

The Influence of Innovation, Creativity, and Risk-Taking on Entrepreneurial Growth and SMEs Performance in Sukabumi City

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ABSTRACT

This study explores the influence of innovation, creativity, and risk-taking on entrepreneurial growth and SMEs performance in Sukabumi City, Indonesia. A survey was conducted with 150 SMEs in the region to collect data on their innovation, creativity, risk-taking behavior, and performance indicators. The results suggest that innovation and creativity significantly impact SME growth and performance, while risk-taking has a weaker impact. These findings have important implications for policymakers and SMEs owners or managers in Sukabumi City and other regions with similar economic contexts, highlighting the need to promote and support innovative and creative practices among SMEs.

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1. INTRODUCTION

The growth of entrepreneurship and the performance of SMEs have become increasingly important topics in entrepreneurship, business, and economic development. SMEs (micro, small, and medium-sized enterprises) are considered an essential source of job creation, innovation, and economic growth, especially in developing countries [1]–[4]. However, many SMEs struggle to grow and perform at a level that enables them to fully contribute to the local economy [5], [6].

Entrepreneurial growth refers to the process of creating and developing new businesses, products, or services. This involves identifying opportunities, securing resources, developing and implementing

strategies, and managing business growth and expansion [7], [8]. Growth is an essential aspect of entrepreneurship because it enables entrepreneurs to create more jobs, generate more revenue, and contribute to overall economic development [2], [9]–[11].

Meanwhile, the performance of SMEs refers to their ability to achieve goals and objectives, such as increasing revenue, profitability, market share, or customer satisfaction [12]–[14]. Performance is a critical factor in the success and sustainability of SMEs, as it enables them to compete effectively in their market, attract investment, and create more value for their stakeholders [15].

The relationship between innovation, creativity, risk-taking, and the performance of

complex and multi-faceted SMEs. Innovation, creativity, and risk-taking are interrelated factors that affect the performance of SMEs [16]–[19]. Innovation and creativity are crucial for SMEs to develop new products and services that meet changing customer needs [20]–[24]. These factors also help SMEs differentiate themselves from their competitors and gain a competitive advantage in the market [25]–[29]. Innovation and creativity also help SMEs improve their internal processes and operations, which can lead to increased efficiency and profitability [30]–[32]. Risk-taking is crucial for SMEs to pursue new opportunities and achieve business goals. Taking measured risks can lead to increased sales, profitability, and expansion of the customer base [13], [33]–[35]. However, taking risks also involves the possibility of failure, which can negatively affect SME performance [36].

Sukabumi is a city located in the West Java Province, Indonesia. The city has a population of around 300,000 and covers an area of 48.42 km². The city is known for its beautiful scenery, including waterfalls, beaches, and mountains, as it is adjacent to the Sukabumi Regency. Sukabumi is also known for its rich cultural heritage; traditional dance, music, and art are essential to the local culture. Innovation, creativity, and risk-taking are the foundation of entrepreneurial success. These factors are vital in the growth and development of micro, small, and medium-sized enterprises (MSMEs) everywhere. Sukabumi, located in the West Java Province of Indonesia, is no exception to this trend. Sukabumi has experienced rapid growth in entrepreneurship and MSMEs in recent years (Supriandi, 2022). This paper aims to explore the influence of innovation, creativity, and risk-taking on the growth of entrepreneurship and the performance of MSMEs in the city of Sukabumi.

The economy of Sukabumi is primarily based on agriculture, forestry, and fisheries. However, the city has experienced rapid growth in other sectors, including manufacturing, tourism, and services. The

growth of entrepreneurship and small and medium enterprises (SMEs) in Sukabumi has significantly influenced the city's economic development. Entrepreneurship is a crucial driver of economic growth and development. In Sukabumi, entrepreneurship has become a significant factor in the city's economic development. SMEs are the backbone of Sukabumi's economy, contributing more than 60% of the city's workforce and 50% of its GDP.

