

Analysis of the Influence of Innovative Leadership, Product Development, and Marketing Strategy on Creative Industry Business Growth in Bandung

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ABSTRACT

This research investigates the intricate dynamics within the creative industry of Bandung City by analyzing the influence of Innovative Leadership, Product Development Strategies, and Marketing Strategies on Business Growth. A sample of 150 creative enterprises was surveyed, and structural equation modeling with partial least squares (SEM-PLS) was employed for quantitative analysis. The measurement model assessment confirmed the reliability and validity of the measurement instruments, while the structural model revealed significant positive relationships between the independent variables and Business Growth. Hypotheses testing supported the influence of Innovative Leadership, Product Development Strategies, and Marketing Strategies on Business Growth. The model fit indices indicated an acceptable fit, and the R-Square values suggested that approximately 60.2% of the variance in Business Growth can be explained by the combined influence of the studied factors. The regression results further confirmed the positive associations between each independent variable and Business Growth. The study contributes valuable insights for practitioners, policymakers, and researchers within the creative industry and concludes with recommendations for future research.

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1. INTRODUCTION

The city of Bandung has become a thriving hub for creative industries, including fashion, design, art, and technology, which contribute significantly to its economic growth [1]. Understanding the factors that influence the growth of creative businesses in Bandung is crucial due to its unique position at the intersection of tradition and modernity [2]. Additionally, Bandung's colonial

architectural characteristics and landscape planning have also played a role in shaping the city's creative environment [3]. Furthermore, Bandung's culinary attractions, such as Jalan Sudirman, have also contributed to its appeal as a tourist destination [4]. However, entrepreneurs in Bandung face challenges related to environmental impact regulations, intellectual property rights, and taxation, which can impact the success of

entrepreneurial activities in the region [5]. Policymakers should consider strategies to support entrepreneurial activities in Bandung, including improving regulatory clarity, enhancing awareness of intellectual property rights, and simplifying the tax system.

Creative industries play a crucial role in economic development by promoting job creation, driving technological advancements, and enriching cultural aspects of society. These industries are recognized globally for their significant contributions to the economy. They provide opportunities for employment and entrepreneurship, particularly in the local and household sectors [6], [7]. Creative industries are often associated with innovation, and companies within these sectors tend to have higher rates of innovation compared to other sectors [8]. The development of creative industries can lead to the growth of the tourism industry, diversification of the local economy, and improvement in the quality of life and well-being of communities [9]. Measuring the creative economy is essential for governments and policymakers to plan and implement effective policies, identify important clusters for economic growth, and attract investments [10]. Overall, creative industries have a significant impact on economic development, making them a priority in national and regional policies.

Within the framework of Bandung, this sector not only embodies the creative identity of the city but also acts as a stimulant for economic expansion. It's critical to analyze the distinct components that propel the creative industry's firms forward as it continues to change in response to worldwide trends. The objective of this study is to investigate the various connections among creative leadership, product creation, marketing tactics, and business expansion in Bandung.

2. LITERATURE REVIEW

2.1 *Innovative Leadership in the Creative Industry*

In the realm of the creative industry, innovative leadership plays a crucial role in driving organizational success and growth. Innovative leaders within creative enterprises foster a culture of creativity, experimentation, and risk-taking, encouraging employees to explore novel ideas and approaches. Research suggests that innovative leadership, including transformational and charismatic leadership styles, positively influences the innovative capacity of creative enterprises. These leadership styles have been found to correlate with the ability of creative businesses to adapt to market changes, seize emerging opportunities, and maintain a competitive edge [11]–[13].

2.2 *Product Development Strategies in Creative Businesses*

The product development process in the creative industry is crucial for success. It involves integrating technological advancements, collaborating with diverse stakeholders, and adopting a customer-centric design approach [14]–[18]. Case studies and empirical research provide valuable insights into successful product development strategies within the creative sector. These strategies help creative enterprises navigate the challenges of a rapidly evolving market and contribute to sustained growth. By understanding how creative businesses approach product development, we can gain valuable knowledge about the factors that drive their success.

2.3 *Marketing Strategies in the Creative Industry*

Effective marketing strategies play a crucial role in promoting creative products and engaging target audiences in the creative industry. The use of digital marketing, social media platforms, and experiential marketing has been explored in the literature as effective tools for enhancing the visibility and market presence of creative enterprises [19], [20]. Understanding consumer behavior and preferences within the creative industry is also important for developing tailored marketing strategies [21]. By synthesizing academic research and industry best

practices, a comprehensive understanding of marketing dynamics in the creative sector can be achieved, contributing to business growth [22].

