

Analysis of Improving Business Performance in the Creative Industry Through Management of Human Capital, Social Capital, and Innovation Capability in the Era of Society 5.0

Fitria Halim^a, Rr. Chusnu Syarifa Diah Kusuma^b, Sherly^a, Esther Praja Anggriany Panggabean^c, Acai Sudirman^a

^aSekolah Tinggi Ilmu Ekonomi Sultan Agung

^bUniversitas Negeri Yogyakarta, Indonesia

^cUniversitas Prima Indonesia

*fitriahalim2839@gmail.com

Abstract – In the era of Society 5.0, creative industry businesses must be able to optimize human capital, social capital, and innovation capability to improve business performance so that it is more optimal. This study aims to analyze the increase in creative industry business performance through managing human capital, social capital, and innovation capability in society 5.0. This study used a library and field research design with a causal associative approach. This study used a total sample of 150 samples. Data analysis confirms that human capital, social capital, and innovation capability significantly affect business performance. The implications of this research highlight the importance of organizations in the creative industries having to invest more in developing their human resources. This can be done through appropriate training, further education, skills development, and hiring. Focus on developing human resources will help improve the quality of the workforce and produce better innovation. Organizations must build and strengthen social relationships with business partners, customers, educational institutions, and related communities. Collaboration and knowledge exchange with relevant parties can help improve access to resources, market opportunities, and new ideas. Further, organizations must prioritize innovation efforts and create an environment encouraging creativity and experimentation. It is essential to develop a culture of innovation throughout the organization, encourage employees to share ideas, provide adequate support and resources, and adopt a flexible and adaptive management approach.

Keywords: Human Capital, Social Capital, Innovation Capabilities, Business Performance

Introduction

After the current Covid-19 Pandemic, every creative industry player needs unique entrepreneurial strategies and activities to compete in the market. This is because creative industry players are often worried about entrepreneurial activities and the peculiarities of policies because of their relatively small size and need for supporting resources (Anwar & Shah, 2021). The rapid development of business has created very tight competition, without exception, in the creative industry sector (Ayesha et al., 2021); (Afwaa et al., 2021). This intense competition ultimately requires creative industry players to continue to be creative and innovative so as not to drown in market competition (Sok et al., 2013); (Steenkamp & Kashyap, 2010). The substance of this research problem on human capital is the unpreparedness of creative industry players to adopt technological advances as an opportunity rather than a threat. A lack of knowledge regarding entrepreneurship management by creative industry players causes this condition.

The second research problem in this study is that most creative sector industry players still need more market access, where most of the products produced are still offered in the local market. Most creative industries are still family businesses and need more robust business networks. Then another essential aspect to pay attention to in driving business performance is innovation capability (Hogan et al., 2011); (Naidoo, 2010). The following

research problem, in the innovation capability aspect, is that creative industry players experience problems carrying out product innovations due to technological limitations caused by limited investment capital. Thus the formulation of the research problem is to analyze the effect of human capital, social capital, and innovation capability on SME business performance.

Human Capital and Business Performance

In dealing with the dynamics of business and business change today, the role of skills (Hartono & Hartomo, 2016) and knowledge (Purnamasari & Salam, 2019) related to human resources is crucial and can be a significant investment at this time (KemenkopUKM, 2021); (Suroso et al., 2017). In the context of human capital, we assume that human capital has a significant influence on future entrepreneurship development (Asmawiyah et al., 2020). Human capital is an entrepreneurial ability obtained through experience, training, and special education regarding entrepreneurship. This is confirmed by the findings (AlQershi, 2021), which stated that human capital consisting of knowledge, experience, professional expertise, and cognitive ability is the primary source for generating added value. In addition, human capital is also recognized as an essential and vital element for the company's success in a competitive environment (Thatrak, 2021). Research results (Augustinah et al., 2022); (Aziz & Samad, 2016) revealed that all aspects of human capital contribute significantly to business performance. Therefore, based on some of the results of previous studies led to the development of the hypothesis:

H1: Human capital influences business performance.