The Sukabumi government has actively promoted entrepreneurship and SME development in the city. The government has established various initiatives to support entrepreneurship, including providing financial access, business incubation, and training programs. These initiatives have helped create a conducive environment for entrepreneurship and SME development in the city. Innovation is developing new products, services, or processes that add value to customers or improve existing products, services, or processes. Innovation is crucial to the growth and success of entrepreneurship [21], [37]–[39]. In Sukabumi, innovation has played a significant role in the development of SMEs.

Innovation has helped SMEs in Sukabumi create new products and services that meet changing customer needs. For example, some SMEs in Sukabumi have developed environmentally friendly products to meet the demand for sustainable products. These innovations have helped SMEs differentiate themselves from their competitors and gain a competitive advantage in the market [32], [40], [41]. Innovation has also helped SMEs in Sukabumi improve their internal processes and operations. For example, some SMEs have implemented new technology solutions to improve their production processes, reduce costs, and increase efficiency. These innovations have helped SMEs enhance profitability and competitiveness in the market.

Creativity generates new ideas, concepts, or solutions that add value to customers or solve existing problems. Creativity is an

essential ingredient for the growth and success of entrepreneurship [24], [42], [43]. In Sukabumi, creativity has played a significant role in developing micro, small, and medium enterprises (MSMEs). Creativity has helped MSMEs in Sukabumi create new products and services that meet customers' changing needs. For example, some MSMEs in Sukabumi have developed unique products that combine traditional and modern elements. These products have helped MSMEs differentiate themselves from their competitors and gain a competitive advantage in the market.

Taking risks is an essential component of entrepreneurial success. Risk-taking involves measured risks to pursue new opportunities and achieve business goals [1], [10], [36], [44]–[46]. In Sukabumi, risk-taking has played a significant role in the growth of MSMEs.

Micro, small, and medium enterprises in Sukabumi are willing to take risks to pursue new opportunities and achieve business goals. For example, some MSMEs have invested in new technology, entered new markets, and developed new products and services. These risks have paid off, as MSMEs have expanded their customer base, increased sales, and improved profitability. The Sukabumi government also plays a role in supporting risk-taking by MSMEs. The government has established policies and initiatives to support MSMEs taking risks, such as providing access to finance and business development services. These initiatives have helped create a conducive environment for risk-taking and entrepreneurship growth in the city.

The relationship between innovation, creativity, risk-taking, and the performance of SMEs is influenced by various factors, such as industry, market conditions, and regulatory environment. The research problem is to determine the extent to which innovation, creativity, and risk-taking affect entrepreneurship growth and SMEs' performance in Sukabumi City. Specifically, the research aims to answer the following research questions:

1. How high is the innovation, creativity, and risk-taking level among SMEs in Sukabumi City?
2. How do innovation, creativity, and risk-taking affect the performance of SMEs in Sukabumi City?
3. What are the barriers to innovation, creativity, and risk-taking among SMEs in Sukabumi City?
4. What policies and initiatives can be implemented to encourage innovation, creativity, and risk-taking among SMEs in Sukabumi City?

2. LITERATURE REVIEW

Innovation, creativity, and risk-taking are critical factors that influence the growth of entrepreneurship and the performance of small and medium-sized enterprises (SMEs). These factors are essential for SMEs to remain competitive, adapt to changing market conditions, and capitalize on new opportunities. This literature review aims to explore existing literature on the influence of innovation, creativity, and risk-taking on entrepreneurship growth and SMEs' performance in Sukabumi City.

2.1 Innovation and SME Performance

Innovation is one of the critical drivers of SME performance. SMEs that innovate tend to have a competitive advantage over their competitors and are more likely to achieve long-term growth and success [20], [47], [48]. According to studies conducted by [16], [49], [50], SMEs that invest in innovation tend to have higher levels of productivity, which has a positive impact on their performance.

In addition, innovation can also lead to the development of new products and services that meet changing customer needs and demands. This can increase sales, higher profits, and increased market share. Studies conducted by [37], [51] found that SMEs engaged in product innovation tend to have higher performance levels than those without.

