations on the dimensions used to measure incremental innovation variables are influenced by their variation of assessment of incremental innovation as latent variables.

Based on these results, it can be concluded that the dimensions used to measure the variable of innovation are valid and reliable.

Variable of Business Success

Business success variables are measured using four dimensions: achieving freedom, networking, achieving job satisfaction, and customer performance.

All the items used to measure the dimensions of freedom have a validity coefficient (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure the dimensions of freedom have a very large value of composite reliability of 0.998. This indicates that 99.8% of information obtained from freedom can be explained by the items used to measure this dimension. While the average variance extracted score of 0.991 indicates that 99.1% of respondents' variations on the items used to measure the dimensions of freedom are influenced by their variation of judgment on achieving freedom as a latent variable.



Based on these results, it can be concluded that the items used to measure the dimensions of achieving freedom are valid and reliable.

Table 9: Analysis of First-Order Measurement Model on Achieving Freedom Dimension

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|----------------------------------------|-----------------------|----------------|----------------|---------------------|
| Free of any organizational rules | 0.986 | 0.973 | 0.027 | 64.596 |
| Set the time more flexible | 0.998 | 0.997 | 0.003 | 593.023 |
| Bring out your ideas | 0.998 | 0.997 | 0.003 | 593.023 |
| More maximal in achieving productivity | 0.998 | 0.997 | 0.003 | 593.023 |
| Composite Reliability | | 0.998 | | |
| AVE | | 0.991 | | |

Source: Primary data are processed by researchers, 2016

Table 10: Analysis of First-Order Measurement Model on Network Dimension

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|----------------------------------------------------------|-----------------------|----------------|----------------|---------------------|
| The benefits of knowing many people and their characters | 0.901 | 0.812 | 0.188 | 16.468 |
| Feel comforted and motivated | 0.936 | 0.877 | 0.123 | 38.562 |
| Getting access to the market and buyers | 0.928 | 0.861 | 0.139 | 18.821 |
| Composite Reliability | | 0.944 | | |
| AVE | | 0.850 | | |

Source: Primary data are processed by researchers, 2016

All the items used for measuring network dimensions have a validity coefficient (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure network dimensions are valid. All the items are very important in supporting the dimension of the network work. Overall items have a very large composite reliability value of 0.944. This indicates that 94.4% of information from the network can be explained by the items used to measure this dimension. While the average variance extracted value of 0.850 states that as much as 85.0% variation of respondents' answers to the items used to measure the dimensions of the network is influenced by the variation of their assessment of network work as latent variables.

Based on these results, it can be concluded that the items used to measure network dimensions are valid and reliable.

Table 11: Analysis of First-Order Measurement Model on Achieving Job Satisfaction Dimension

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|-----------------------|-----------------------|----------------|----------------|---------------------|
| Improving self-image | 0.931 | 0.866 | 0.134 | 29.324 |
| Beneficial for others | 0.958 | 0.919 | 0.081 | 64.809 |
| Become a role model | 0.819 | 0.671 | 0.329 | 17.064 |
| Composite Reliability | | 0.931 | | |
| AVE | | 0.818 | | |

Source: Primary data are processed by researchers, 2016

All the items used to measure dimensions of job satisfaction have a coefficient of validity (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure the dimension, achieve job satisfaction is valid. All the items are very important in supporting the dimension of achieving job satisfaction. The whole item has a very large value of composite reliability that is 0.931. This indicates that as much as 93.2% of information from achieving job satisfaction can be explained by the items used to measure this dimension. While the average variance extracted score of 0.818 indicates that 81.8% of respondents' variations on the items used to measure the dimensions of achieving job satisfaction are influenced by the variation of their assessment of achieving job satisfaction as latent variables.

Based on these results, it can be concluded that the items used to measure the dimensions of achieving job satisfaction are valid and reliable.



