

## THE INFLUENCE OF MARKET ATTRACTIVENESS AND DYNAMIC CAPABILITY ON COMPETITIVE STRATEGY AND THE IMPLICATIONS ON BUSINESS PERFORMANCE OF CREATIVE INDUSTRY IN WEST JAVA

Radix Iwan M. Sipayung,  
Sucherly,  
Faisal Affif,  
Imas Soemaryani

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### ABSTRACT

*The contribution of creative industries to the GDP (Gross Domestic Product) is still lagging behind compared to some developed countries in the world. Indonesia has lagged more than 5 (five) years compared to those countries in the management of creative industries in the country. It shows the performance of businesses in the creative industries in Indonesia is not optimal yet, so also in West Java. This is presumably because of not precise execution of competitive strategy and the weak development of dynamic capability and market attractiveness. Referring to the problems, this study aims to investigate the influence of market attractiveness and dynamic capabilities on competitive strategy and the implication to business performance of the creative industries in West Java. This research is verification study on the analysis unit of small businesses in the creative industries in West Java with a sample of 100 respondents drawn through a stratified random sampling method. Time horizon of the study is cross sectional, in which the data was analyzed using SEM. The research findings indicate that the market attractiveness and dynamic capabilities affect the competitive strategy and there are implications on the business performance of creative industry in West Java. Where partially competitive strategy is more dominant in influencing the performance of the small businesses of creative industry in West Java.*

Keywords : market attractiveness, dynamic capability, competitive strategy, business performance.

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### 1. INTRODUCTION

#### 1.1 Research Background

Based on data from statistical bureau, it is known that the creative industries sector is a tenth contributor in the achievement of Indonesia's GDP 2010-2013. It shows that this sector provides an opportunity to continue to be developed but their business performance is not optimal when compared to the wide-open opportunities in this sector. Even when compared to other countries, the potential for business performance in Indonesia of the creative industries sector is quite far behind compared to other countries. The contribution of creative industries to the GDP (Gross Domestic Product) is still lagging behind the developed countries in the world. In 2000-2001, the United Kingdom has been able to obtain a contribution of 7.90% of the creative industries sector, while the Indonesian creative industry contributes 6.28% of GDP in 2007. It shows that Indonesia has lagged more than 5 (five) years compared to those countries in the management of creative industries in the country.

Based on observations in the field, the results of Focus Group Discussion (FGD), and deep interviews with the parties involved, obtained a description of the alleged causes of still not high business performance in the creative industries in West Java. West Java was selected as a place to study because of the number of national creative industries, namely micro and small enterprises, as many as 20% are in the West Java Province. In addition, in an effort to accelerate the development of creative economy in West Java, the regional development planning agency of West Java also has formed a team of initiation as a taskforce, which was then the governor through the West Java Governor Decree No. 500.Kep.146-Bapp / 2012 date of January 12 established the Committee for Economic Development of West Java. In the province of West Java all subsectors according Instruction No. 6 Year 2009 has been developed. Based on observations and interviews with some of the creative industry businesses, industry associations and the creative element of the Government of West Java Province, it is known that the business performance of businesses in West Java is still low compared to the wide-open opportunities in this sector.

Based on the initial assessment, the weak performance of businesses in creative industries currently thought because some companies are still not implementing the right competitive strategy. Three generic competitive strategies aimed to outperform other companies in an industry (Wheelen et al., 2015). Pearce and Robinson (2015) argues that the generic strategy is the core idea of how a company can best compete in a market. While it is based on initial observations on some of the creative industries revealed that they tend not fully able to create a unique product, where products is still imitate competitor's one. The company also has difficulties in creating innovative products that are difficult to be imitated by the competitors, due to several factors such as natural resources and human resources, in this industry has not been able to fully implement the price advantage, which for similar products the range in price is still relatively the same. In addition there are still weaknesses in terms of service to customers that can make customers switch to competitors.

The development of product innovations related to the company's resources, especially human resources as the main driver of production and innovation. It is required the competencies and capabilities align with environmental changes and reconfiguration

of resources to produce a superior product. In observation of the creative industries revealed that the ability of creative industry's resources has not been integrated in an integrated manner, and there are not many specific programs to capture the unique talents in a creative field. It shows that there are still some weaknesses in the ownership of dynamic capability, while Shu-Mei Tseng & Pei-Shan (2012, 0.161) defined that "dynamic capabilities area firm's ability to create and utilize organizational embedded resources for achieving a sustainable competitive advantage". Besides Thomas (2011), revealed that the dynamic capabilities view of strategy has proven to be a lens that is suitable for studying the phenomenon of Corporate Performance Management (CPM). There is a potential relationship between specialized capability CPM and the performance of companies that excel where that relationship is plausible and possible.

