

# Success Of Small-Medium Micro Industrial Business Management Based On Business Environment, Business Management, Creativity And Innovation In West Java Province Indonesia

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## Abstract

The Micro, Small, and Medium industries (MSMI) have an essential role as a driver of the economy in Indonesia. The sector MSMI opportunities can provide employment that can reduce unemployment and contribute to Gross Domestic Product (GDP). In addition, several types of products from this sector through exports contribute to generating foreign exchange. The objectives of this study: 1) analyze the direct and indirect effects of the business environment and business management on creativity and innovation and business success; 2) analyze the factors driving and inhibiting creativity and innovation; 3) analyze the factors driving and inhibiting business success: survey research methods and forms of descriptive and verification research. The research object of MSMI snack food in West Java Province was 150 respondents. Sampling using technique random sampling is based on areas that have the potential for industrial development (industrial centers) consisting of three areas, namely Bogor, Sukabumi, and Cianjur, which have a large number of MSMI with superior products that have potential and become priorities for development. This research used the analysis technique SEM or Structural Equation Modeling. The results show that there are direct and indirect effects of the business environment, business management on creativity and innovation as well as business success; the driving factors for creativity and innovation as well as business success are the business environment and business management.

## Keywords

Business Environment; Business Management; Creativity and Innovation; Business Success; West Java Province

Received: 15 July 2021; Accepted: 26 July 2021; Published Online: 31 August 2021

DOI: 10.21776/ub.apmba.2021.010.01.6

## Introduction

The development and growth of the Micro, Small, and Medium Industry (MSMI) today cannot be separated from the commitment, government policies, and government programs on an ongoing basis with the aim

that MSMI in Indonesia can continue to develop and have high competitiveness so that they can compete in the global economy. The industrial sector is currently developing, namely MSMI, the snack food.

The existence of MSMI of snack food in Indonesia has an important role in being able to absorb a large number of workers and encourage the establishment of supporting industries such as the food processing industry, product packaging production industry, whether made from plastic, paper, glass, and others.

The contribution of MSMI has a positive impact on economic growth. Economic growth can be measured from one of the indicators of gross domestic product (GDP). MSMI has an important role in improving the performance of a region that accelerates economic development and improves people's welfare through the development of MSMI.

One of the requirements to become a developed country, a country must have a number of entrepreneurs as much as 14 percent of the total population. In Indonesia, it was recorded that in 2019 the number of

entrepreneurs was still at 3.1 percent of the total population of 267 million people. This condition is still below neighboring countries in the ASEAN region, which have a higher percentage of entrepreneurs than Indonesia. For example, Singapore has a number of entrepreneurs reaching 7 percent, while Malaysia has 5 percent. Therefore, Indonesia needs to catch up by spurring entrepreneurial growth through MSMI while increasing its productivity and competitiveness in the digital era.

The contribution of the small economic sector to the distribution of welfare and employment is very large. On the other hand, some of the potentials that exist until now have not been fully optimized. With opportunities that are still wide open, the development of people's business potential deserves support as an effort to form a strong national economic strength. The following is the growth of MSMI in Indonesia in 2014-2019:

**Table 1. Number of MSMI in Indonesia Period 2014-2019**

Year	Number of MSMI (Unit)	Absorption of Number of Workers (Persons)	Percentage of Growth MSMI (%)
2014	55,206,444	101,722,458	-
2015	56,534,592	107,657,509	2.4
2016	57,895,721	114,144,082	2.4
2017	59,262,772	123,229,386	2,3
2018	61,651,177	112,828,610	4
2019	62,928,077	116,673,416	2
<b>Average Growth</b>			<b>2.62</b>

Source: Ministry of Cooperatives and Small and Medium Enterprises, 2020 (processed)

In 2014 the number of MSMI was 55.2 million units, increasing to 62.9 million units in 2019. The average growth of MSMI in the 2014-2019 period reached 2.62 percent, with the largest growth in 2018 at 4 percent, most of which were micro-scale businesses at 97.9 percent, small businesses at 0.09 percent, and medium-sized businesses at 1.2 percent. The development of the number of small and medium enterprises that continues to increase, of course, has an impact on the creation of large job opportunities. In 2019 MSMI with a workforce of more than

116.7 million people, but most of the workforce MSMI, of 91.91 percent, are still informal workers in micro-scale businesses (Source: Ministry of Cooperatives and Small and Medium Enterprises, 2020). Thus, MSMI is a business activity that is able to create jobs, provide broad economic services to the community, can play a role in the process of the income distribution, and encourage economic growth.

MSMI criteria, according to Law No. 28 of 2008, can be seen as the difference between

small and medium industries in the number of assets and turnover, respectively. Small industries with assets of > 50 million-500 million and turnover of > 300 million-2.5 billion and medium-scale industries with assets of > 500 million-10 billion and turnover of > 2.5 billion-50 billion (Saiman, 2011). While the criteria, according to BPS, the difference between small and medium industries can be seen from the number of workers. For the micro-industry, the number of workers, according to BPS in 2014 was four people, a small industry with a workforce of 5-19 people and a medium industry with a workforce of 20-99 people. If the number of workers is > 99 people, then it is included in the category of large industries (Tambunan, 2012).

That MSMI shows its business effectiveness through optimal business growth is initially seen from the types of products offered, which are oriented towards benefits and innovation, sales volume, number of employees owned to the level of profits obtained. To encourage digitalization and make it easier for MSMI to deal with the changes that occur, the government has increased the ease of access and transfers technology to business actors in MSMI in order to be able to survive in business competition. The ability to master digital devices and the internet is an absolute thing that must be mastered by MSMI if you want to survive in the competition. This is a challenge but also a promising business opportunity for MSMI in Indonesia.

