Entrepreneurial Performance Improvement with Organizational Creativity and Entrepreneurial Orientation

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Abstract
SMEs (Small and Medium-sized Enterprises) have a significant role in developing countries, especially in Indonesia. In Indonesia, SMEs can absorb a lot of workforces, thereby reducing unemployment. This study aims to examine the effect of organizational creativity, artistic orientation, entrepreneurial orientation, and financial literacy on entrepreneurial performance. The research object is creative MSMEs in Yogyakarta. The respondents of this study were 139 creative SME's owners or managers. This research uses multiple linear regression analysis to prove the hypothesis. This research is the development of some previous findings by testing the effect of organizational creativity with the entrepreneurial performance that has never been studied before. The results showed there was an influence between organizational creativity, entrepreneurial orientation on entrepreneurial performance. This research has implications for SME owners to improve creativity if they want to achieve optimal entrepreneurial performance.

Keywords: Organizational creativity; Artistic orientation; Entrepreneurial orientation; Financial literacy; Entrepreneurial performance.

1. Introduction
1.1. Background
The global economic crisis will take companies to financial difficulties, both small and large companies. In developing countries, Micro, Small, and Medium Enterprises (MSMEs) experience more severe financial problems compared to large companies (Hanedar and Hanedar, 2016). In Indonesia, MSMEs face various issues relating to technology implementation and performance (Budiarto et al., 2018). Despite multiple obstacles, however, MSMEs are business groups that can survive when the economic crisis strikes developing countries such as Indonesia (Dharmanganara et al., 2016). In Indonesia, MSMEs play an essential role in national economic development.

In Indonesia, MSMEs play an essential role in national economic development. Innovation is one of the factors that cause MSMEs to have a competitive advantage and contribute to economic development and performance growth (Mariyudi, 2019).

An increasingly dynamic and complex business environment requires organizations to be more creative and innovative to be able to survive and develop (Hu et al., 2013). Increasing innovation in organizations requires the open-mindedness of organizational members. An organization with an open mind and great communication among the members will allow individuals to share their ideas related to new products, methods, and problem-solving (Indriartiningtias et al., 2019). Therefore organizations or companies need creativity to achieve optimal company performance. Organizational creativity relates to the creation of the new products, ideas, and services as well as valuable procedures or processes of individual collaboration in complex organizational systems (Woodman et al., 1993). Indriartiningtias et al. (2019), explain that organizational creativity is influenced by group creativity and organizational characteristics. Also, knowledge creation is an essential factor in organizational performance.

In Indonesia, the creative industry is one of the fastest-growing industrial sectors (Zuhdi, 2012), which has a significant contribution to income, labor, and export growth (Purnomo, 2019). In contrast to other industrial areas where business people only practice economic logic, business people in the creative industry practice economic and scientific logic (Eikhof, 2007). Art logic is manifested by art orientation, where art orientation is the tendency of individuals to do or do original works (Milem, 1998). Art business owners who have high art orientation will be more eager to innovate artistically (Tran, 2010), which has the potential to produce creative and high-value cultural products. These characteristics are needed by companies to compete and win the market (Purnomo, 2019).

Creative business people need an entrepreneurial orientation to achieve survival, growth, and business sustainability (Purnomo, 2019). Entrepreneurial orientation is the direction of thought, tendencies, or interests related...
to entrepreneurship (Covin and Lumpkin, 2011). In an uncertain environment, companies can increase sustainable competitive advantage by using an entrepreneurial orientation strategy. This strategy can be adapted to a dynamic environment for managing change, innovating, and overcoming dependence (Jia et al., 2014). Entrepreneurial orientation implies that companies are willing to engage in product innovation, ready to face risks and threats of the competitor's new products (Lan and Wu, 2010). Covin and Slevin (1991) propose three elements that underlie entrepreneurial behavior such as risk-taking, proactivity, and innovation, which play a role in the organizational context in achieving business performance (Deshpandé et al., 2013; Jia et al., 2014; Jin and Cho, 2018; Lan and Wu, 2010).