Table 12: Analysis of First-Order Measurement Model on Customer Performance Dimension

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|------------------------------------------------------------------------|-----------------------|----------------|----------------|---------------------|
| Profit has always increased in the last 3 years | 0.837 | 0.700 | 0.300 | 17.284 |
| The amount of output has increased in the last 3 years | 0.803 | 0.644 | 0.356 | 12.240 |
| The number of employees increased in the last 3 years | 0.781 | 0.610 | 0.390 | 10.888 |
| Reach the current break event | 0.787 | 0.619 | 0.381 | 9.804 |
| Produce living expenses | 0.773 | 0.597 | 0.403 | 8.450 |
| Achieving real profit: living income. Cash is left after earning wages | 0.610 | 0.372 | 0.628 | 4.041 |
| The company image is established in the minds of customers. | 0.862 | 0.743 | 0.257 | 12.623 |
| Composite Reliability | | | 0.916 | |
| AVE | | | 0.612 | |

Source: Primary data are processed by researchers, 2016

All the items used to measure the dimension; customer performance has a coefficient of validity (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure the dimensions of customer performance are valid. The most dominant or the most important item in explaining the dimension of customer performance is the item of profit, which has always increased in the last 3 years. This item has the highest factor loading value compared to the other items. This means that the success of the business will be achieved by continuous efforts to increase profits. The overall item has a very large composite reliability value of 0.916. This indicates that 91.6% of information from customer performance can be explained by the items used to measure this dimension. While the average variance extracted value of 0.612 indicates that 61.2% variation of respondents' answers to the items used to measure this dimensions is influenced by variations of their assessment of customer performance as latent variables.

Based on these results, it can be concluded that the items used to measure the dimensions of customer performance are valid and reliable.

Table 13: Analysis of Second-Order Measurement Models on Business success variable

| Dimension | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|----------------------------|-----------------------|----------------|----------------|---------------------|
| Achieving Freedom | 0.908 | 0.824 | 0.176 | 35.385 |
| Networking | 0.901 | 0.812 | 0.188 | 29.942 |
| Achieving Job Satisfaction | 0.828 | 0.685 | 0.315 | 12.637 |
| Customer Performance | 0.863 | 0.745 | 0.255 | 12.482 |
| Composite Reliability | | 0.929 | | |
| AVE | | 0.766 | | |

Source: Primary data are processed by researchers, 2016

All the dimensions used to measure business success variables have a validity coefficient (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the dimensions used to measure business success variables are valid. The most dominant or the most important dimension in explaining the business success variable is the dimension of achieving freedom. This dimension has the highest factor loading value compared to the other dimensions. This means that achieving freedom becomes important in encouraging business success. The overall dimension has a very large composite reliability value of 0.929. This indicates that 92.9% of information from business success can be explained by the dimensions used to measure this variable. While the average variance extracted value of 0.766 indicates that 76.6% of respondents' variations on the dimensions used to measure business success variables are influenced by the variation of their assessment of business success as latent variables.

Based on these results, it can be concluded that the dimensions used to measure the validity of business success are valid and reliable.

Variable Competitiveness

The competitiveness variable is measured using four dimensions with the following analysis:

One item used to measure the dimension of increasing market share is an invalid item. The increment of monthly sales volume of loading factor less than 0.500 and is not significant. This item in the subsequent analysis is not involved. The



remaining six items used to measure dimensions of market share have a standardized loading factor greater than 0.50 or a t-value greater than the value of the t-table (1.683).

Table 14: Analysis of First-Order Measurement Models on the Improved Market Share Dimension

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|-------------------------------------------------------------------------------------------------------|-----------------------|----------------|----------------|---------------------|
| Increase in sales volume every month. | 0.265 | 0.070 | 0.930 | 1.240 |
| There is an increasing number of product sales every year. | 0.830 | 0.690 | 0.310 | 8.907 |
| There is an increase in profit every month. | 0.794 | 0.630 | 0.370 | 7.976 |
| There is an increase in the amount of profit received each year. | 0.813 | 0.661 | 0.339 | 8.776 |
| Enhanced competitiveness with similar businesses to win the competition, both locally and nationally. | 0.572 | 0.327 | 0.673 | 3.626 |
| There is an increasing number of customers every year. | 0.751 | 0.564 | 0.436 | 6.756 |
| Expanding product marketing area, both locally and nationally. | 0.710 | 0.504 | 0.496 | 5.923 |
| Composite Reliability | | 0.863 | | |
| AVE | | 0.492 | | |

Source: Primary data are processed by researchers, 2016

This result represents that the six other items used to measure the dimensions of increasing market share are valid. The most dominant or the most important item in explaining the dimension of increasing market share is the increase in the number of sales of products each year. This item has the highest factor loading value compared to the other items. It means that the increase in market share is closely related to the increase in the number of product sales each year.

The overall item has a very large value of composite reliability of 0.863. This indicates that 86.3% of information from an increase in market share can be explained by the items used to measure this dimension. While the average variance extracted score of 0.492 indicates that 49.2% of the respondents' variations on the items used to measure the dimensions of market share increase are influenced by their variation in the assessment of increasing market share as latent variables.