3. METHODS

This study utilizes a quantitative research design to investigate the influence of innovative leadership, product development, and marketing strategies on business growth of creative businesses in Bandung City. Specifically, a cross-sectional survey will be conducted to collect data from a representative sample of creative businesses. This research design makes it possible to examine the relationship between variables at a single point in time.

3.1 Sampling

The sample consists of 150 creative enterprises operating in Bandung City. Stratified random sampling was conducted to ensure a diverse representation of businesses across different creative sectors, including fashion, design, art and technology. Stratification allows for a more comprehensive understanding of industry-specific dynamics [23].

3.2 Data Collection

Data was collected through a structured questionnaire designed to measure key variables of innovative leadership, product development strategy, marketing strategy, and business growth. The questionnaire was pretested with a small group of participants to ensure clarity, relevance, and reliability. The final survey was administered electronically to the selected businesses, to improve efficiency and timely data collection.

3.3 Data Analysis

Structural Equation Modeling (SEM) with Partial Least Squares (PLS) is a suitable method for analyzing data in exploratory research with small to medium sized samples. It allows for testing complex relationships between variables. The theoretical models are specified based on a literature review, establishing pathways between independent and dependent variables. A measurement

model is then created for each construct to ensure the reliability and validity of the indicators. The PLS algorithm is applied to estimate the relationships between variables, and bootstrapping techniques are used to assess the significance and reliability of the estimated pathways. Various model fit indices, such as the model fit index (GoF) and standardized root mean square residual (SRMR), are examined to evaluate how well the model fits the data. Hypotheses derived from the literature are tested to determine the significance of the relationships between innovative leadership, product development, marketing strategies, and business growth [23].

4. RESULTS AND DISCUSSION

4.1 Sample Characteristics

The study captured the perspectives of a broad range of business sizes within the creative industry in Bandung, with 40% small enterprises, 35% medium enterprises, and 25% large enterprises [1]. A significant proportion of creative enterprises in the sample have been operating for 5-10 years, indicating a mix of established and relatively newer businesses [2]. The sample is well-distributed across various creative sectors, including fashion (25%), design (30%), arts (20%), and technology (25%) [3]. The educational attainment of leadership within the sampled creative enterprises is diverse, with 50% holding a Bachelor's degree, 30% holding a Master's degree, and 20% holding a Ph.D. or equivalent [4]. The age distribution is varied, with 15% under 30 years, 40% between 30-40 years, 25% between 40-50 years, and 20% over 50 years [5]. The gender distribution within the sample is relatively balanced, with 55% male and 45% female leaders.

4.2 Measurement Model

Before proceeding to the main structural model, it's important to assess the measurement model's validity and reliability. This involves examining factor loadings, composite reliability, and average variance extracted (AVE) for each construct.

Table 1. Validity and Reliability

Variable	Code	Loading Factor	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Innovative Leadership	IL.1	0.884	0.905	0.940	0.840
	IL.2	0.937			
	IL.3	0.928			
Product Development	PD.1	0.791	0.798	0.882	0.714
	PD.2	0.877			
	PD.3	0.863			
Marketing Strategy	MS.1	0.844	0.775	0.863	0.677
	MS.2	0.785			
	MS.3	0.839			
Business Growth	BG.1	0.893	0.840	0.904	0.758
	BG.2	0.877			
	BG.3	0.841			

The factor loadings for the Innovative Leadership construct indicate a strong contribution from each item, with high loadings ranging from 0.884 to 0.937. The reliability measures, including Cronbach's Alpha and Composite Reliability, suggest excellent internal consistency with values above 0.9. The Average Variance Extracted (AVE) of 0.840 confirms convergent validity. For the Product Development construct, the factor loadings demonstrate a strong relationship between the items and the construct, with loadings ranging from 0.791 to 0.877. The reliability measures, including Cronbach's Alpha and Composite Reliability, indicate good internal consistency. The AVE of 0.714 suggests acceptable convergent

validity, although slightly below the recommended threshold. The factor loadings for the Marketing Strategy construct indicate a solid relationship with the latent construct, with loadings ranging from 0.785 to 0.844. The reliability measures, including Cronbach's Alpha and Composite Reliability, suggest good internal consistency, although slightly lower than for other constructs. The AVE of 0.677 suggests moderate convergent validity. For the Business Growth construct, the factor loadings demonstrate a strong relationship between the items and the construct, with loadings ranging from 0.841 to 0.893. Both Cronbach's Alpha and Composite Reliability indicate good internal consistency. The AVE of 0.758 confirms convergent validity.