MSMI is part of the micro, small and medium enterprises (MSMEs), which amount to approximately 56.5 million units (Kemkop and UKM, 2020) which play an important role in the Indonesian economy, and has even been recognized as one of the reliable national economic actors and is expected to be able to become the *primary mover* in the Indonesian economy because it plays a role in creating business and employment opportunities by 11.4 percent

of the total workforce absorbed by MSMI and contributing to regional economic development and growth. However, that does not mean that the rapid growth cannot be separated from the existing problems that make them unable to compete, run in place, and go out of business.

Behind the large role of MSMI for the national economy, this sector is still faced with several obstacles in the realization of running its business, such as difficulty in getting raw materials by 23.75 percent, not yet expanding marketing by 16.96 percent, production techniques by 3.07 percent, business competition 15.74 percent, and capital constraints of 40.48 percent (Source: Ministry of Cooperatives and Small and Medium Enterprises, 2019). The biggest obstacle from the aspect of capital is 40.48 percent, indicating that it is MSMI that requires a direct role from the government because of the condition of MSMI, which cannot access financing sources to enlarge its business capacity. Empowerment MSMI in Indonesia is an implementation of economic democracy that balanced, developing, equitable economic structures and increases the role of MSMI creates in regional development, job creation, income distribution, economic growth, and poverty alleviation.

In addition to playing a role in Indonesia's economic development, MSMI is a source of income, especially for low-income groups. The increase in MSMI can occur as unemployment increases as a result of layoffs, lack of job opportunities, and *fresh graduates* who decide to open their own businesses.

West Java Province is one of the provinces in Indonesia that has good potential for the development of the sector MSMI, where currently, the role of MSMI in shaping the welfare of the people of West Java is very large. The number of MSMI in West Java is as follows:

**Table 2. Number of MSMI West Java Province in 2016-2018**

Year	Number of MSMI (Unit)	Increase (Unit)	Percentage Increase (%)
2016	210,757	-	-
2017	213,291	2,534	1.18
2018	214,026	735	0.34

Source: Department of Cooperatives and SMEs of West Java Province, 2020

Based on the table, the number of MSMI of West Java Province registered with the Department of Cooperatives and SMEs in 2016 as many as 210,757 units and an increase of 2,534 units or by 1.18 percent in 2017 to 213,291 units, then an increase of 735 units or by 0.34 percent in 2018 to 214,026 units of MSMI. This shows that MSMI in West Java Province always contributes to developing the economy, so the number of MSMI in West Java Province increases every year.

Support the development of science and socio-culture in order to strengthen global competitiveness, the development of the trade sector needs to be directed at creating a strong and efficient domestic trade system that is integrated with the global market that is able to increase the competitiveness of international quality national products in the trade era. Global. The MSMI is a snack food industrial group that is quite progressive in its development in Indonesia. By conducting this research, a constellation model of research was found and tested regarding the direct and indirect effects of the business environment, business management on creativity and innovation, and business success. The research contribution is to support the development of MSMI as well as input for business actors in managing their business by implementing digitalization in their business. Local government as a material consideration in determining the policy of patterns granting and development of SMEs.

### **Theory Basis and Hypothesis Development Environment Business**

According to Susanto (2011), the business environment includes the external environment (micro environment) and the internal environment (macro environment). The external environment is classified into two, namely the macro environment, including the economic, social, political, and legal environment, while the micro environment includes customers and competitors. Meanwhile, according to Alteza (2011), the business environment is the whole of things or circumstances outside the business entity or industry that affect the activities of the organization. According to Wispandono. (2010) argues that the business environment includes factors outside the company that can pose opportunities or threats for the company.

According to Suryana (2013), the micro environment is an important thing that must be considered by business actors because the micro environment is an internal business environment or environment that is very influential and can be controlled by business actors. Meanwhile, according to Suryana (2013), the macro environment is an environment that is outside the company, which has an indirect effect on the running of the company but is able to affect the life force of the company as a whole.

### **Business Management**

The function management consists of planning, organizing, directing, coordinating, supervising applied to the business so that it can run well so that the goals that have been set can be achieved. Furthermore, Reksomadiprojo (2009) and

Nitisusastro (2012) suggest that management is a process of business activity uniting thoughts, materials, money, and people to produce and market higher products or provide services to achieve profits. Management at MSMI includes the process of marketing, production, spending, personnel, accounting, or administration. Therefore, the competitive advantage of MSMI is largely determined by its ability to manage the potential of economic resources as business actors (Sukmadi et al., 2008). In connection with the business management system, it must be made in such a way as to increase profits in the business. To achieve this, business actors must first pay attention to their management properly so that profits can be created in their business.

### **Creativity and Innovation**

According to Zimmerer and Scarborough (2008), creativity is the ability to develop new ideas and to find ways new of solving problems and finding opportunities. Suryana (2013) states that creativity is thinking about something new. Creativity is an important resource in creating competitiveness for all organizations that care about *growth and change*. According to Tanan (2009), that creative people have personality, mindset, character, and skills.

Furthermore, according to Suryana (2013), innovation is the ability to apply creativity into something that can be implemented and provides added value to the resources owned. According to Zimmerer and Scarborough (2008), innovation is the ability to apply creative solutions to problems and opportunities to improve or enrich people's lives. Suryana and Bayu (2013) innovation is creativity that is translated into something that can be implemented and provides added value to the resources owned. Meanwhile, according to Hendro (2011), the innovations used by entrepreneurs in their business are product innovation, marketing innovation, process innovation, technical innovation, and administrative innovation. Creativity is the basic capital of every innovation. Without

the creativity of business actors, product or service innovation in a company/MSMI will never happen. According to Agustina (2019), innovation is the ability to apply new ideas or creative solutions to various problems and to take advantage of opportunities.