Based on these results, it can be concluded that the six items used to measure dimensions of market share are valid and reliable.

Table 15: Analysis of First-Order Measurement Models on Product Diversification Dimension

| Indicators | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|---------------------------------------------------------------------------------|-----------------------|----------------|----------------|---------------------|
| Undertake the development of the product types produced to expand market share. | 0.944 | 0.892 | 0.108 | 33.106 |
| Diversification is done through the addition of product attributes. | 0.948 | 0.899 | 0.101 | 50.254 |
| Composite Reliability | | 0.945 | | |
| AVE | | 0.896 | | |

Source: Primary data are processed by researchers, 2016

All the items used to measure the dimension of product diversification have a validity coefficient (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure the dimension of the product diversification have a very large value of composite reliability of 0.945. This indicates that 94.5% of the information from the product's verification can be explained by the items used to measure this dimension. While the average variance extracted value of 0.896 indicates that 89.6% of the respondents' variations on the items used to measure the dimension of product diversification are influenced by their variation of judgment on product diversification as latent variables.

Based on these results, it can be concluded that the items used to measure the dimensions of the product diversification are valid and reliable.

All the items used to measure the dimension of customer satisfaction have a coefficient of validity (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the items used to measure customer satisfaction dimension are valid. The most dominant or the most important item in explaining the dimension of customer satisfaction is the product item, which can be easily accepted by new customers in a new marketing area. This item has the highest factor loading value compared to the other items. This means that customer satisfaction is



very close concerning the acceptance of new products created. The whole item has a very large value of composite reliability of 0.921. This indicates that 92.1% of the information from customer satisfaction can be explained by the items used to measure this dimension. While the average variance extracted value of 0.747 indicates that as much as 74.7% variation of respondents' answers to the items used to measure the dimensions of customer satisfaction is influenced by the variation of their assessment of customer satisfaction as latent variables.

Based on these results, it can be concluded that the items used to measure the dimension of customer satisfaction are valid and reliable.

Table 16: Analysis of First-Order Measurement Models on Customer Satisfaction Dimension

| Indicators | Standard-ized loadings | R ² | Variance Error | Critical ratio (CR) |
|---------------------------------------------------------------------------------------------------------------|------------------------|----------------|----------------|---------------------|
| New consumers have a good perception of the product being offered. | 0.708 | 0.502 | 0.498 | 5.047 |
| Products are easily accepted by new customers in a new marketing area. | 0.930 | 0.866 | 0.134 | 22.235 |
| Improving the production and processing standards in supporting the company's productivity. | 0.925 | 0.855 | 0.145 | 15.220 |
| Improving the quality of products produced from taste to packaging that support the attractiveness of buyers. | 0.876 | 0.767 | 0.233 | 10.477 |
| Composite Reliability | | | 0.921 | |
| AVE | | | 0.747 | |

Source: Primary data are processed by researchers, 2016

Table 17: Analysis of First-Order Measurement Models on Using the Local Raw Materials Dimension

| Indicators | Standard-ized loadings | R ² | Variance Error | Critical ratio (CR) |
|---------------------------------------------------------------------|------------------------|----------------|----------------|---------------------|
| Using 100 percent of local raw materials | 0.881 | 0.776 | 0.224 | 12.188 |
| The raw materials used only in Bangka area. | 0.950 | 0.903 | 0.097 | 34.265 |
| The raw materials used have substitution. | 0.980 | 0.961 | 0.039 | 124.151 |
| Raw materials used are one of the competitiveness of products made. | 0.963 | 0.927 | 0.073 | 47.379 |
| Composite Reliability | | | 0.970 | |
| AVE | | | 0.892 | |

Source: Primary data are processed by researchers, 2016

All the items used to measure the dimension, using the local raw materials have a validity coefficient (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result states that the items used to measure the dimension of the use of local raw materials are valid. The most dominant or most the important item in explaining this dimension is the item; the raw material used has substitution. This item has the highest factor loading value compared to the other items. This means that the use of local raw materials is closely related to the substitution product for the raw materials. The overall item has a very large value of composite reliability of 0.970. This indicates that 97.0% of information from the use of local raw materials can be explained by the items used to measure this dimension. While the average variance extracted value of 0.892 indicates that 89.2% of the respondents' variations on the items used to measure the dimension, the use of local raw materials are influenced by the variation of their assessment of the use of local raw materials as latent variables.