2.2 Creativity and SME Performance

Creativity is another essential factor influencing SME performance [42], [43].

Creative SMEs tend to be more innovative, adaptive, and agile, which helps them remain competitive in the market (Ferreira et al., 2020). Creativity can lead to developing new ideas, products, and services that meet changing customer needs and demands, increasing sales and profits [43], [52].

According to a study by [53], creativity can also lead to increased employee motivation, which positively impacts SME performance. In addition, creative SMEs tend to have higher customer loyalty, which can result in increased repeat business and higher customer satisfaction [43], [54].

2.3 Risk-Taking and SME Performance

Risk-taking is another essential factor that influences SME performance. Risk-taking refers to the willingness of SMEs to engage in activities that are uncertain but have significant potential returns [36], [46], [55], [56]. SMEs that take risks tend to be more innovative and agile, which can help them capitalize on new opportunities and remain competitive in the market (Ferreira et al., 2020; Wiklund & Shepherd, 2003).

According to a study by [57], SMEs that take risks tend to have higher levels of innovation, positively affecting their performance. In addition, taking risks can lead to increased sales, higher profits, and increased market share, which can contribute to SMEs' long-term growth and success.

2.4 Barriers to Innovation, Creativity, and Risk-Taking in Sukabumi City

Despite the importance of innovation, creativity, and risk-taking in SME performance, several barriers exist to their implementation in Sukabumi City. One significant barrier is the lack of financial resources [1], [58], [59]. SMEs in Sukabumi City may not have the financial resources required to invest in innovation and creativity, which can hinder their ability to remain competitive in the market (Supriandi, 2022).

Additionally, SMEs in Sukabumi City may also have limited access to information

and knowledge that can help them effectively implement innovation, creativity, and risk-taking strategies. This can hinder their ability to develop new products and services, improve internal processes, and exploit new opportunities. Another barrier to innovation, creativity, and risk-taking in Sukabumi City is the lack of government support. The government may not provide adequate support regarding policies, incentives, and resources to encourage innovation, creativity, and risk-taking among SMEs in Sukabumi City.

3. METHODS

This research aims to investigate the influence of innovation, creativity, and risk-taking on the growth of entrepreneurship and the performance of Micro, Small, and Medium Enterprises (MSMEs) in Sukabumi. To achieve this aim, a mixed-methods research design will be used. This research will involve collecting and analyzing both quantitative and qualitative data.

3.1 Research Design

The research design for this study is a mixed-methods approach. Mixed-methods research involves collecting, analyzing, and integrating quantitative and qualitative data within a single study. This approach allows for a more comprehensive understanding of the research problem, providing insight into the numerical and subjective aspects of the research topic [60].

3.2 Sample

The sample frame for this research is MSMEs operating in Sukabumi. The sample size will be determined using convenience sampling techniques, as it is the most feasible and practical approach to reach the target population. The sample size will be determined using the formula: $n = Z^2 * (p) * (1-p) / e^2$ where n is the sample size, Z is the common average distribution value corresponding to the desired level of confidence, p is the estimated population proportion with specific characteristics, and e is the expected margin of error.

3.3 Data Collection Methods

Data collection methods for this research will involve both quantitative and qualitative data collection methods.

3.4 Quantitative Data Collection Method

The quantitative data collection method will involve a structured questionnaire administered to the owner or manager of the MSMEs. The questionnaire will be designed to measure the following variables:

Innovation: This variable will be measured using Likert scale questions that assess how much MSMEs in Sukabumi City engage in innovative activities.

Creativity: This variable will be measured using Likert scale questions that assess how much MSMEs in Sukabumi City encourage employee creativity.

Risk-taking: This variable will be measured using Likert scale questions that assess the extent to which MSMEs in Sukabumi City are willing to take risks.

Entrepreneurial growth: This variable will be measured using Likert scale questions that assess the MSMEs' growth level over the past year.

MSME performance: This variable will be measured using Likert scale questions that assess the overall performance of the MSMEs over the past year. The questionnaire will also include demographic questions to collect information about the MSMEs' size, age, and industry.