### **Business Success**

Being a successful entrepreneur must have an idea or business vision clear, then there is the will and courage to face risks both in time and money (Suryana, 2013). Meanwhile, Daulay and Ramadini (2013) stated that business success is a situation that describes the situation better than before.

According to Mei Ie and Visanta (2013), business success is a situation that describes the situation better than before. According to Suryana and Bayu (2013), business success is a situation that describes the situation better than before. Business success is influenced by the role of entrepreneurship through the business environment, business management as well as creativity and innovation because there are many opinions about the meaning of success, even most of the successful people are those who have a lot of wealth, or in other words, people who are rich with their assets and there are also those who occupy certain positions. So it is often used as a measure by families, groups, or the wider community.

### **Effect of Business Environment, Business Management on Creativity and Innovation and Business Success**

Every business can be said to be successful if business actors can manage the micro and macro environment well so that they can get maximum profit. Micro environment (internal factors) include; quality of human resources, organizational mastery, organizational structure, management system, participation, business culture, capital strength, business network with outsiders, and level of entrepreneurship. At

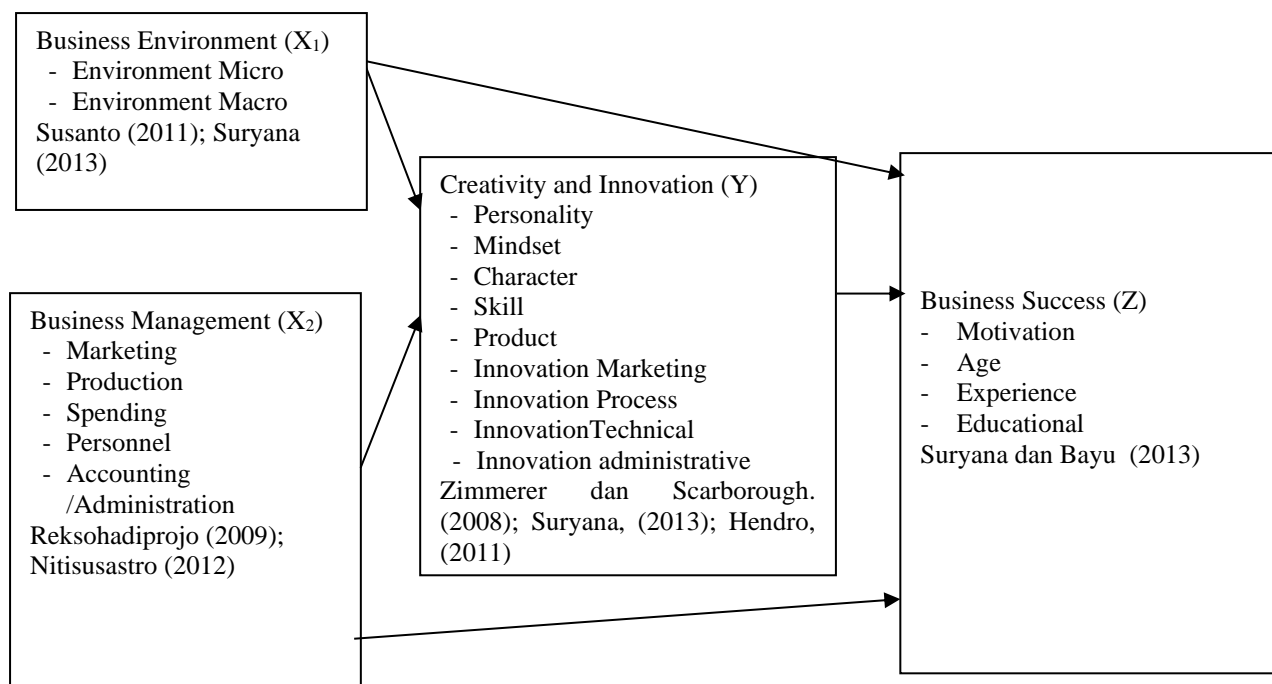
the same time, the macro environment (external factors) can be divided into two, namely government and non-government factors. Government factors include economic policies, bureaucrats, politics, and the level of democracy. Non-government factors, namely, the economic system, the sociocultural culture of the community, the labor system and labor conditions, the condition of infrastructure, the level of public education, and the global environment. Research on the business environment was conducted by Lestari (2016); Munizu (2010).

Business management is not limited to business management but must pay attention to business actors and employees. Every type of business developed must be economically feasible and the bookkeeping clear. The main target in business management is to increase the synergy of strengths in achieving common goals, namely to generate added value and increase mutual prosperity. Business success is essentially the success of the business to achieve its goals (Sukmadi et al., 2008). Business management research was conducted by Bismala (2016).

Creativity is defined as the ability to develop ideas into a work that has a more efficient function or a unique and new form. Creativity refers to the ability of a creative mark. A new product, both goods, and services can be produced through ideas and ideas that come intentionally or unintentionally and produce creative thinking. Business success is closely

related to creativity and innovation; when entrepreneurs want to maintain their life cycle, entrepreneurs must think creatively and act innovatively. Businesses success are small businesses that succeed as entrepreneurs have a smart brain, the creative, follow technological developments, and can proactively apply. Research on creativity and innovation was conducted by Ekasari and Nurhasanah (2018); Machfoedz (2015).

Based on this description, the hypotheses are: 1) the business environment has a positive and significant effect on creativity and innovation (H<sub>1</sub>); 2) business management has a positive and significant effect on creativity and innovation (H<sub>2</sub>); 3) business environment and business management have a positive and significant effect on creativity and innovation (H<sub>3</sub>); 4) the business environment has a positive and significant effect on business success (H<sub>4</sub>); 5) business management has a positive and significant effect on business success (H<sub>5</sub>); 6) creativity and innovation have a significant positive effect on business success (H<sub>6</sub>); 7) business environment and business management have a positive and significant effect on business success through creativity and innovation (H<sub>7</sub>). The relationship between these variables is described in the research paradigm, which at the same time shows the direction in analyzing the relationship between the variables of this research, as shown in Figure 1.