Based on these results, it can be concluded that the items used to measure the dimension, the use of local raw materials are valid and reliable.

All the dimensions used to measure competitiveness variable have a validity coefficient (standardized loading factor) greater than 0.50 or a t-value greater than the value of the t-table (1.683). This result indicates that the dimensions used to measure competitiveness variable are valid. The most dominant or the most important dimension in explaining the competitiveness variable is the dimension of customer Satisfaction. This dimension has the highest factor loading value compared to the other dimensions. This means that customer Satisfaction is important in promoting competitiveness. The overall dimension has a very large composite reliability value of 0.916. This indicates that 91.6% of information from competitiveness can be explained by the dimensions used to measure this variable. While the average variance extracted



value of 0.733 indicates that as much as 73.3% variation of respondents' answers to the dimensions used to measure the competitiveness variable is influenced by the variation of their assessment of competitiveness as a latent variable.

Based on these results, it can be concluded that the dimensions used to measure the competitiveness variable are valid and reliable.

Table 18: Analysis of Second-Order Measurement Model on Competitiveness Variable

| Dimension | Standardized loadings | R ² | Variance Error | Critical ratio (CR) |
|----------------------------|-----------------------|----------------|----------------|---------------------|
| Market Share Improvement | 0.824 | 0.679 | 0.321 | 5.378 |
| Product Diversification | 0.819 | 0.672 | 0.328 | 5.855 |
| Customer satisfaction | 0.913 | 0.834 | 0.166 | 25.383 |
| Use of Local Raw Materials | 0.864 | 0.746 | 0.254 | 14.902 |
| Composite Reliability | | 0.916 | | |
| AVE | | 0.733 | | |

Source: Primary data are processed by researchers, 2016

The Analysis of Inner Model

After analyzing the measurement model, found only one non-significant indicator or item, then analyzed the inner model. The result of overall model analysis has the value of goodness of fit which is 0.988 for measurement model and 0.837 for the inner model. This is a high value indicating that the overall built model is a valid model.

Model Analysis of the Influence of Creative Strategy on the Incremental Innovation

The calculation result of the influence of creative strategy variable on the incremental innovation is presented in the picture as follows:

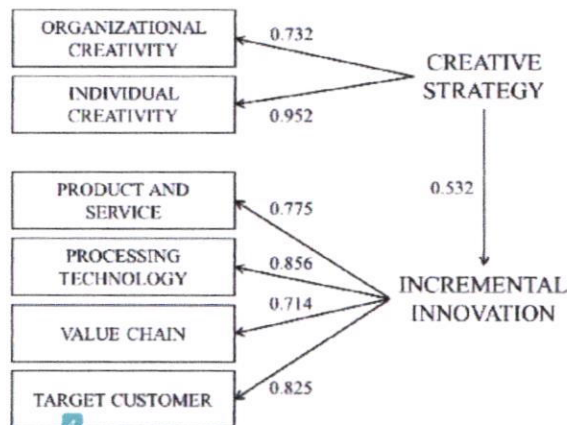


Figure 2: The Influence of Creative Strategy on the Incremental Innovation

The above model can be stated in a structural equation as follows:

$$\text{Incremental innovation} = 0.532 \times \text{Creative strategy}$$

Table 19: The Result of Hypothesis Test of the Influence of Creative Strategy on the Incremental Innovation

| Latent variable | Value | Standard error | Critical ratio (CR) |
|-------------------|-------|----------------|---------------------|
| Creative strategy | 0.532 | 0.059 | 8.996 |

The calculation result of the influence of creative strategy on the incremental innovation shows that the influence of the incremental innovation is 0.533 of deviation standard. The t-value is 8.996, which is more than t-table of 2.02. Thus, it can be concluded that there is a significant influence on creative strategy towards incremental innovation.