Creative business people are often facing a dilemmatic situation where they must prioritize an explicit creative business market orientation to achieve financial profitability or must focus on involvement in the art creation process (Eihkhof, 2007). In addition to having the artistic ability, an entrepreneur must have basic financial knowledge (Purnomo, 2019). Financial literacy is the ability to process economic information and make decisions about financial planning, wealth accumulation, debt, and retirement (Lusardi and Mitcell, 2014). Financial literacy is the key to economic and financial stability, which can be a determining factor for other behaviors (Potrich and Vieira, 2018). A good understanding of financial literacy will strengthen businessman ability in making decisions so that it reduces the possibility of bankruptcy (Oseifua, 2010a; Wise, 2013).

This research is a development of previous research by Purnomo (2019), which uses organizational creativity as a variable because it provides the key to know about the changing phenomena, effectiveness and continuity of the organization (Woodman et al., 1993). Besides, previous studies did not provide consistent results (Eresia and Raath, 2013; Indriartiningtias et al., 2019; Oseifua, 2010b; Sultani, 2016; Wise, 2013). Therefore, the purpose of this study is examining the relationship between organizational creativity, artistic orientation, entrepreneurial orientation, financial literacy towards entrepreneurial performance in the creative industries. To get the purpose, researchers use the theory of regulatory focus (Higgins, 1998) as a comprehensive framework in developing hypotheses.

2. Literature Review
2.1. Regulatory Focus Theory
Regulatory focus theory explains how individuals are involved in self-regulation, the process of aligning oneself with one's standards and goals (Higgins, 1998). This theory offers a framework for predicting and explaining entrepreneurial success, specifically in solving when and why entrepreneurial success happened. Someone involved in self-regulation with a promotion focus or prevention focus needed for entrepreneurial success (Brockner et al., 2004; Purnomo, 2019).

2.2. Entrepreneurial Performance (EP)
Simply stated, entrepreneurial performance can be defined as the aggregate output of the activities carried out (Sultani, 2016). Company performance is a multidimensional construct that has been measured using various indicators (Stam et al., 2014). In general, company performance can be divided into financial and non-financial performance (Venkatraman and Ramanujam, 1986). Financial performance represents the economic goals of the company, while non-financial performance shows further information about the operational effectiveness of the company (Purnomo, 2019).

2.3. Organizational Creativity (OC)
Creativity is an ability to create a process, procedure, idea, product, and service to create value for many stakeholders (Amabile et al., 1996). Organizational creativity is a broader part of innovation (Woodman et al., 1993). Amabile et al. (1996) generally revealed three organizational factors, namely, organizational motivation to innovate, resources, and management practices. Organizational motivation to innovate is the basic orientation of the organization towards innovation, as well as supporting creativity in the organization. Resources refer to everything that helps the organization in achieving targets. Management practice refers to freedom or autonomy in doing work, clear strategic goals and work teams that contain individuals who have different skills and perspectives.

2.4. Artistic Orientation (AO)
Artistic orientation is the tendency of individuals to express and to do self-actualization associated with caring for beauty and originality (Milem, 1998). Artistic orientation is related to the art symbolization in the art-making (Canavan et al., 2012). Artistic orientation is a stable tendency towards art products influenced by the art performer's current feeling (Purnomo, 2019). Feelings and emotions affect several aspects of entrepreneurial cognition. Hence, entrepreneurs play an essential role in the advancement of entrepreneurship such as understanding opportunities, resource acquisition, and social networking development (Baron, 2008).