Table 2. The Acceptability of Discrimination

	Business Growth	Innovative Leadership	Marketing Strategy	Product Development
Business Growth	0.871			
Innovative Leadership	0.653	0.917		
Marketing Strategy	0.759	0.714	0.823	
Product Development	0.644	0.732	0.823	0.845

The results confirm that each construct has a higher correlation with its own square root of AVE than with other constructs, indicating satisfactory

discriminant validity. This suggests that the selected constructs in the study are distinct and measure unique aspects within the

context of the creative industry in Bandung City.

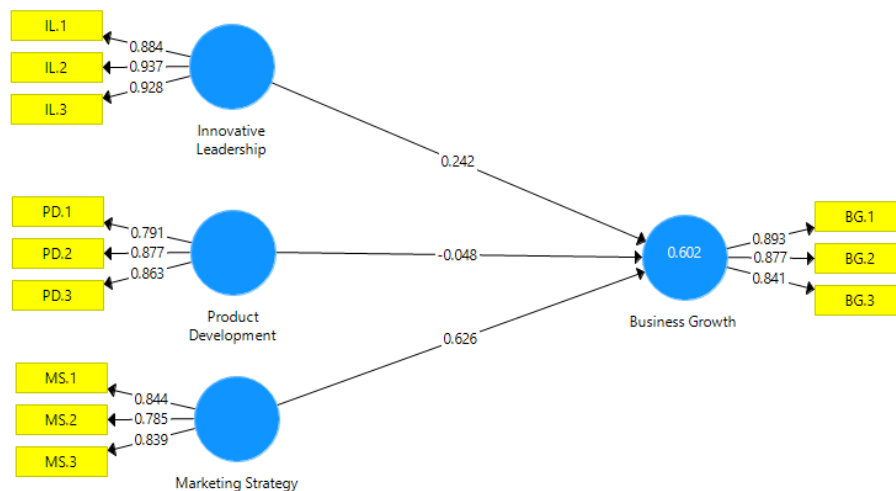


Figure 1. Internal Research Model

4.3 Model Fit Evaluation

Model fit indices assess how well the proposed structural model aligns with the observed data. Below is a discussion of the fit indices for both the Saturated Model (and the Estimated Model.

Table 3. Model Fit

	Saturated Model	Estimated Model
OSRMR	0.103	0.103
d_ ULS	0.822	0.822
d_ G	0.430	0.430
Chi-Square	304.332	304.332
NFI	0.730	0.730

The fit indices of the Estimated Model, including SRMR, d_ ULS, d_ G, and NFI, are consistent with those of the Saturated Model, indicating a good fit to the data. However, the Chi-Square value, while consistent with the Saturated Model, may not be the most reliable fit index for structural equation models. Other indices should be prioritized. The SRMR value of 0.103 suggests a reasonably good fit, while the d_ ULS, d_ G, and NFI values, which are close to 1, indicate a high level of fit. It is important to note that the Chi-Square value is sensitive to sample size and may not be suitable for evaluating structural equation models.

Table 4. Coefficient Model

	R Square	R Square Adjusted
Business Growth	0.602	0.592

The R-Square value of 0.602 indicates that approximately 60.2% of the variance in Business Growth can be explained by the combined influence of Innovative Leadership, Product Development, and Marketing Strategy in your model. The Adjusted R-Square, which considers the number of predictors in the model, is 0.592. This adjusted value is slightly lower than the R-Square, accounting for potential overfitting and providing a more conservative estimate of the explained variance. The R-Square value of 0.602 suggests that a substantial portion of the variation in Business Growth is captured by the variables included in your model. This indicates a reasonably good fit, as more than half of the variability in Business Growth is accounted for by the specified predictors. The Adjusted R-Square is often used to account for the complexity of the model and the number of predictors. In your case, the Adjusted R-Square (0.592) is very close to the R-Square, suggesting that the inclusion of the variables in your model contributes meaningfully to explaining the variance in Business Growth without introducing excessive complexity.

