

## THE INFLUENCE OF SOCIAL CAPITAL AND INNOVATION CAPABILITY ON CREATIVE INDUSTRY BUSINESS PERFORMANCE

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### ABSTRACT

The rapid development of information technology in creative industry businesses forces business people to optimize social capital and innovation capability well. This is what underlies the development of the creative industry so that it can optimize all its resources, especially in the aspects of social capital and innovation capability. This research aims to analyze the influence of social capital and innovation capability on creative industry business performance. Data analysis confirms that social capital and innovation capability significantly affect business performance. The conclusions of this research inform creative industry business players so that they can develop a culture of innovation throughout the organization, encourage employees to share ideas, provide sufficient support and resources, and adopt a flexible and adaptive management approach to be internationally competitive. Through this research, it is hoped that it can provide a fundamental contribution in supporting information regarding strategic steps in optimizing the resources owned by every creative industry business actor, both in terms of social capital and innovation capability in marketing activities.

### Keywords:

Social Capital  
Innovation  
Capability,  
Business  
Performance

### INTRODUCTION

In the business world, we cannot avoid changes that occur in the market. We are always faced with volatility, uncertainty, complexity, and ambiguity in these ever-changing market conditions (Irwansyah et al., 2021). Managing a business in the creative industries requires a unique combination of creativity, innovation, and a deep understanding of markets and trends (Putri et al., 2021). Therefore, business performance in the creative industry is often not only measured by financial parameters but also by the artistic and cultural impact and influence produced. The creative industry, which includes sectors such as art, design, media, and entertainment, has unique characteristics that influence business performance (Sinaga et al., 2020). Every organization must increase its capacity according to the demands of the times because the level of education and skills of human resources has also increased (Halim et al., 2023). Apart from increasing education and human resource skills, this is also because, in the era of revolution 4.0, everything is connected to big data, which means everything is inseparable from technology and information (Putri et al., 2020). Having open connectivity in every business line will certainly impact changes in the business environment (Suryani et al., 2021).

To face this change, we are required to be creative and innovative. Without starting with creativity, innovation will not be created because innovation is the development of creativity towards new things (Silalahi et al., 2020). Innovative companies can innovate to improve their processes or create superior products and

services compared to competitors (Nababan et al., 2023). However, innovating is more challenging than we imagine because carrying out innovation requires knowledge and management skills that are different from daily business administration. Innovation is not only always associated with opening new markets (Halim et al., 2021), but innovation is driven by the ability to see connections, see opportunities, and take advantage of these connections and opportunities (Basoeky et al., 2021). Continuous innovation will certainly result in optimal business performance (Sherly et al., 2020). One aspect that needs to be considered in improving business performance to be more optimal is the social capital aspect.

Social capital refers to the ability to access and mobilize resources through social relationships (Manev et al., 2005). The relationship between social capital and business performance is very close (Ahmed et al., 2020). Social capital refers to the network of relationships, social norms, and resources contained in relationships between individuals or groups (Wan et al., 2012). In a business context, social capital can directly impact business performance (Hallam et al., 2018). Social capital facilitates collaboration between individuals or organizations (Karatepe et al., 2020). Good collaboration allows teams to generate innovative ideas, increase productivity, and develop better solutions. By building and maintaining social capital, companies can create an environment that supports business growth, innovation, and sustainability (Kim et al., 2013). This, in turn, can contribute to improving overall business performance. Research on social capital also shows that social capital has a significant positive influence on business performance (Yani et al., 2020); (Nasip et al., 2017). Therefore, based on several previous research results, we can develop a hypothesis:

**H1: Social capital influences business performance**

Besides the social capital, innovation capability is crucial in encouraging business growth to make it more competitive (Huhtala et al., 2014). The relationship between innovation capability and business performance is also very close. The ability to innovate can have a significant positive impact on various aspects of business performance (Lestari et al., 2020). Innovation is often the main driver of business growth. Innovation can be a powerful selling point in a marketing strategy. Customers are more interested in products or services that offer something new and useful (Zhang et al., 2016). Innovation can be achieved by launching a new product or service, expanding into a new market, or diversifying a business portfolio (Hogan et al., 2011). Innovation allows companies to respond quickly to market changes, consumer trends (Yu et al., 2017), and technological developments (Carrasco-Carvajal & Garcia-Perez-De-Lema, 2021). This helps companies stay relevant and ahead. Innovative products or services tend to satisfy customers more. Innovation can meet customer needs in a better way, increase customer satisfaction, and build loyalty (Karia & Abu Hassan Asaari, 2016). Research examining innovation capability also shows that innovation capability has a significant positive influence on business performance (Carrasco-Carvajal & Garcia-Perez-De-Lema, 2021); (Sudirman et al., 2022). Therefore, based on several previous research results, we can develop a hypothesis:

**H2: Innovation capability influences business performance**

Research on social capital, innovation capability, and business performance has significant urgency in the context of business and organizational development. This research can help identify the causal relationship between social capital,

innovation capability, and business performance. A better understanding of how these factors are interrelated can provide a deeper view of the key elements of business success. In addition, this research can provide strategic insight into how companies can increase their social capital to support innovation capability, which can improve business performance. This helps companies develop more effective business strategies. Furthermore, by understanding the complex relationship between social capital, innovation capability, and business performance, organizations can develop more effective strategies to achieve their business goals and remain relevant in a dynamic business environment. Through this research, it is hoped that it can provide a fundamental contribution in supporting information related to strategic steps in optimizing the resources owned by every creative industry business actor, both in terms of human capital, social capital, and innovation capability in marketing activities.

### **METHOD**

This research uses a literature and field research design with a causal associative approach to see the relationship between several uncertain variables. (Arikunto, 2016), mentions that causal design is useful for analyzing how one variable influences other variables. It is also useful in experimental research, where the researcher treats the independent variable in a controlled manner to directly see its impact on the dependent variable. The sampling method used in this research is the convenience sampling method, which was chosen because it is the fastest method due to time constraints, and anyone who accidentally meets the researcher can be used as a sample if that person is deemed suitable as a data source. According to (Hair, 2014), if the population size is unknown, the sample size can be determined from 5-10 times the number of indicators used in a single construct. This research uses 11 indicators from 3 existing variable dimensions, so the number of research samples obtained is  $11 \times 10 = 110$ . Data collection in this research used the observation method by observing directly in the field, and documentation came from secondary data in the form of documents and structured interviews using questionnaire instruments. This study uses a research instrument test consisting of validity and reliability tests. The quantitative analysis consists of a normality test, regression test, hypothesis test, correlation test, and coefficient of determination.

### **RESULTS AND DISCUSSION**

#### ***Validity and Reliability Test***

**Table 1.** Validity Test Results

<b>Variables</b>	<b>Corrected items - Total correlation</b>	<b>N of Items</b>	<b>Test results</b>
Social Capital	0.542	3	Valid
Innovation Capability	0.588	3	Valid
Business Performance	0.620	5	Valid

Source: Processed SPSS Data (2023)

Based on the validity test of Table 1 above, it is concluded that all indicators in the study have a value above 0.30, and the measurement items used in this research are valid. Next, a reliability experiment is carried out to measure the measurement items on the questionnaire items that describe the indicators of the

variables. A questionnaire is reliable if a person's response to a question does not change or is normal occasionally.

**Table 2.** Reliability Test Results

Variables	Cronbach's Alpha	N of Items	Test results
Social Capital	0.788	3	Reliable
Innovation Capability	0.810	3	Reliable
Business Performance	0.875	5	Reliable

Source: Processed SPSS Data (2023)

The results of the reliability experiment shown in Table 2 above prove that all indicators have a Cronbach alpha value for each instrument > 0.60, so it can be concluded that all the instruments used are reliable.

### Multiple Regression Test

**Table 3.** Multiple Regression Test Results

Model		Unstandardized Coefficients		t-count	Sig.
		B	Std. Error		
1	(Constant)	4,310	1,901	2,789	,005
	Social Capital	,182	0.057	4,120	,000
	Innovation Capability	,124	0.070	3,601	,000

Source: Processed SPSS Data (2023)

From the multiple linear regression above, the equation model is obtained: =  $4.310 + 0.182X_1 + 0.124X_2$ , which means that social capital and innovation capability positively affect business performance. Based on these equations, it can be explained as follows:

1. The constant value of 4.310 can be interpreted if the variables of social capital and innovation capability are considered zero, then the value of business performance will be in the range of 4.310.
2. The value of the beta coefficient on the social capital variable is 0.182, which means that every change in the social capital variable by one unit will result in a change in the business performance of 0.175 units with the assumption that the other variables are at a constant value.
3. The beta coefficient value on the innovation capability variable is 0.124, which means that every change in the innovation capability variable by one unit will result in a change in business performance of 0.124 units with the assumption that the other variables are at a constant value.