Moreover, the creative industries also indicated they have a weakness in adapting market attractiveness, that Best (2013, p.411) state "Market Attractiveness the relative attractiveness of a market based on market forces, competitive environment and market access". So the attractiveness of the market can be measured through market forces, competitive intensity and market access. Meanwhile, based on the results of preliminary observations survey revealed that the creative industries in West Java has not fully understand and adapt to the market attractiveness.

Based on the above description, where the business performance of the creative industries in West Java has not been optimal while its opportunities is still very large in today's digital era where information is open wide, massive skull that can be accessed anywhere and anytime, especially with their support from the government in the development of this industry should be able to be supporting the growth of the creative industry in Indonesia. These conditions gave rise to the presumption of some of the factors that lead to business performance in the creative industries has not been good.

Refer to the preliminary observations found some problems phenomenon argued to be the cause of not optimal business performance of the creative industries in West Java. Problems that can not precisely identified are related to the implementation of competitive strategy in the industry. In addition there is an indication of the weakness in the company's dynamic capabilities as a resource to anticipate changes in the market continues to move dynamically. The low dynamic capability is also associated with a capability of the company's management in in adapting market attractiveness that has not been optimal yet.

Based on the above statement, it is interesting to study the influence of the adoption of a market attractiveness and dynamic capability to competitive strategy as well as its impact on the achievement of business performance on small businesses in the creative industries in West Java.

Then, the problem statement posed in this study :

1. How does the influence of market attractiveness and dynamic capabilities to competitive strategy
2. How does the influence of market attractiveness and dynamic capabilities to business performance
3. How does the influence of competitive strategy to business performance

**Literature Review**

**Market Attractiveness**

In several literatures, the term of market attractiveness also known as industry attractiveness. Market is defined by Walker & Mullins (2011, p.89) as ;

*"We define a market as being composed of individuals or organization who are interested in and willing to buy a good or service to obtain benefits that will satisfy a particular want or need and have the resources to engage in such a transaction. One such market consist of college students who get hungry in the middle of the afternoon and have a few minutes and enough spare change to buy snack between classes"*

As for the factor attractiveness by Walker & Mullins (2011: 89) stated in the following table:

**Table 1 Factors Underlying Market Attractiveness and Competitive Position**

<b>Market Attractiveness Factors</b>	<b>Competitive Position Factors</b>
<p><i>Customer needs and behavior</i></p> <ul style="list-style-type: none"> <li>• <i>Are there unmet or underserved needs we can satisfy?</i></li> </ul> <p><i>Market or market segment size and growth rate</i></p> <ul style="list-style-type: none"> <li>• <i>Market potential in units, revenue, number of prospective customers</i></li> <li>• <i>Growth rate in units revenue, number of prospective customers</i></li> <li>• <i>Might the target segment constitute a platform for later expansion into related segments in the markets as whole?</i></li> </ul> <p><i>Macro trends: Are they favorable, on balance?</i></p> <ul style="list-style-type: none"> <li>• <i>Demographic</i></li> <li>• <i>Sociocultural</i></li> <li>• <i>Economic</i></li> <li>• <i>Political/legal</i></li> <li>• <i>Technological</i></li> <li>• <i>Natural</i></li> </ul>	<p><i>Opportunity for competitive advantage</i></p> <ul style="list-style-type: none"> <li>• <i>Can we differentiate?</i></li> <li>• <i>Can we perform against critical success factors?</i></li> <li>• <i>Stage of competing products in product life cycle: Is the Timing right?</i></li> </ul> <p><i>Firm and competitor capabilities and resources</i></p> <ul style="list-style-type: none"> <li>• <i>Management strength and depth</i></li> <li>• <i>Financial and functional resources: marketing, Distribution, manufacturing, R&amp;D, etc.</i></li> <li>• <i>Brand image</i></li> <li>• <i>Relative market share</i></li> </ul> <p><i>Attractiveness of industry in which we would complete</i></p> <ul style="list-style-type: none"> <li>• <i>Threat of new entrants</i></li> <li>• <i>Threat of new substitutes</i></li> <li>• <i>Buyer power</i></li> </ul>

Market Attractiveness Factors	Competitive Position Factors
	<ul style="list-style-type: none"> <li>• Supplier power</li> <li>• Competitive rivalry</li> <li>• Industry capacity</li> </ul>

(Walker, Jr & Mullins, 2011:89)

Meanwhile according to Best (2013, p.411) “market attractiveness the relative attractiveness of a market based on market forces, competitive environment and market access”.