3.5 Qualitative Data Collection Method

The qualitative data collection method will involve semi-structured interviews with selected MSME owners or managers. The interviews will be designed to explore the following topics:

1. Challenges faced by MSMEs in Sukabumi City in terms of innovation, creativity, and risk-taking.
2. Strategies used by MSMEs in Sukabumi City to promote innovation, creativity, and risk-taking.

3. Impact of innovation, creativity, and risk-taking on the growth and performance of MSMEs in Sukabumi City.

The interviews will be conducted in Bahasa Indonesia, the official language of Indonesia, and will be recorded with the participant's consent. The recordings will then be transcribed and translated into English for analysis.

3.6 Data Analysis

Data collected from the questionnaire will be analyzed using descriptive and inferential statistics. Descriptive statistics will summarize data, while inferential statistics will test hypotheses.

The data collected from the interviews will be analyzed using a thematic analysis approach. The thematic analysis involves identifying and coding patterns and themes in the data, followed by interpretation and synthesis of findings.

4. RESULTS AND DISCUSSION

This study aims to investigate the influence of innovation, creativity, and risk-taking on entrepreneurship growth and SMEs' performance in Sukabumi City. To achieve this objective, a mixed-methods research design is employed, which involves collecting and analyzing both quantitative and qualitative data. This section presents the research findings.

4.1 Quantitative Result

A total of 150 SME owners or managers participated in this study. Descriptive statistics for the variables of innovation, creativity, risk-taking, entrepreneurial growth, and SME performance are presented in Table 1.

Table 1. Descriptive statistics of variables

Variable	Mean	Std. Deviation
Innovation	3.92	0.68
Creativity	4.01	0.63
Risk-Talk	3.68	0.72
Entrepreneur Growth	3.43	0.71
Performance	3.57	0.78

Source: Primer Data (2023)

As shown in Table 1, the average score for innovation is 3.92, indicating that SMEs in Sukabumi City are engaged in innovative activities at a moderate level. The average score for creativity is 4.01, meaning that SMEs in Sukabumi City encourage creativity among their employees at a reasonable level. The average score for risk-taking is 3.68, indicating that SMEs in Sukabumi City are willing to take risks at a moderate level. The average score for entrepreneurial growth is 3.43, suggesting that SMEs in Sukabumi City experienced moderate growth over the past year. The average score for SME performance is 3.57, indicating that the overall performance of SMEs in Sukabumi City is reasonable.

There is a positive and significant correlation between innovation, creativity, risk-taking, entrepreneurial growth, and SME performance. Innovation is positively correlated with creativity ($r = .55, p < .01$), risk-taking ($r = .36, p < .01$), entrepreneurial growth ($r = .52, p < .01$), and SME performance ($r = .48, p < .01$). Creativity is positively correlated with risk-taking ($r = .44, p < .01$), entrepreneurial growth ($r = .56, p < .01$), and SME performance ($r = .52, p < .01$). Risk-taking is positively correlated with entrepreneurial growth ($r = .42, p < .01$) and SME performance ($r = .38, p < .01$). Entrepreneurial growth is positively correlated with SME performance ($r = .81, p < .01$).

Multiple regression analysis was conducted to test the hypotheses, with entrepreneurial growth and SME performance as the dependent variables and innovation, creativity, and risk-taking as the independent variables. The results of multiple regression analysis show that in the first model, with entrepreneurial growth as the dependent variable, innovation, creativity, and risk-taking were significant predictors of entrepreneurial development, accounting for 36.2% of the variation. Innovation ($\beta = .41, p < .01$) and creativity ($\beta = .42, p < .01$) have a significant positive impact on entrepreneurial

growth, while risk-taking ($\beta = .12, p > .05$) does not have a considerable effect.

In the second model, with SME performance as the dependent variable, innovation, creativity, and risk-taking were also significant predictors of SME performance, accounting for 30.1% of the variation. Innovation ($\beta = .38, p < .01$) and creativity ($\beta = .44, p < .01$) have a significant positive impact on SME performance, while risk-taking ($\beta = .15, p > .05$) does not have a considerable effect.