Social Capital and Business Performance

Social capital refers to the ability to access and mobilize resources through social relations (Manev et al., 2005). Social capital is not one public entity but a distinct entity with two common characteristics (Sulistyo & Ayuni, 2020). Social capital consists of several aspects of a social structure consisting of cognitive capital, structural capital, and relational capital to facilitate the actions of individuals within the structure (Nahapiet & Ghoshal, 1998). From a business perspective, social capital is essential in supporting the exchange of business ideas concerning marketing (Boohene et al., 2020). Practical institutional support achieved through active social contacts supports entrepreneurs against innovation and creativity capabilities and reduces the risk of business failure (Purwati et al., 2020). Research on social capital also shows that social capital has a significant positive effect on business performance (Yani et al., 2020); (Nasip et al., 2017). Therefore, based on some of the results of previous studies led to the development of the hypothesis:

H2: Social capital affects business performance.

Innovation Capabilities and Business Performance

Every business and business actor wants to progress in the aspect of product sales in order to increase revenue receipts (Naala et al., 2017). This can be achieved if every business or actor innovates, and innovation can only occur if they can innovate (Bahta et al., 2020). Therefore, innovation capability is essential in mobilizing the knowledge of business actors, businesses, and their employees and combining it to produce new knowledge and product innovations (Sahoo, 2019); (Puspita et al., 2020). If innovation capability can be optimally managed and developed in business processes, then this will impact the business's progress (Saunila, 2017); (Huhtala et al., 2014). Research examining innovation capability also shows that innovation capability has a significant positive effect on business performance (Carrasco-Carvajal & Garcia-Perez-De-Lema, 2021); (Sudirman et al., 2022). Therefore, based on some of the results of previous studies led to the development of the hypothesis:

H3: Innovation capability affects business performance.

Research on creative industry business performance through human capital, social capital, and innovation capability has high urgency. The creative industry is one of the economic sectors that is increasingly important and multiplying (Sinaga et al., 2022). Improving creative industry business performance is the key to achieving competitive advantage (Inrawan et al., 2021). Through this research, it can be understood how human capital, social capital, and innovation capability contribute to improving business performance so that effective strategies can be developed to strengthen the competitiveness of the creative industries. The urgency of this research is to analyze the business performance of the creative sector industries using the human variable approach. Capital, social capital, and innovation capability as stimulants. 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

In order to examine the link between several ambiguous factors, this study used a causal associative technique and a library and field research design. According to (Sugiyono, 2015), causal design helps determine how one variable influences other variables. It is also helpful in experimental research, where the researcher handles the independent variables in a predetermined way to see the direct impact on the dependent variable. The convenience sampling approach was chosen for this study's sampling strategy because it is the quickest option given time restrictions, and anyone who happens to cross paths with the researcher can be included in the sample if deemed eligible as a data source. According to (Hair, 2014), if the population is unknown, then the number of samples can be determined from 5-10 times the number of indicators used in a single construct. This study used 15 indicators from 4 existing variable dimensions so that the number of research samples obtained was $15 \times 10 = 150$ samples. This study's data were gathered utilizing the direct field observation technique, documentation obtained from secondary sources in the form of documents, and structured interviews using a questionnaire instrument. Partial Least Square (PLS) was employed as the data analysis technique. Statistical software Smartpls 3.0 is used as a test tool for data analysis. Testing the validity and reliability and assessing the external model's convergent validity make up the analysis step. The R Square (R2) value is analyzed using the criteria if the R2 value is between 0.5 and 0.6, which indicates good, 0 to 0.33, which indicates medium, and 0 to 0.19, which indicates weak. Testing the hypothesis, the standard for determining significance and a probability value 0.05, is the last step.