**Figure 1. Research Paradigm**

## Research Methods

### Design

In general, this study aims to describe and analyze the influence of the business environment/BE (X<sub>1</sub>), business management/BM (X<sub>2</sub>) on creativity and innovation/CI (Y), and the impact on business success/BS (Z) in West Java Province Indonesia. In accordance with its objectives, this research was designed as a study *descriptive* and *verification* (Sugiyono, 2013).

### Research Samples

The samples in this study 150 business units of MSMI snacks as this sample

according to Arikunto (2011), a decent size in the study were between 30 to 500. To qualify, each region of the sample taken at least 50 samples per territory. Sampling using technique *random sampling* is based on areas that have the potential for industrial development (industrial *centers*) for snacks consisting of 3 (three) regencies/cities in West Java Province, namely Bogor, Sukabumi, and Cianjur. Conduct *in-depth interviews* with parties related to this research to complete the analysis. Secondary data were obtained from BPS, the Department of Industry, related agencies, and documents and literature studies. While the operationalization of the following variables.

**Table 3. Operationalization**

Variable	Variable Concept	Indicator	Scale Measure
Business Environment (X <sub>1</sub> ) Source: Susanto (2011); Suryana (2013)	As the degree of change and instability of factors outside the business that are difficult to predict.	- Environment Micro - Environment Macro	Ordinal
Business Management (X <sub>2</sub> ) Source: Reksohadiprojo (2009); Nitisusastro (2012)	With regard to the MSMI management system, the management effort must be made in such a way that it can improve the welfare of business actors.	- Marketing - Production - Spending - Personnel - Accounting/ Administration	Ordinal
Creativity and Innovation (Y) Source: Zimmerer dan Scarborough. (2008); Suryana, (2013); Hendro, (2011)	Ability to develop new ideas and to find ways new and become something that can be implemented and provide added value to the resources owned	- Personality - Mindset - Character - Skill - Innovation Product - Innovation Marketing - Innovation Process - Innovation Technical - Innovation Administrative	Ordinal
Business Success (Y) Source: Suryana dan Bayu (2013)	The success of small industrial businesses is influenced by various factors.	- Motivation - Age - Experience - Educational	Ordinal

### Analysis Data

The analysis method used statistical tests (Ghozali, 2008). Sebelumnya processed used a Likert scale of this type of closed question questionnaire given to businesses from one to five on each item on the questionnaire used. The analytical technique used is *Structural Equation Modeling* (SEM) using the program *software LISREL 8.80* application. The number of samples is 150 in accordance with the recommendations of Hair et al. (1998), which states that for the method *maximum likelihood estimation*, the sample size that can provide results *valid* with SEM estimates is between 100 - 200. The reason is that the model consists of many

equations and relationships between complex constructs. As one of the analysis techniques *multivariate*, SEM allows the analysis of a series of relationships simultaneously so as to provide statistical efficiency. SEM has the main characteristics that distinguish it from other multivariate analysis technique.

### Discussion

#### Characteristics of Business Entrepreneur West Java Province Indonesian

The following is a recapitulation of the characteristics of business actors:



**Table 4. Recapitulation of Characteristics of Business Snacks In West Java Province Indonesia**

No	Type of Characteristics	Business of Actors	Percentage (%)
1	Gender	Female	78
2	Age	36 - 45 years	56
3	Education	High School/ Equivalent	60
4	Marriage Status	Married	96
5	Length of Business	2- 4 Years	62
6	Turnover	<Rp300,000	80
7	Business License	Has a business license	92
8	Total Wealth	<Rp50 million	66
9	Number of Workers	<5 people	82
10	Following Employers' Association	Following	80
11	Monthly MSIM Revenues	Rp 10,000,000 - Rp 49,000,000	68
12	Benefits of MSIM	<Rp 9,900,000	78
13	Owning Trademarks	Owning	92

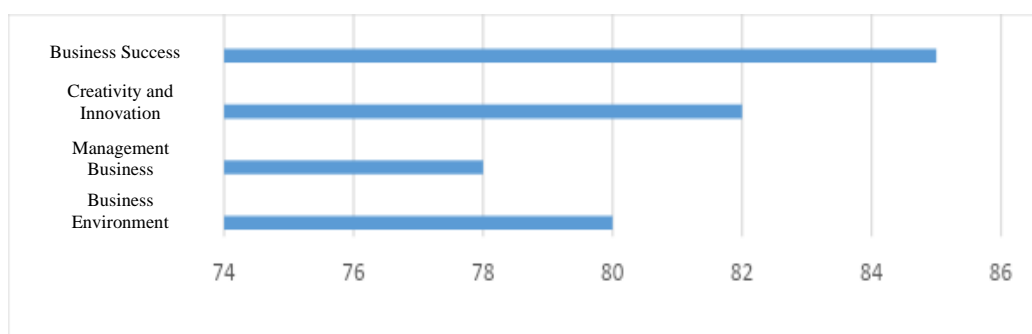
Sources: Primary Data Processed, 2020

Based on Table 4 that the majority of business operators in West Java Province Indonesia are 78 percent women, aged between 36 - 45 years by 56 percent, high school education/equivalent by 60 per cent, married by 96 per cent, length of business between 2-4 years by 62 percent, turnover is less than Rp300,000 by 80 percent, has a business license of 92 percent, total assets of less than Rp50,000,000 by 66 percent, has a workforce of fewer than five people by 82 percent, follows the employers' association by 80 percent, MSMI income per month Rp10,000,000-Rp49,000,000 by 68 per cent, MSMI profits of less than Rp

9,900,000 by 78 percent and already have a trademark of 92 percent.