2.5. Entrepreneurial Orientation (EO)
Entrepreneurial orientation is the entrepreneurial strategies making process used for decision making to set organizational goals, maintaining a vision, and creating competitive value (Rauch et al., 2009). Entrepreneurial orientation shows one's entrepreneurial behavior in the process of business creation, renewal of business strategy, and business survival (Purnomo, 2019). Miller (1983) revealed that there are EO concepts that have been identified and used consistently in research, namely: innovativeness, risk-taking, and proactiveness. Innovativeness is a
tendency to engage in creativity and experimentation through the introduction of new products/services and mastery of technology through research and development. Risk-taking is the act of reaching into the unknown, making lots of loans, and spending a lot of resources to conduct business processes in an uncertain environment. Proactiveness is the opportunities seeking with visionary perspective marked by the new products and services introduction to anticipate the future demand.

2.6. Financial Literacy (FL)

The term financial literacy does not only has a single definition because it is a complex topic and covers various aspects, ranging from understanding financial concepts and self-confidence to effectively managing finance, which ultimately achieves dynamic behavior (Potrich and Vieira, 2018). There are three basic concepts of financial literacy, namely: calculation and capacity to calculate interest rates, inflation understanding, and risk diversification understanding (Lusardi and Mitcell, 2014). Financial literacy is considered as a valuable resource for creative companies because it allows entrepreneurs to avoid business failures caused by poor financial management (Berryman, 1983).

3. Hypothesis Development

3.1. Organizational Creativity dan Entrepreneurial Performance

Organizational creativity plays an essential role in management for organizational development (Dev Amar and Juneja, 2008). Organizational creativity allows companies to create new products and services that are more attractive to customers and provide better solutions, so the company can increase sales and generate profits (Sultani, 2016). Indriartiningtias et al. (2019), revealed in his research that organizational creativity is built from the behavior of individual creativity, but groups do not correlate with organizational performance. In contrast to these findings, (Sultani, 2016) found that organizational creativity has a significant effect on organizational performance. This expectation can be stated with the following hypothesis:

\[ H_1: \text{Organizational creativity has a significant effect on entrepreneurial performance} \]

3.2. Artistic Orientation dan Entrepreneurial Performance

The artwork making process facilitates entrepreneurs in creative companies to release emotions, express thoughts, and convey ideological visions. The opportunity to do artworks will create satisfaction for artists and creative businesses (Purnomo, 2019). In cultural entrepreneurship, creativity is usually driven by artists' intrinsic motivation (Stokes and Wilson, 2005). Positive feelings and moods in making artwork strengthen sensitivity and enthusiasm to seek for opportunities (Baron, 2008). Artwork must attract art communities, business communities, or even governments that can provide recognition or appreciation for artwork so the company can produce better financial and non-financial benefits for creative business entities (Purnomo, 2019). This expectation can be stated with the following hypothesis:

\[ H_2: \text{Artistic orientation has a significant effect on entrepreneurial performance} \]

3.3. Entrepreneurial Orientation dan Entrepreneurial Performance

Rapid environmental changes, short product life cycles, and uncertain future profit flows require companies to continue to look for new opportunities (Rauch et al., 2009). Companies with EO will be able to deal with complex environmental changes through innovative marketing strategies so they can enter new markets (Lan and Wu, 2010). EO (Innovativeness) will help organizations to develop the creative atmosphere needed to experiment and simulate ideas. EO (Risk-taking) will enable the rapid implementation of ideas and increase agility to deal with uncertain environments. EO (proactiveness) will facilitate creative companies to anticipate future trends and recognize opportunities effectively (Purnomo, 2019). High EO can help companies to compete and get high profits. The following hypothesis can state this expectation:

\[ H_3: \text{Entrepreneurial orientation has a significant effect on entrepreneurial performance} \]

3.4. Financial Literacy dan Entrepreneurial Performance

Financial literacy enables MSME management and owners to develop organizations and make financial decisions quickly. It helps owners deal with the complexity of financial products precisely so there is a strong relationship between financial literacy and entrepreneurial success (Okello et al., 2017). Research conducted by Eresia and Raath (2013), shows that there is no relationship between financial literacy and business growth. In contrast to this finding, (Oseifuah, 2010a; Wise, 2013) revealed that financial literacy among young entrepreneurs contributes significantly to entrepreneurial skills. This expectation can be stated with the following hypothesis:

\[ H_4: \text{Financial literacy has a significant effect on entrepreneurial performance} \]