### Simultaneous and Partial Hypothesis Testing

To examine the variable binding simultaneously, experiment F is used. Simultaneous hypothesis testing attempts to analyze whether social capital and innovation capability variables can simultaneously influence business performance.

**Table 4.** Simultaneous Test Results

Model	Sum of Squares	df	F	Sig.	
1	Regression	128,780	2	16,450	,000b
	Residual	243,451	107		
	Total	402.183	109		

Source: Processed SPSS Data (2023)

Based on the results of the simultaneous test analysis in Table 5, the Fcount value is 16,450 > from Ftable with (0.05; 2 vs 107) of 3.08 or with a significant 0.000 < 0.05, it can be interpreted as social capital, and innovation capability affects

business performance simultaneously. Subsequently, a partial test was conducted to partially analyze the effect of social capital and innovation capability on business performance. Based on the results of data analysis in Table 3, the results of the t-test in this study are as follows:

1. Social capital has a significant level of  $0.000 < 0.05$ , meaning that social capital significantly affects business performance.
2. Innovation capability obtained a significant level of  $0.000 < 0.05$ , meaning that innovation capability significantly affects business performance.

**Coefficient of Determination Test**

The coefficient of determination is used to measure the ability of a model to explain the variation of the dependent variable. The results of the determination test in this study can be explained in Table 5 below:

**Table 5. Coefficient of Determination Test Results**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.713a	.508	.486	1,423

Source: Processed SPSS Data (2023)

Based on the results of the data analysis in Table 6 above, the coefficient of determination value is 0.508, which means that the level of business performance of 50.8% can be explained by social capital and innovation capability, while other factors can explain the remaining 49.2% not discussed in this study.

**CONCLUSION**

This research concludes that social capital has a positive and significant effect on business performance. Through strong and positive relationships, companies can easily access resources and information that may not be available through formal channels. An extensive network can help gain market insights, business opportunities, and other strategic information. Social capital facilitates collaboration between individuals and organizations. Good relationships make people more likely to work together and share ideas. This can stimulate innovation and the development of new products or services. Good relationships build trust between the parties involved. This trust can help a company gain a good reputation in the eyes of customers, business partners, and other stakeholders. A strong network in an ever-changing business environment can help companies adapt to these changes. The latest information and support from the network can enable companies to identify opportunities better and address risks. Social capital also includes social support, which can be in the form of emotional support, support in decision-making, or operational support. This support can help companies overcome challenges and difficulties that may arise.

This research concludes that innovation capability has a positive and significant effect on business performance. Innovation capability, or the ability to innovate, has a positive and significant impact on business performance because innovation plays a key role in maintaining a company's competitiveness and growth. The business environment is always changing, and companies need to be able to adapt quickly. The ability to innovate allows companies to respond more flexibly to market changes, consumer trends, and new technologies. Creating innovative products or services can differentiate a company from its competitors in the market. Innovation allows companies to offer something unique and add value to customers. Innovation is related to products or services and can be implemented in a company's internal

processes and operations. Innovations in operational efficiency can lead to cost savings and increased productivity. Innovative products or services can meet customer needs and expectations in a better way. This can increase customer satisfaction and build customer loyalty. Companies known as innovative places have a greater attraction for top talent. Employees who feel they have the opportunity to contribute to innovation tend to be more productive and engaged.

This research has suggestions to be used as a reference for research and for decision-making for parties who have a relationship with improving the business performance of the creative industry. Business people should develop employees' interpersonal skills and communication abilities to strengthen social capital. A team that has good relationships can form strong social capital. Then, facilitate open and effective communication within the company. Ensure that information and ideas can flow smoothly between all levels of the organization. Furthermore, business actors should train employees regarding innovation methods and tools to increase innovation capability. Ensure that every employee feels supported to contribute innovative ideas. Integrating strategies to increase social capital, innovation capability, and business performance can positively impact overall business continuity. This research also confirms the weakness in the aspect of the sample size used, which is still unable to generalize the characteristics of business actors as a whole; therefore, for further research, it is necessary to add a larger sample size and include several research variables that are not discussed in this research. On the other hand, for more complex models, you can use data analysis methods with the CB-SEM approach using the Amos application.

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