#### **The Response of West Java Province Indonesia Business Actors to the Business Environment, Business Management, Creativity and Innovation and Business Success**

While the responses of business actors to the business environment, business management, creativity and innovation as well as the success of the following businesses:



Source: Primary Data Processed, 2020

**Figure 2. Business Factors' Responses to The Business Environment, Management Business and Creativity And Innovation, Business Success In West Java Province Indonesia**

That the recapitulation of business actors' responses to the business environment is 80 percent with good criteria, business management is 78 percent good criteria, creativity and innovation by business actors is 82 percent good criteria, while business success by 85 percent high criteria.

### **Environmental and Aspects Appropriate Technology for MSMI**

MSMI snack food waste produced from small and medium industries is almost non-existent. The resulting solid waste can be used as fertilizer or as animal feed. Whereas waste in the form of washing process liquid waste and solid waste from production or product packaging and is not classified as B3 category. Liquid waste is only channelled directly into the sewer, while solid waste is collected to a temporary landfill to be subsequently transported to a landfill. Environmental changes that are very fast for food and non-food in small businesses need to be anticipated by MSMI quickly with various activities such as training to improve the ability to manage MSMI, develop product innovations etc. In the development of appropriate technology, it needs the support of science and technology. From raw materials (such as the quality of raw materials to be processed), efficient and effective production processes in their use to technology to handle the products produced (product packaging) so that the products produced can be accepted by the public. Physical handling includes heating, freezing, drying and preserving using salt, sugar and acids. At the same time, chemical treatment is done by adding enzymes and chemicals in food processing. The process technology used for snack snacks MSMI in principle must meet the requirements of easy, inexpensive and can be modified in its use, thus suggesting the mastery of the technology to be adopted.

### **Capital and MSMI Business Management Subjects and Assessment of MSMI Entrepreneurship Attributes**

Based on the capital used, industries with domestic investment are industries that obtain capital support from the government or national (domestic) entrepreneurs. For example, the handicraft industry, the tourism industry, and the snack industry. Whereas the management subjects, including the people's industries which are managed and belong to the people, for example, the furniture industry, the light food industry, and the handicraft industry. MSMI capital needs government support so that access to financial institutions can be quickly obtained easily. While the subject of managing MSMI needs to be strengthened with aspects of entrepreneurship so that it helps manage its business.

Snack MSMI entrepreneurs create good informal relations with government agencies by creating bonds through innovative and effective communication. Give priority to government agencies so that the West Java Province Cooperative, Industry and Trade Agency (Bogor, Sukabumi, Cianjur) and business associations provide Halal and IPR assistance, certificates and trademarks as well as packaging design guidance based on the Regional Budget and the Java Province budget West. Marketing MSMI snacks through the *website* provides many opportunities for entrepreneurs and provides the ability to compete with larger companies. The existence of a *website* is very effective to reach the market. *website* A successful inviting, easy to navigate, interactive and offers more value to the wearer.

### **Test Validity and Reliability of Research Instruments**

The validity of a measure that shows the level of validity or validity of an instrument. Based on the test instrument showed that the variables related validity

test of the business environment, business management, creativity and innovation and business success is said to be invalid because of the correlation values corresponding to the value of provisions are  $r_{\text{count}} > r_{\text{table}}$  (0.30), the value of  $r_{\text{count}}$  all instruments  $> 0,30$ , then it can proceed to reliability testing (Sugiyono, 2017). Reliability indications regarding the stability and consistency of the instrument, measuring the concept and helping the value of the accuracy of measurement (Sekaran, 2006). Based on testing the research instrument shows that the business environment, business management, creativity and innovation and business success results if all items are reliable because they have a *Cronbach Alpha*  $> 0.6$ .

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### **Multicollinearity and Normality Test**

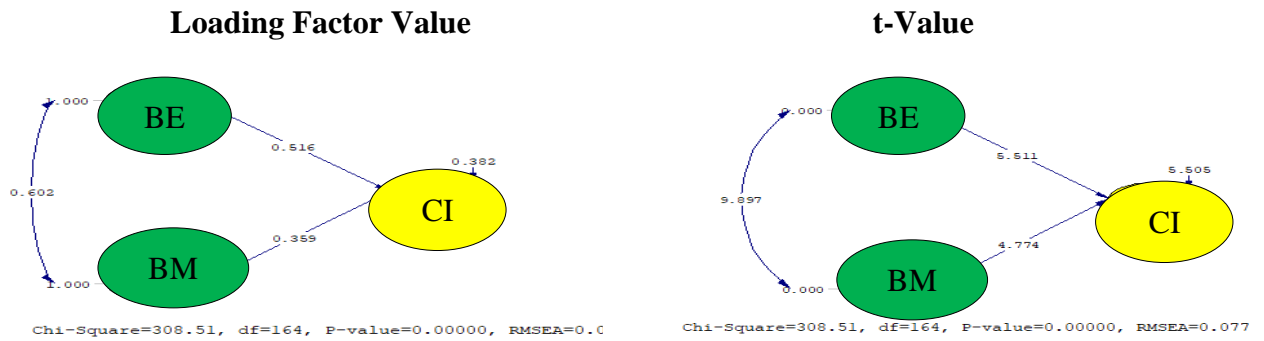
The estimation results of the structural equation model (SEM) explained that there is no multicollinearity problem at the latent variable level where the correlation value between latent variables is relatively low (less than 0.8). Calculation of SEM method using the Maximum method Likelihood requires data to have a multivariate normality distribution. To find out the distribution of data that is used first, check the assumption of multivariate normality distribution of the data. Evaluation of the normality of the data calculated using the help of Lisrel 8.8 software is performed using the skewness ratio. Univariate normality test results obtained partial manifest variables (dimensions) meet the assumption of normally distributed data. Obtained p-value test greater than 0.05. In contrast, the multivariate data normality test was performed with the kurtosis value test statistic. Obtained Test Values Skewness and Kurtosis of 66,040 with a significance of 0,000. Significance value is smaller than 0.05; it is concluded that the overall data does not meet the multivariate normal distribution. Based on the results of the normality test shows that the data do not have a multivariate normal distribution, so the structural equation modelling is done using the Robust Maximum Likelihood Method.