Results and Discussions

Table 1. Descriptions of Research Respondents

Categories	Details	amount	Percentage (%)
Gender	Men	65	43.33
	Woman	85	56.67
Age (years)	20-29	35	23.33
	30-39	55	36.67
	40-49	43	28.67
	50-59	17	11.33
Level of education	high school	110	73.34
	Bachelors	35	23.33

	Masters	5	3.33
Type of business	Culinary	53	35.34
	Fashion	22	14.67
	Automotive	14	9.33
	Agribusiness	9	6
	Internet Technology Business	18	12
	Beauty Business And Beauty Products	14	9.33
	Event Organizer	6	4
	Other Types of Business	14	9.33

Source: Processed Data (2023)

Outer Model Measurement

The SmartPLS version 3.2.9 program was used to process the data from the study questionnaire following (Juliandi's, 2018) processing criteria. The validity and reliability tests were run to measure the outer model. Convergent validity tests will be decided if the loading factor is more significant than 0.7 and the AVE value is 0.5 (Hair, 2014). The value of Cronbach's alpha and composite reliability (CR), which has a value higher than 0.7, are indicators of the model reliability test, according to (Hair, 2014). The measurement of the outer model, which is shown in Figure 2 and Table 2 below, will be explained as follows:

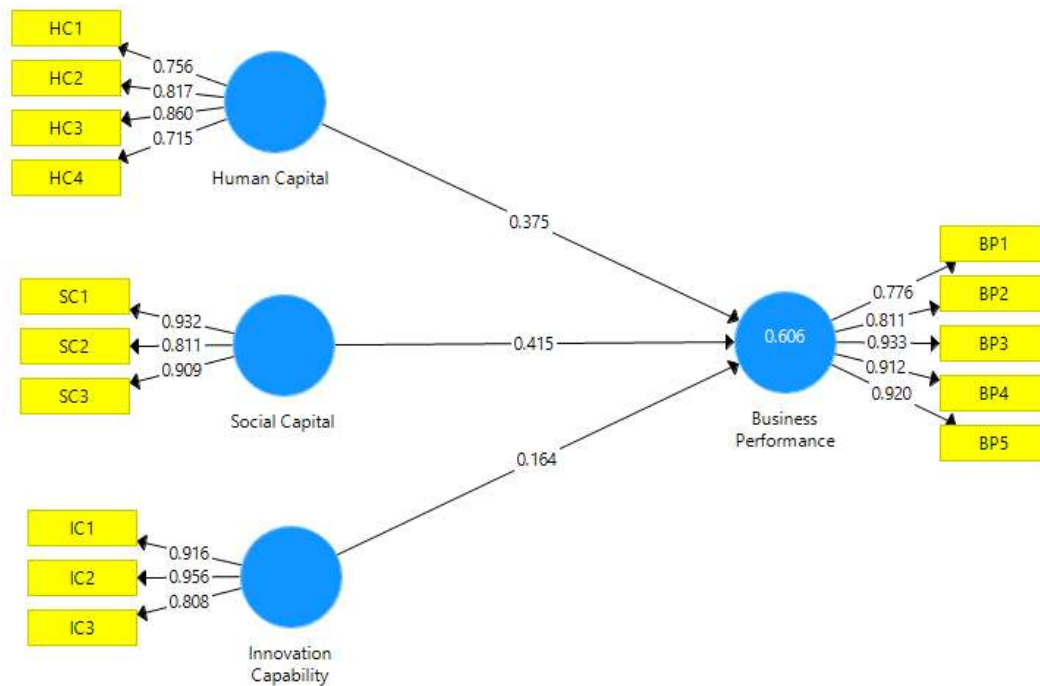


Figure 2. Outer Model Display

Table 2. Outer Model Measurement Results

Constructs/items	code	Outer Loadings	Cronbach's alpha	CR	AVE
Human Capital			0.796	0.868	0.623
Knowledge	HC1	0.756			
Experience	HC2	0.817			
Professional Proficiency	HC3	0.860			
Cognitive Ability	HC4	0.715			
Social Capital			0.861	0.916	0.785
<i>Cognitive Capital</i>	SC1	0.932			
<i>Structural Capital</i>	SC2	0.811			
<i>Relational Capital</i>	SC3	0.909			

Innovation Capabilities			0.874	0.924	0.802
<i>Client-Focused Innovation Capability</i>	IC1	0.916			
<i>Marketing-Focused Innovation Capability</i>	IC2	0.956			
<i>Technology-Focused Innovation Capability</i>	IC3	0.808			
Business Performance			0.920	0.941	0.762
<i>Market Performance</i>	BP1	0.776			
<i>Financial Performance</i>	BP2	0.811			
<i>People Performance</i>	BP3	0.933			
<i>Process performance</i>	BP4	0.912			
<i>Supplier Performance</i>	BP5	0.920			