The Model Analysis of the Influence of Creative Strategy and Incremental Innovation on the Success of Business

The first substructure of the built model is the influence of creative strategy and incremental innovation on the success of the business. This model is presented as follows:

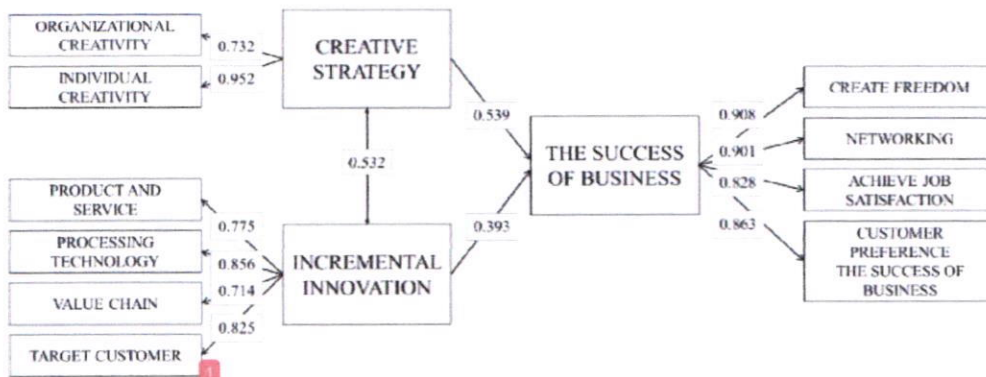


Figure 3: The Influence of Creative Strategy and Incremental Innovation on The success of Business

The above model can be stated in a structural equation as follows:

$$\text{The success of business} = 0.539 \times \text{creativity strategy} + 0.393 \times \text{incremental innovation}$$

Table 20: The Result of Hypotheses Test of the Influence of Creative Strategy and Incremental Innovation on the Success of Business

| Latent variable | Value | Standard error | Critical ratio (CR) |
|------------------------|-------|----------------|---------------------|
| Creative strategy | 0.539 | 0.093 | 5.785 |
| Incremental innovation | 0.393 | 0.119 | 3.308 |

The calculation result of the influence of creative strategy and incremental innovation on the success of business indicates that the influence of creativity is 0.539 and the influence of incremental innovation is 0.393, which is clearly defined in the chart below:

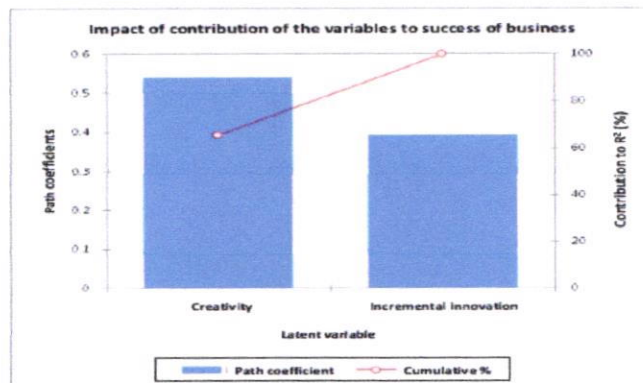


Figure 4: The Influence of Creative Strategy and Incremental Innovation on the Success of Business of Featured SME in the province of Bangka Belitung Island

It can be seen that the most influential variable on the success of a business is the variable of creative strategy. It means that better creative strategy applied, the higher will be the success of the business. The increasing creative strategy gives much greater support than incremental innovation to the success of the featured SME. The result of the significance test of the influence of creative strategy on the success of business was that all of these variables have a significant influence on the success of the business. It can be seen from the value of critical ratio, which is more than 2.02. Therefore, the changes in both the variables will give a real impact on the changes in the success of the business.

The Model Analysis of the Influence of Creative Strategy, Incremental Innovation, and the Success of Business on Competitiveness

The second sub-structure of the built model is the influence of creative strategy, incremental innovation, and the success of the business on competitiveness. This model can be represented as follows:

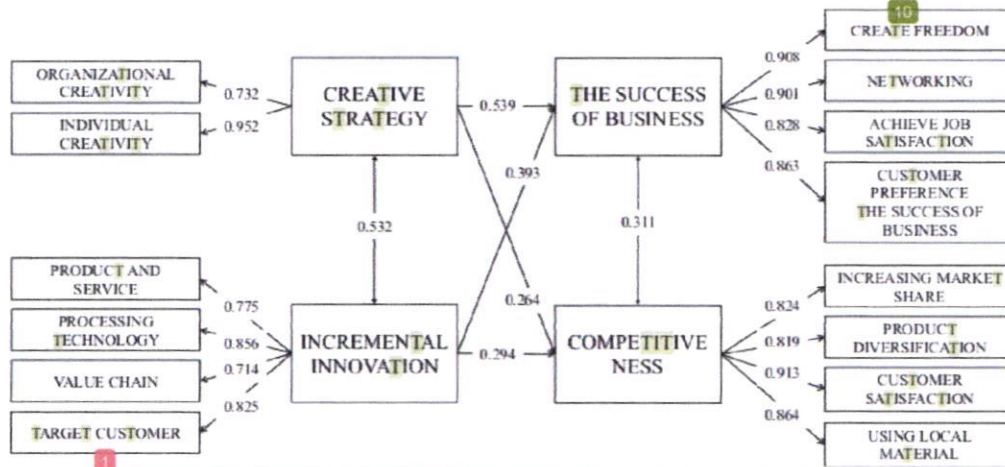


Figure 5: The Influence of Creative Strategy, Incremental Innovation, and the Success of Business on Competitiveness