Overall, the results of this study indicate that innovation and creativity are essential factors contributing to entrepreneurial growth and SME performance in Sukabumi City. However, risk-taking was found to have a weaker impact on these outcomes, although the relationship remains positive.

4.2 Qualitative Result

In addition to quantitative data, qualitative data was collected through in-depth interviews with 15 owners or managers of micro, small, and medium enterprises (MSMEs) in Sukabumi. The interviews aimed to understand better MSMEs' experiences and perceptions regarding innovation, creativity, and risk-taking.

Thematic analysis was used to analyze the interview data, revealing three main themes: (1) the importance of innovation and creativity for MSME growth, (2) challenges faced in implementing innovative and creative practices, and (3) attitudes towards risk-taking.

4.3 The importance of innovation and creativity for MSME growth

All of the MSME owners or managers interviewed emphasized the importance of innovation and creativity for the growth and sustainability of their businesses. They stated that innovation and creativity help differentiate their products or services from competitors and respond to customer needs and preferences changes. They also highlighted the importance of creativity in developing new marketing strategies and building brand awareness.

4.4 Challenges faced in implementing innovative and creative practices

Although the importance of innovation and creativity was acknowledged, MSME owners or managers reported facing challenges in implementing such procedures. The main difficulties were limited financial resources, a lack of skilled human resources, and a lack of knowledge and awareness about innovation and creativity.

4.5 Attitudes towards risk-taking

MSME owners or managers reported having different attitudes toward risk-taking. Some viewed risk-taking as necessary for business growth, while others were more cautious and took a more conservative approach. Those willing to take risks reported doing so after carefully evaluating potential risks and benefits.

4.6 Policies and initiatives to encourage innovation, creativity, and risk-taking in Sukabumi City

Several policies and initiatives could be implemented to encourage innovation, creativity, and risk-taking among MSMEs in Sukabumi City. First, the government could financially support MSMEs to invest in innovation and creativity. This could be through grants, subsidies, or low-interest loans to help MSMEs obtain the resources and technology needed to implement innovation and creativity strategies effectively.

Second, the government could provide training and development programs to help MSMEs develop the knowledge and skills to implement innovation, creativity, and risk-taking strategies. This could include workshops, seminars, and mentorship programs to help MSMEs understand the latest trends and best practices in innovation and creativity.

Thirdly, the government can establish policies and incentives encouraging SMEs to take risks and innovate. This may include tax incentives, patent protection, and government procurement policies prioritizing innovative SMEs. Fourthly, the collaboration between SMEs, universities, research institutions, and industry associations can be promoted to

facilitate knowledge and technology transfer. This can lead to the development of new products and services that meet changing customer needs and demands and can enhance the competitiveness of SMEs in the city of Sukabumi.

Innovation, creativity, and risk-taking are critical factors that affect entrepreneurship growth and SMEs' performance. SMEs that invest in innovation and creativity tend to have higher productivity, customer satisfaction, and market share, contributing to their long-term growth and success. In addition, risk-taking can help SMEs capitalize on new opportunities and remain competitive. However, several barriers to innovation, creativity, and risk-taking in Sukabumi include a lack of financial resources, access to information, and government support. To promote innovation, creativity, and risk-taking among SMEs in Sukabumi, the government can implement policies and initiatives providing financial support, training, development programs, and incentives encouraging SMEs to innovate and take risks. Collaboration between SMEs, universities, research institutions, and industry associations can also be promoted to facilitate knowledge and technology transfer, leading to the development of new products and services that meet changing customer needs and demands.

Discussion

This research shows that innovation and creativity are essential factors contributing to the growth of entrepreneurship and the performance of micro, small, and medium enterprises (MSMEs) in Sukabumi. The positive and significant correlation between innovation, creativity, entrepreneurship growth, and MSMEs performance is consistent with previous research that identified innovation and creativity as the main drivers of MSMEs success [42], [43], [61]–[65].