Source: Processed Data (2023)

The value of each loading factor on the indicators of human capital, social capital, innovation capability, and business performance advantage was above 0.7 and 0.5 for the average variance extracted (AVE) values in the validity test shown in Table 2 above. Additionally, each variable's value for Cronbach's alpha value and composite reliability was above 0.7, demonstrating the high-reliability levels of all research variables. These positive results can be utilized to indicate that the condition of the connection between the variables was also positive, allowing for the execution of additional tests.

Inner Model Measurement

SmartPLS 3.2.9 was used to bootstrap research data to measure the inner models. Bootstrapping produced two outcomes, the first of which was the study's R-square and the importance of the two associated variables. The R-square value demonstrates how well exogenous factors may create endogenous variables. There are three categories of R-square values, according to (Chin et al., 2008), and if the value is 0.19, the relationship between exogenous variables and endogenous variables is weak; if it is 0.33, the relationship is moderate; and if it is 0.67, the relationship is strong. The association between endogenous and exogenous variables is influential, according to (Sarwono, 2016), if the R-square value is more than 0.67.

Table 3. Calculation results of the R-Square value

Notes	<i>R Square</i>	<i>R Square Adjusted</i>
Business Performance	0.606	0.597

Source: Processed Data (2023)

According to the calculated R-square value for the MSME Competitiveness endogenous variable, which ranges from 0.33-0.67, the capacity of exogenous variables to explain endogenous variables is generally moderate. A significance test was also conducted to establish the association between the exogenous and endogenous variables to demonstrate the hypothesis testing. The p-value reveals the essential criteria. If the p-value between the exogenous and endogenous variables is less than 0.05 with a significance level of 5%, it indicates that the exogenous variable has a significant impact on the endogenous variable; on the other hand, if the value is more significant than 0.05, it indicates that the exogenous variable has no significant impact on the endogenous building variable.

Table 4. Hypothesis Test Results

hypothesis	coefficient	t-count	P-Value	Conclusion
Human Capital>>Business Performance	0.375	5.020	0.000	accepted
Social Capital>>Business Performance	0.415	6,242	0.000	accepted
Innovation Capabilities>>Business Performance	0.164	4,073	0.000	accepted

Source: Processed Data (2023)

According to the findings of the data processing shown in Table 4, the relationship between human capital and business performance has produced positive and significant results with a p-value of 0.000, which is less than 0.05. A p-value of 0.000, which is less than 0.05, further demonstrated social capital's favorable and substantial effects on business performance. Similar results were reached for the impact of innovation capability on business performance, with a p-value of 0.000, which is less than 0.05, indicating that the relationship is positive and significant. Overall, it was determined that all three of the hypotheses that were constructed to examine the direct relationship between variables were accepted.

Discussion

The research results developed through the first hypothesis show that human capital positively and significantly affects business performance. Human capital significantly influences the business performance of the creative industries in the Society 5.0 era due to a paradigm shift in how we work, interact, and use technology. In the era of Society 5.0, technologies such as artificial intelligence (AI), Internet of Things (IoT), and big data analytics are playing a pivotal role in product development, data management, and more personalized user experiences (Basoeky et al., 2021). Human capital with relevant skills in using and implementing this technology will be a valuable asset for creative industry businesses (Halim et al., 2021). Integrating technology with creativity and innovative thinking will help improve business performance. The human capital that can adapt quickly to these changes and continuously update its knowledge and skills will have a competitive advantage. A thriving creative industry can deal with market changes, trends, and technology with high flexibility and responsiveness.

The research results developed through the second hypothesis show that social capital positively and significantly affects business performance. In the era of Society 5.0, collaboration between individuals, companies, and other institutions is essential. Social capital enables strong relationships between stakeholders in the creative industries, such as business partners, customers, educational institutions, and related communities (Sherly et al., 2020). This collaboration opens opportunities for exchanging knowledge, experience, and innovative ideas. With substantial social capital, creative industry businesses can expand their social networks, increase access to resources and information, and accelerate innovation (Butarbutar et al., 2022). Social capital plays a vital role in opening doors of access to broad market opportunities. Creative industry businesses can expand their reach and increase their visibility through strong social networks. Collaboration with stakeholders, such as business partners, customers, and the community, enables businesses to gain deeper market insights, better understand consumer needs and preferences, and identify new business opportunities.