### **Structural Model Results**

There are two sub-structures in the research model used, namely:  
Structural model 1 describes the relationship between the business environment and business management on creativity and innovation. Based on the results of calculations carried out using Lisrel 8.8 software, the following Structural Equation Modeling equation is obtained:

$$CI = 0.516*BE + 0.359*BM, \text{ Errorvar.} = 0.382, R^2 = 0.618$$

(0.0936)	(0.0753)	(0.0694)
5.511	4.774	5.505



Source: Results of data processing LISREL 8.8, 2020

**Figure 3. Substructure 1 Research Path Diagram**

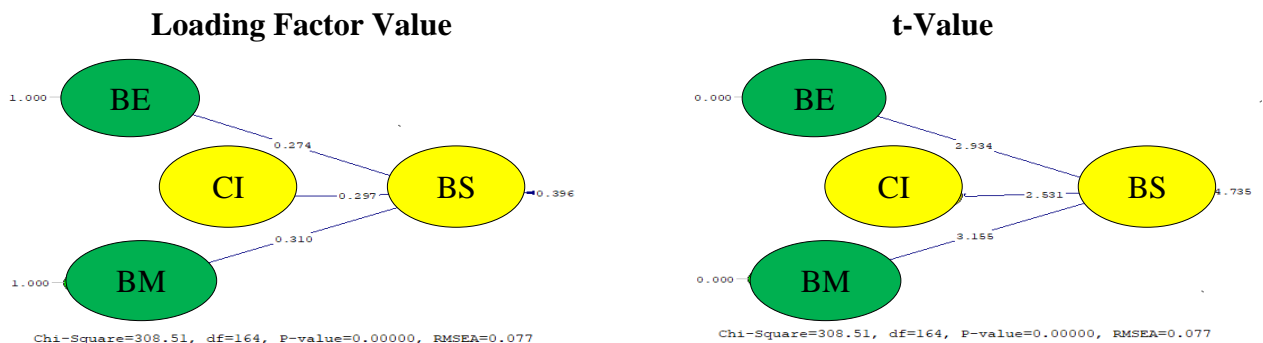
The results of the path diagram analysis of substructure 1 in Figure 3 shows that the direct influence of the business environment on creativity and innovation is indicated by a path coefficient of 0.516 and significant with a statistical t value of 5.511, while the direct influence of business management on creativity and innovation is indicated by a path coefficient of 0.359 with a statistical t value of 4.774. The error in this influence model is e (Error Var), e (Error Var) indicates the amount of variation in endogenous

variables that cannot be explained by exogenous variables, which is 0.382. Structural model 2 describes the relationship between the business environment and business management as well as creativity and innovation on business success. Based on the results of calculations carried out using Lisrel 8.8 software, the following Structural Equation Modeling equation is obtained:

**Structural Equations**

$$BS = 0.297*CI + 0.274*BE + 0.310*BM, \text{ Errorvar.} = 0.396, R^2 = 0.604$$

(0.117)	(0.0934)	(0.0981)	(0.0836)
2.531	2.934	3.155	4.735



Source: Results of data processing LISREL 8.8, 2020

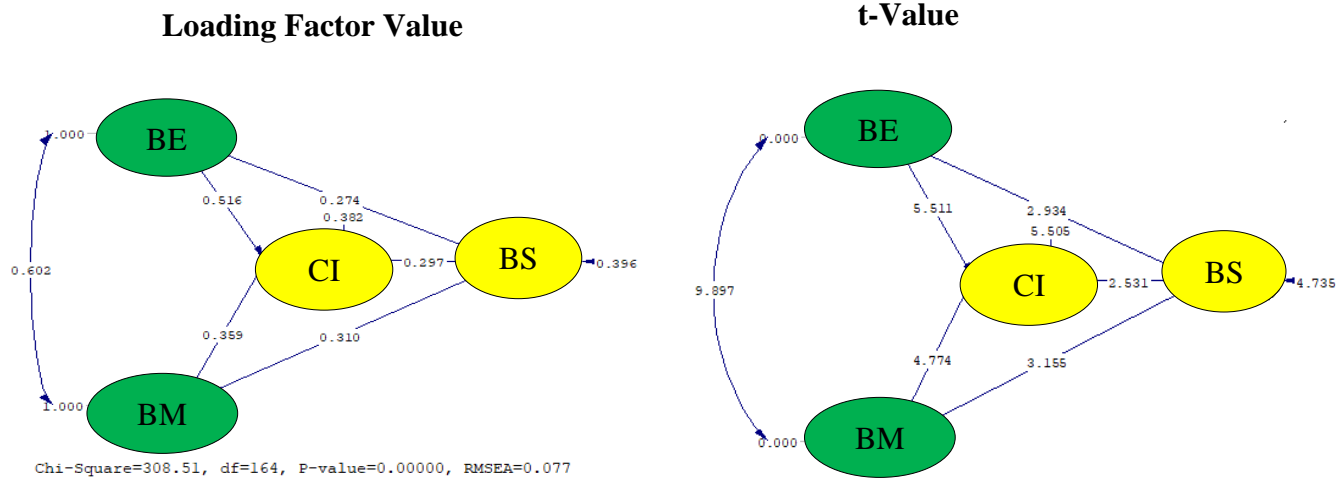
**Figure 4. Substructure 2 Research Path Diagram**