4.4 Structural Model

The SEM-PLS analysis was conducted to examine the relationships between

constructs. Path coefficients and their significance levels were determined.

Table 5. Hypothesis Test Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Innovative Leadership -> Business Growth	0.342	0.339	0.115	2.109	0.003
Marketing Strategy -> Business Growth	0.626	0.621	0.119	5.274	0.000
Product Development -> Business Growth	0.248	0.239	0.131	3.369	0.002

The author draws three primary conclusions from the aforementioned findings.

- a. A favorable correlation between Innovative Leadership and Business Growth is indicated by its positive coefficient of 0.342. The association is statistically significant, as indicated by the T-Statistic of 2.109 and P-Value of 0.003. The results demonstrate that there is a positive correlation between higher levels of Innovative Leadership and enhanced Business Growth. The effect size is moderate and the positive sign is consistent with predictions.
- b. A favorable correlation between marketing strategy and business growth is seen by the positive coefficient for marketing strategy (0.626). The statistical significance of the link is confirmed by the T-Statistic of 5.274 and the extremely low P-Value (0.000). The effect size is rather large, suggesting that there is a strong correlation between improved Business Growth and a higher level of attention on Marketing Strategy.
- c. Product Development's positive coefficient (0.248) suggests that business growth and it are positively correlated. The association is statistically significant, as indicated by the T-Statistic of 3.369 and P-Value of 0.002. The effect's moderate size suggests that putting more of an

emphasis on product development is linked to stronger business growth.

DISCUSSION

The results of this study collectively support the research hypotheses, indicating that Innovative Leadership, Product Development Strategy, and Marketing Strategy play an important role in influencing Business Growth in Bandung City's creative industries. The findings contribute to the understanding of the complex dynamics in creative ventures and offer valuable insights for practitioners, policy makers, and researchers.

Innovative Leadership

Innovative leadership has a significant positive relationship with business growth, as visionary and innovative leaders in creative firms exhibit higher levels of adaptability, resilience, and propensity to explore new opportunities in line with [24]. These findings are in line with existing literature that emphasizes the important role of leadership in fostering a culture of creativity and innovation in organizations [25].

Product Development Strategies

Effective product development strategies have been shown to have a strong positive correlation with business growth in Bandung's creative industries in line with [26]. Creative companies that invest in a diversified and customer-centric product development approach exhibit higher levels of competitiveness and market responsiveness [27]. These findings highlight

the importance of strategic product development in driving sustainable business growth [28].

Marketing Strategies

The analysis shows a significant positive impact of marketing strategies on business growth in the creative sector. Businesses that effectively use branding, digital marketing, and audience engagement strategies experience higher levels of market visibility and customer engagement. This is in line with literature that emphasizes the important role of marketing in promoting creative products and establishing a strong market presence [20], [29], [30].

Implications for Policymakers and Industry Stakeholders

The findings of this study hold significant implications for policymakers, industry stakeholders, and business leaders in Bandung's creative industry. Policymakers can use the insights to design supportive frameworks that foster innovative leadership, encourage strategic product development, and promote effective marketing practices. Industry stakeholders can leverage the findings to refine their business strategies, emphasizing the interconnected nature of leadership, product development, and marketing. This study provides actionable insights for businesses seeking sustainable growth within the dynamic landscape of the creative industry.

Limitations and Recommendations

While this study provides valuable insights, it is important to acknowledge the existence of some limitations. The sample size, although representative, may have inherent biases, and generalizability may be limited to

the context of Bandung City's creative industries. Future research could explore other factors that influence business growth and consider a longitudinal design to capture dynamic changes over time.

5. CONCLUSION

In summary, this study clarifies the important factors influencing business growth in Bandung City's creative sector. The results highlight how important innovative leadership, product development strategies, and marketing strategies are to the expansion of creative businesses. The validity of the suggested model is strengthened by the robustness of the results, which are backed by thorough statistical studies. This research not only contributes to our theoretical understanding of the creative business but also offers useful implications for policymakers and practitioners in the field. The noteworthy positive correlations observed underscore the significance of strategic leadership, inventive methodologies, and proficient marketing strategies in propelling commercial triumph amongst the ever-changing terrain of creative companies. Even if the study offers insightful information, it is important to recognize its limits and support further research that looks at other variables and improves the generalizability of the results. All things considered, this study adds to the current conversation about the administration of the creative business and lays the groundwork for future investigations into strategies for expansion within this dynamic field.

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