The research results developed through the third hypothesis show that innovation capability positively and significantly affects business performance. In the era of Society 5.0,

technology continues to develop rapidly and change how businesses operate. Innovation capability enables creative industry businesses to adopt and adapt to these technological changes. Businesses with solid innovation capabilities can identify new opportunities offered by technology, develop relevant products and services, and create unique user experiences (Julyanthry et al., 2023). Thus, innovation capability allows businesses to remain competitive and relevant in the Society 5.0 era. Innovation capability enables creative industry businesses to create different and superior products and services compared to their competitors (Halim et al., 2023). In the era of Society 5.0, where people are increasingly looking for personalized, creative, and different experiences, businesses that produce exciting innovations will have a significant competitive advantage. The ability to produce products and services that are innovative, unique, and relevant to consumer needs will increase customer attractiveness and satisfaction.

Conclusions and Recommendations

The results of this study conclude that creative industry business performance can be improved depending on the readiness of MSME business actors to develop their human capital, social capital, and innovation capability. Research on creative industry business performance through human capital, social capital, and innovation capability also provides a strong basis for formulating public policies that support the development of this sector. Governments can use the findings of this research to develop policies that encourage investment in human resources, increase collaboration between industry players, and create a conducive environment for innovation. This will help create an ecosystem that supports the growth and sustainability of the industry. In the era of Society 5.0, with increasingly more routine jobs being automated, creativity and innovative thinking become more critical in creating unique added value. Human capital who can think creatively, imagine, and see new opportunities will be able to produce innovative ideas and out-of-the-box solutions. Combining creativity with technology will enable creative industry businesses to create products and services that follow new trends and meet the needs of society in the Society 5.0 era.

The practical implications of this research mention the importance of managing human capital for creative industry businesses to identify skills relevant to industry needs in the Society 5.0 era. This can include technical skills, creativity, collaboration, and innovative thinking. Businesses need to invest in employee training and development to enhance these skills to better cope with the demands of the Society 5.0 era. Furthermore, creative industry businesses must build and expand their social networks with relevant stakeholders, such as business partners, customers, industry communities, and educational institutions. This can be done through industry events, seminars, exhibitions, or online platforms such as social media or industry forums. Building a solid social network will open up opportunities for collaboration, exchange of knowledge, and getting support that can improve business performance. Then, creative industry businesses must encourage a strong culture of innovation throughout the organization. This involves creating an environment that supports experimentation, controlled risk-taking, and rewarding new ideas. Management can promote creativity and innovation through incentives, rewards, and recognition for innovative efforts.

By fostering a culture of innovation, businesses can increase their ability to generate new ideas, differentiated products, and creative solutions. Creative industries and businesses must foster a strong culture of innovation throughout the organization.

This research has suggestions to be used as a reference for research and references for decision-making for parties who have a relationship with improving the business performance of the creative industries. According to survey results, several business actors still do not fully have adequate capital, social capital, and innovation capability to run their businesses. Creative industry entrepreneurs must create a work environment that encourages employee collaboration and knowledge exchange. This can be done through open workspace settings, digital collaborative platforms, and effective teamwork practices. Strong collaboration will increase social capital, enable a better exchange of ideas and knowledge, and encourage innovation. Then, proactively building networks and partnerships with business partners, customers, industrial communities, and educational institutions. This can be done through participation in industry events, conferences, online forums, and community activities. Expanding social capital will open doors of access to collaboration opportunities, resources, and support that can improve business performance. This study also confirms weaknesses in the aspect of the number of samples used, which are still not able to generalize the characteristics of business actors as a whole, therefore for further research, it is necessary to add a more significant number of samples and place several research variables that are not discussed in this study. In addition, on the other hand, for more complex models, data analysis methods with the CB-SEM approach using the Amos application can be used.

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