From the results of the path diagram analysis of substructure research 2, Figure 4 shows that the direct influence of the

business environment on business success is indicated by a path coefficient of 0.274 with a statistical t value of 2.934, the direct

influence of business management on business success is indicated by a path coefficient of 0.310 with a statistical t value of 3.155, and the direct influence of creativity and innovation on business success is indicated by the path coefficient of 0.297 with a t-statistic value of 2.531. The error in this influence model is e (Error

Var), e (Error Var) indicates the amount of variation in endogenous variables that cannot be explained by exogenous variables, which is 0.396. The following is a summary of the drawings of substructure one and substructure 2:



Source: Results of data processing LISREL 8.8, 2020

Figure 5. Research Path Diagram

**Results**

Following direct, indirect and total effects are:

**Table 5. Summary of Output Path Analysis of Direct Effects, Indirect Effects, Direct Effect, Indirect Effect, and Total Effects**

<i>Variable</i>	<i>Direct Effect</i>	<i>Indirect Effect</i>	<i>Total Effect</i>
X <sub>1</sub> → Y	0.516	-	0.516
X <sub>1</sub> → Z	0.274	0.153	0.427
X <sub>2</sub> → Y	0.359	-	0.359
X <sub>2</sub> → Z	0.310	0.106	0.416
Y → Z			0.297

Source: data processing LISREL 8.8, 2020.

Based on Table 5, the results of the path analysis are as follows:

1. Direct influence
  - a. Directly, the business environment has a significant positive effect on creativity and innovation. The standardized coefficient of 0.516 means that every 1 unit increase in the business environment will result in an increase of 0.516 standard

- b. deviations of creativity and innovation.
    - Directly, the business environment has a significant positive effect on business success. The standardized coefficient of 0.516 means that every 1 unit increase in the business environment will result in an increase of 0.516 standard deviations of business success.

- c. Directly, business management has a significant positive effect on creativity and innovation. The standardized coefficient of 0.359 means that every 1 unit increase in business management will result in an increase of 0.359 standard deviations of creativity and innovation.
  - d. Directly, business management has a significant positive effect on business success. The standardized coefficient of 0.310 means that every 1 unit increase in business management will result in an increase of 0.310 standard deviations of business success.
  - e. Directly, creativity and innovation have a significant positive effect on business success. The standardized coefficient of 0.297 means that every 1 unit increase in creativity and innovation will result in an increase of 0.297 standard deviations of business success.
2. Indirect influence and total influence
- a. The influence of the business environment on business success  
Based on Table 5, the direct influence of the business environment on the business success of 0.274. Meanwhile, the indirect influence of the business environment on business success through creativity and innovation of 0.153. Total influence business environment on business success through creativity and innovation is  $0.274 + 0.153$  equals 0.427.
  - b. The influence of business management on business success
- Based on the research results, the direct influence of business management on business success is 0.310. Meanwhile, the indirect effect of business management on business success through creativity and innovation is 0.106. The total influence of the business environment on business success through creativity and innovation is  $0.310 + 0.106$  by 0.416.

## Hypothesis Testing

While testing the following hypothesis

**Table 6. Summary Of Hypothesis Testing**

No	Hypothesis	Coefficients Line	The amount of influence	t	t <sub>Critical</sub>	Decision	Remarks
1	Business Environment Influence Towards Creativity and Innovation	0.516	$0.516 \times 0.516 \times 100\% = 26.6\%$	5,511	1.96	H <sub>0</sub> rejected statistical test results show that the business environment affects creativity and innovation	Significant the business environment has a direct influence if there are no other variables that are considered by 26.6% on creativity and innovation
2	Business Management Influences Creativity and Innovation	0.359	$0.359 \times 0.359 \times 100\% = 12.9\%$	4,774	1.96	H <sub>0</sub> rejected statistical test results show that business management has an effect on creativity and innovation	Significant business management has a direct influence if there are no other variables that are considered by 12.9% on creativity and innovation
3	Business Environment Influences Business Success	0.274	$0.274 \times 0.274 \times 100\% = 7.5\%$	2,934	1.96	H <sub>0</sub> rejected the results of statistical tests show that the business environment affects the success of the business.	Significant the business environment has a direct influence if there are no other variables that are considered by 7.5% on business success
4	Business Management Influences Business Success	0.310	$0.310 \times 0.310 \times 100\% = 9.6\%$	3,155	1.96	H <sub>0</sub> rejected statistical test results show that business management has an effect on business success	Significant business management has a direct influence if there are no other variables that are considered by 9.6% on business success
5	Creativity and Innovation Influence Business Success	0.297	$0.297 \times 0.297 \times 100\% = 8.8\%$	2,531	1.96	H <sub>0</sub> rejected statistical test results show that creativity and innovation affect business success	Significant creativity and innovation have a direct influence if there are no other variables that are considered at 8.8% of business success
6	Business Environment Influences Business Success Through Creativity and Innovation	0.153	$0.516 \times 0.297 \times 100\% = 15.3\%$	2,203	1.96	H <sub>0</sub> rejected statistical test results show that the business environment affects business success through creativity and innovation	Significant the business environment has an indirect influence through creativity and innovation of 15.3% on business success
7	Business Management Influences Business Success Through Creativity and Innovation	0.106	$0.359 \times 0.297 \times 100\% = 10.6\%$	2,427	1.96	H <sub>0</sub> rejected statistical test results show that business management affects business success through creativity and innovation	Significant business management has an indirect influence through creativity and innovation of 10.6% on business success