4. Method

The population of this research is all MSME owners in all regencies and cities in Yogyakarta. The sampling technique used was purposive sampling with creative MSME criteria by law UU No. 20 of 2008 concerning SMEs, namely: it has been operating for at least two years and has <300 workers. Researchers spread 160 questionnaires; the questionnaire can be analyzed 139; the rest cannot be used because it is incomplete. All questions on the questionnaire use a 5-point scale, which is 1 = strongly disagree and five = strongly agree.
We measure entrepreneurial performance using the recommended indicators by Rauch et al. (2009) and Runyan et al. (2012) then we use the scale used by Purnomo (2019), which includes four questions covering financial and non-financial performance. We measure organizational creativity with a scale from Sultani (2016) that contains five items. To measure artistic orientation, we adopt a scale of Purnomo (2019) containing 17 questions, which represent five dimensions of artistic orientation.

We use three dimensions of entrepreneurial orientation: innovativeness, risk-taking, and proactiveness. Also, we use a scale from Bolton and Lane (2012) to measure individual entrepreneurial orientation. One can define an organization, especially small organizations or entrepreneurs, as a result of their own behavior, so that the EO dimension can be measured by individual entrepreneurial orientation (Bolton and Lane, 2012). Four questions measure innovativeness; risk-taking is measured by three questions, and three questions measure proactiveness. Financial literacy is measured using three items developed by Lusardi and Mitcell (2014), which identify individual understanding and calculation of interest rates, understanding inflation, and risk diversification.

5. Test Result and Explanation

Researchers conducted data collection for two months using online and offline questionnaire methods. In the first month, researchers managed to collect 42 data in Bantul, Sleman and Yogyakarta City, and 97 questionnaires in month 2. The complete results of the description of respondents are shown in table 1.

Table 2 shows an example of the results of the validity test of organizational creativity using Pearson correlation. While Table 3 shows the results of the reliability test on all variables using Cronbach alpha.

<table>
<thead>
<tr>
<th>Table-1. Descriptive Statistics</th>
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<tbody>
<tr>
<td>Business Location</td>
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<tr>
<td>Business Type</td>
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<tr>
<td>Design</td>
</tr>
<tr>
<td>Fashion</td>
</tr>
<tr>
<td>Photography</td>
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<tr>
<td>Performing Arts</td>
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<td>Film and Video</td>
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<tr>
<td>TV and Radio</td>
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<tr>
<td>Total</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Bachelor</td>
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<tr>
<td>Total</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>26-35</td>
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<tr>
<td>36-45</td>
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<tr>
<td>&gt;45</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Total</td>
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<table>
<thead>
<tr>
<th>Table-2. Validity Test of Organizational Creativity Variable</th>
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<tbody>
<tr>
<td>(1)</td>
</tr>
<tr>
<td>N.1</td>
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<tr>
<td>N.2</td>
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<tr>
<td>N.3</td>
</tr>
<tr>
<td>N.4</td>
</tr>
<tr>
<td>N.5</td>
</tr>
<tr>
<td>Total</td>
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*Significant on p < 1%

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<tr>
<th>Table-3. Variable Reliability Test</th>
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<tbody>
<tr>
<td>Variable</td>
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<tr>
<td>------------------------------------</td>
</tr>
<tr>
<td>Organizational Creativity (OC)</td>
</tr>
<tr>
<td>Artistic Orientation (AO)</td>
</tr>
<tr>
<td>Entrepreneurial Orientation (EO)</td>
</tr>
<tr>
<td>Financial Literacy (FL)</td>
</tr>
<tr>
<td>Entrepreneurial Performance (EP)</td>
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</table>
The hypothesis testing result in table 4 shows that organizational creativity influences entrepreneurial performance. Organizational creativity enables companies to create new products and services (Moorman and Miner, 1997) that can attract consumers and provide better solutions. Thus the company can increase sales so that the profit (performance) of the company grows (Sultani, 2016). Previous research also shows that creativity influences the design and implementation of strategies, so business performance gets better (Hassan et al., 2013). Differentiation and improvement of product and service performance make the company get a higher market share, thereby increasing organizational performance (Sultani, 2016).