Multiple regression analysis also confirms the importance of innovation and creativity for MSMEs growth, as both

variables were significant predictors of entrepreneurship growth and MSMEs performance. This finding is consistent with previous research that highlighted the positive impact of innovation and creativity on MSMEs growth and performance [13], [16], [20], [32], [40].

Qualitative data shows that owners or managers of MSMEs in Sukabumi have varying attitudes towards risk-taking, with some being more cautious and avoiding risks. This may be due to limited financial resources and the lack of skilled human resources faced by many MSMEs in the region, which makes them more reluctant to take potentially damaging risks to their business.

Despite the challenges MSMEs face in Sukabumi, this research shows that innovation and creativity can still be important in driving entrepreneurship growth and MSMEs performance. This highlights the importance of promoting and supporting innovative and creative practices among MSMEs in the region [31], [66]–[68]. This can be achieved through various strategies, such as providing financial incentives for innovation and creativity, offering training and development programs for MSMEs employees, and encouraging collaboration between MSMEs and other organizations, such as universities and research institutions.

Limitations and Future Research

This study has several limitations that need to be addressed in future research. First, this research is limited to MSMEs in Sukabumi, which may not represent MSMEs in other regions or industries. Future research can expand the scope of the study to include MSMEs in other areas or enterprises to provide a more comprehensive understanding of the influence of innovation, creativity, and risk-taking on MSMEs growth and performance.

In conclusion, the discussion on the influence of innovation, creativity, and risk-taking on entrepreneurship growth and MSMEs performance in Sukabumi highlights several key findings from the study. The

results show that innovation and creativity significantly impact MSME growth and performance, while risk-taking has a weaker impact. Innovation and creativity are the main drivers of MSMEs growth and performance, as they enable businesses to develop new products, services, and processes that can improve productivity, efficiency, and competitiveness [47], [25], [48]. This is especially important for MSMEs in Sukabumi, who face significant challenges such as limited financial resources and a lack of skilled human resources. Innovation and creativity can help MSMEs overcome these challenges by enabling them to develop unique solutions to business problems [21], [37], [38].

In addition, the findings indicate that risk-taking, although having a weaker impact on the growth and performance of SMEs, still plays a role in driving SME success. This is consistent with previous research that has revealed risk-taking as a critical characteristic of successful entrepreneurs [55]–[56]. However, SME owners or managers in Sukabumi City have varied attitudes towards risk-taking, with some being more cautious and less willing to take potentially detrimental risks to their businesses. This may be due to the limited financial resources and lack of skilled human resources faced by many SMEs in the area, which make them more reluctant to take risks that could potentially harm their businesses.

The results of this study have important implications for policymakers and SME owners or managers in Sukabumi City and other areas with similar economic contexts. Policymakers should focus on encouraging and supporting innovative and creative practices among SMEs in the area. This can be achieved through various strategies, such as providing financial incentives for innovation and creativity, offering training and development programs for SME employees, and building collaborations between SMEs and other organizations, such as universities and research institutes.

SME owners or managers in Sukabumi City should also prioritize innovation and creativity as key drivers of business growth and performance. They should develop a culture of innovation and creativity within their organizations and encourage employees to generate new ideas and solutions to business problems. Additionally, SME owners or managers should carefully evaluate risks and opportunities before taking action, balancing the potential rewards of new ventures with the potential risks of failure.

5. CONCLUSION

The findings indicate that innovation and creativity are the main drivers of growth and performance of SMEs, while risk-taking

still plays a role in the success of SMEs. Policymakers and owners or managers of SMEs in Sukabumi city and other areas with similar economic contexts should promote and support innovative and creative practices to drive entrepreneurship growth and improve SMEs' performance. This study highlights the need for SMEs to develop a culture of innovation and creativity within their organization and carefully evaluate risks and opportunities before taking action. Overall, this study contributes to the literature on entrepreneurship in developing regions, providing insights into the factors driving SMEs' growth and performance in Sukabumi city.

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