The above model can be stated in a structural equation as follows:

$$\text{Competitiveness} = 0.264 \times \text{creativity strategy} + 0.294 \times \text{incremental innovation} + 0.311 \times \text{the success of business}$$

Table 21: The Result of Hypotheses Test of the Influence of Creative Strategy, Incremental Innovation, and the Success of Business on Competitiveness

| Latent variable | Value | Standard error | Critical ratio (CR) |
|---------------------------|-------|----------------|---------------------|
| Creative strategy | 0.264 | 0.041 | 6.401 |
| Incremental innovation | 0.294 | 0.063 | 4.636 |
| The success of a business | 0.311 | 0.055 | 5.694 |

The calculation result of the influence of creative strategy, incremental innovation, and the success of the business on competitiveness indicates that the influence of creativity is 0.264, the influence of incremental innovation is 0.294, and the influence of the success of a business is 0.311. It is described clearly in the chart below:

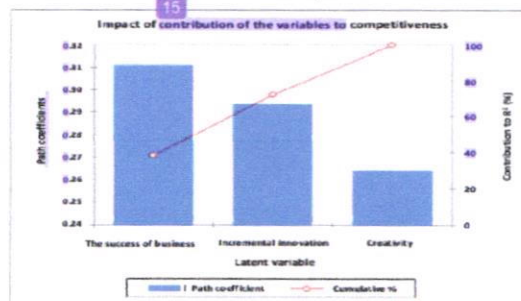


Figure 6: The Influence of Creative Strategy, Incremental Innovation, and the Success of Business on Competitiveness

It can be seen that the most influential variable on the success of a business is the variable of creative strategy. It means that the better creative strategy applied, the higher will be the success of the business. The increasing creative strategy gives such greater support than the incremental innovation to the success of the featured SMEs. The result of a significance test of the influence of creative strategy on the success of business was that all of these variables have a significant influence on the success of the business. It can be seen from the value of critical ratio, which is more than 2.02. Therefore, the changes in both the variables will give a real impact on the success of the business changes.

The calculation result of the total influence towards the variable of competitiveness totally can be seen that the variable of creative strategy gives the greatest influence. Due to the high intervening influence of creativity on competitiveness through the business success, the indirect effect is 0.168. Thus, the total influence of creative strategy is 0.432 of the standard deviation.



Table 22: The Calculation Result of Influence of Creative strategy, Incremental Innovation, and the Success of Business on Competitiveness

| Variable | Success of Business | | | Competitiveness | | |
|------------------------|---------------------|----------|-------|-----------------|----------|-------|
| | Direct | Indirect | Total | Direct | Indirect | Total |
| Creative Strategy | 0.539 | | 0.539 | 0.264 | 0.168 | 0.432 |
| Incremental Innovation | 0.393 | | 0.393 | 0.294 | 0.122 | 0.416 |
| Success of Business | | | | 0.311 | | 0.311 |

Laperche and Liu (2013) showed that while the ability of SMEs to build a strong knowledge-capital remains weak (mainly due to fewer resources), but they play an important role in the continuous enrichment of larger companies. At the same time, their strength with larger firm innovation networks largely depends on their ability to develop and reinforce their knowledge capital.

CONCLUSION

Creative strategy has a significant influence on incremental innovation, thus, creative strategy is an input of incremental innovation. Creative strategy and incremental innovation influences the success of the business. The influence of creative strategy is higher than the incremental innovation towards the success of the business. Creative strategy, incremental innovation, and the success of business influence business competitiveness. The success of the business has the greatest influence on the competitiveness of the business. Thus, to improve the competitiveness of featured SME, the success of the business becomes a dominant factor, which should be improved. The indirect influence of creative strategy on the competitiveness of business is higher than the incremental innovation. It indicates that creative strategy becomes an important variable in increasing both the success of the business and competitiveness. The dimension of creative strategy consists of individual creativity and organizational creativity.

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