In contrast to the findings from Purnomo (2019), this study statistically cannot prove that artistic orientation affects entrepreneurial performance. It is happening because the level of education of the respondents is mostly high school. Even though, most MSMEs performances depend on experts. Besides, the primary motivation for artists to be creative may not only to reach economic success, but also the symbolic achievement of the brand image and the need for networking. Besides, the organization only puts profit as secondary motivation; the organization is more concerned with symbolic capital to build strong brands (Rodner and Kerrigan, 2014). Other research states that the consumption of art is different from other products. Art is seen as communication that carries a qualitative dimension that contains intangible messages that cannot be interpreted (Fills, 2006).

Companies with high EO will develop marketing strategies to deal with complex environments. With EO, companies can utilize strategic innovation and concentrate on product quality and specifications (Lan and Wu, 2010). Overall the dimensions of EO affect the technological expertise internationalization and marketing capabilities which can improve organizational performance (Jin and Cho, 2018; Lan and Wu, 2010; Luiz and Vieira, 2018).

In line with the findings by Eresia and Raath (2013), this research statistically cannot prove that financial literacy influences entrepreneurial performance. This finding is different from most previous studies because respondents have functional financial literacy but are too afraid to apply financial literacy. In other words, financial literacy is only used in personal life, not for organizations. Furthermore, this finding, especially for female respondents, is supported by other findings that state that gender, education, and experience affect one's financial knowledge. They observed that women, in general, lacked the will and enthusiasm to learn about personal finance (Chen and Volpe, 2002).

### 6. Conclusion and Suggestion

The results of hypothesis testing indicate that there is a significant influence between Organizational creativity and entrepreneurial orientation towards entrepreneurial performance. This study cannot prove that artistic orientation and financial literacy have a considerable effect on entrepreneurial performance.

This study has several limitations, such as: first, this study measures the company performance that uses digital and traditional marketing media. Dinner et al. (2011) show that advertising using digital media has a positive effect on offline sales. Compared to traditional marketing, internet marketing is more economical, secure, and reach buyers quickly (Salehi et al., 2012). Further research is expected to measure the performance of companies at MSMEs using only one of the marketing media.

Second, this study did not consider performance based on the type of company ownership and diversified MSMEs. There are differences in performance between family and non-family companies and expanded MSMEs (Sari et al., 2019). Future studies should consider factors that affect performance such as the type of ownership and diversification of MSMEs and provide detailed explanations of each variable because it will make a more complete and accurate analysis (Indriartiningtias et al., 2019).

### Acknowledgement

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### References


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**Table 4. Hypothesis Test Result**

<table>
<thead>
<tr>
<th></th>
<th>β</th>
<th>P Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>OC → EP</td>
<td>0.390</td>
<td>0.001*</td>
<td>H1 accepted</td>
</tr>
<tr>
<td>AO → EP</td>
<td>0.008</td>
<td>0.956</td>
<td>H2 not accepted</td>
</tr>
<tr>
<td>EO → EP</td>
<td>0.435</td>
<td>0.001*</td>
<td>H3 accepted</td>
</tr>
<tr>
<td>FL → EP</td>
<td>0.009</td>
<td>0.878</td>
<td>H4 not accepted</td>
</tr>
</tbody>
</table>

F Test = 14.292

Adjusted R Square = 0.278

* = significance < 5%