Source: LISREL Data Processing Results 8.8, 2020

### **Interpretation of Direct and Indirect Effects of Business Environment, Business Management on Creativity and Innovation and Business Success**

In running a business, whether it is a large or small scale business, there must be opportunities and threats to the company. In order for the company to achieve the expected goals, the company is expected to be able to take advantage of opportunities and control threats, and minimize problems that exist within the company and outside the company. The business environment is one of the efforts to improve company performance and can minimize problems. In addition, the business environment can be used as a reference for business actors, especially in the field of production, because it can assist business actors in obtaining raw materials, using raw materials, production targets, market access, and so on. The external (macro) environment, which includes aspects of government policy, sociocultural and economical as well as aspects of the role of institutions, has a close relationship with the factors that exist in the micro-environment, changes that occur in the macro-environment will affect the performance in the micro-environment so that business performance can determine the success of this business is supported by research by Riyanto (2018); Setyowati (2015); Munizu (2010).

Business processes in MSMI include marketing, production, purchasing, personnel, accounting, or administration processes. In relation to the MSMI management system, the management effort must be made in such a way that it can increase the success of the business. To achieve this, business actors must first pay attention to their management so that their business success can be created (Nitisusastro. 2012). Creativity is the unification of various fields of knowledge from different experiences so that new ideas and new ideas emerge. Creativity can also be interpreted as wild thoughts (out of the box) that look at the subject from another

perspective and combine two or more different concepts obtained from individual interactions with their environment based on observations or instantaneous ideas when interacting in the school, family, community, as well as in public places so as to produce a combination of goods or services that are different from before. Innovation is the ability to apply new ideas or creative solutions to problems and to take advantage of opportunities. That innovation is a realization of the results of creative thinking that has added value for the resources owned. Supported by research conducted by Hadiyati (2012); Ekasari and Nurhasanah (2018). So that business success is the main goal of all company activities to achieve business success with evaluation as an effort to be better than the previous situation and have advantages compared to other businesses in its class.

### **Interpretation of Factors Driving Creativity and Innovation**

The business environment is influenced from within and from outside the company (MSMI) so that the main foundation in running a business can also be done with a really mature plan in advance for what kind of future and how to continue the business. In managing a business, having the best and very mature planning will get truly optimal results, as well as in doing business, it should have good maturity. After planning, organizing, implementing, and controlling, business management can run effectively and efficiently on an ongoing basis. Through creativity which is a characteristic possessed by individuals, it is characterized by the ability to create something from a combination of works that have existed before, become a new and different work from those that have existed before, and are carried out through interaction with the environment to deal with problems, and seek an alternative solution is by divergent thinking. So that creativity is a person's ability to carry out imaginative processes that can bring up new ideas or ideas that have never existed before, and these new ideas have benefits felt by users according



to Tanan (2007); Machfoedz (2015); Asrori (2012); Alma (2019).

Meanwhile, generally, innovation is the process of someone realizing new ideas or ideas to add value to the resources they have. The ability to apply creativity into something that can be implemented and adds value to the resources owned. Innovation is the emergence of something new, for example, in the form of a new idea, a new theory, a new hypothesis, or a new method for the management of an organization and business. The word innovation indicates the process and results of developing or utilizing the mobilization of knowledge, skills, and experience to create or improve products (goods and services) that provide significant or significant value. Therefore, innovation can be new for individuals or companies, new for markets, for countries or regions, and for the world, according to Hendro (2011); Sutirna (2018); Suryana (2014); Pharisees (2013). Meanwhile, there are no inhibiting factors for creativity and innovation.

### **Interpretation of Business Success Driving Factors**

The business environment greatly influences the success of a business or company. Therefore the environment is very important to determine success. Because business actors with good management, it is certain that the business they run will be successful. Business management is the activity of planning, working on, and supervising a business. All efforts are made in accordance with the plan to achieve sales targets. Business success is identified with the development of the company as well as a process of increasing the number of the company's dimensions. The development of the company is a process of increasing the number of employees, increasing capital, and others. That the success of a business is characterized by the enlargement of the scale of its business, this can be seen from

the volume of production and use of raw materials every day, which tends to increase (Haryadi, 2008: 56).

Measuring business success is certainly evidenced by the achievements achieved, such as the growth of the company it manages, including sales, assets owned by the company, and the number of employees owned. To achieve this success, of course, innovative ideas will help motivate business success. Business success is not synonymous with how successful a person is in accumulating money or wealth and becoming rich because wealth can be obtained in various ways so as to produce added value. Trying is seen more from how someone can form, establish, and run a business from something that was previously out of shape, does not work, or may not exist at all. That business success is one of the goals of every entrepreneur who succeeds in changing the state of the company for the better by measuring the effectiveness, efficiency, and fairness of prices so that it can affect sales volume and the amount of business capital. At the same time, the inhibiting factors for business success do not exist.

### **Conclusion**

That there are direct and indirect influences on the business environment, business management, creativity, and innovation, as well as the success of the snack food MSMI business in West Java Province, Indonesia. The driving factors for creativity and innovation as well as business success are the business environment and business management. That the snack food MSMI business actors with technological advances that occur in developed countries have led to changes in their lifestyles and tendencies, so business managers must respond and adapt by maximizing the use of the internet and digital to capture these opportunities. It should be maintained and improved in quantity and quality so that it is in line with the expectations of MSMI business actors. The results of this study are expected to

strengthen the development of knowledge, especially in the field of management, especially the study of entrepreneurship in MSMI. To support the development and development of science and technology in order to strengthen competitiveness, the development of the trade and marketing sector needs to be directed at creating a strong and efficient domestic trade system that is able to increase the competitiveness

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