Huser (2012, p.1), defines :

“Market attractiveness is a multidimensional phenomenon. It can be conceptualized as follows:

- Market size
- Market growth
- Market potential / dynamics (prospective)
- Miscellaneous

Njegomir and Stojić (2012) investigate the factors that influence the attractiveness of nonlife insurance market for foreign insurers in Eastern Europe using panel data from fifteen countries over the period 2004-2009. Prasad (2011) discuss Porter's competitive forces in explaining market attractiveness and isolate the effect of non market such as history, religion and culture that have affected the competitive position of companies in a particular market.

### Dynamic Capability

Mei Tseng Shu and Pei-Shan Lee (2012, p.161) defined that “dynamic capabilities area firm’s ability to create and utilize organizational embedded resources for achieving a sustainable competitive advantage.

*Dynamic capability theory addresses the lock-in issue associated with the rigidities of firm-specific strategic resources and the formation of core competences; it has been used extensively in the extant literature for diagnosing the management of company resources and competitive advantages”* (Ordanini and Rubera, 2008; Smart *et al.*, 2007, in Witcher and Chau, 2008, p.540).

In Witcher and Chau (2008, p.542-543), stated that the most influential article about the dynamic capabilities and strategic management comes from Teece *et al.* (1997) that uses the term "dynamic" to refer to the capacity to renew competences to achieve harmony with the changing business environment, and "capability" is how strategic management adapt, integrate and reconfigure the skills of internal and external to the organization, resources, and functional competencies, strategically in accordance with the changing requirements. The dynamic capability requires a high-order which can affect the ability and competence of low level.

Thomas (2011) wrote some definition of *dynamic capability* :

“ Teece *et al.* (1990, p. 11) and then later (Teece *et al.*, 1997, p. 516) defined DCs as "...the firm's ability to integrate, build, renew and reconfigure internal and external competencies to address rapidly changing environments so as to achieve congruence with the changing business environment by adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competencies...".

Eisenhardt & Martin (2000, p. 1105) state that "...Dynamic capabilities are a set of specific and identifiable processes that are neither vague nor tautological...they are idiosyncratic in their details and path dependent in their emergence but have significant commonalities across firms and often tend to take the form of best practice...". (Thomas 2012, p.42)

“Dynamic capabilities are believed to be important for firms seeking to attain and maintain competitive advantage” (Thomas, 2011, p.7).

Below is some definition in Delgado, Ardila and Ibarra (2012, p.80) ;

**Table 2 Definition of Dynamic Capability**

Author	Dynamic Capability
Schumpeter 1934	Responsible for the process of creative destruction and characteristic of entrepreneurs as key players in the process of continuous change.
Nelson 1991	Built on hierarchical organizational routines, defined in terms of a Schumpeterian or evolutionary context. Named essential capabilities.
Leonard-Barton 1992	Organizational skills to achieve new and innovative forms of competitive advantage.
Iansiti & Clark 1994	Organizational skills to grow, regenerate and adapt knowledge continuously in order to develop and retain organizational capabilities that convert knowledge into useful actions.
Pisano 1994	Antecedents and strategic routines of the firm, by which leaders alter the resource base of the organization (through both of integration and combination

Author	Dynamic Capability
	<i>of resources) to create new strategies to generate value.</i>
Henderson & Cockburn 1994	<i>The creation, evolution and recombination of resources to achieve new competitive advantages. Named architectural skills.</i>
Teece et al. 1997	<i>A company's ability to integrate, build and configure its internal and external competencies to adapt to rapidly to changing environments.</i>
Eisenhardt & Martin 2000	<i>Strategic and organizational processes that create value in companies operating in dynamic markets by manipulating resources into new strategies for value creation.</i>
Makadok 2001	<i>Processes through which firms create economic rents to be more effective than their rivals in deploying resources</i>
Zollo & Winter 2002	<i>Patterns learned from collective activities through which the organization systematically generates and modifies its operating routines.</i>
Winter 2003	<i>High-level routines affected by change. These are investments made by the company to renew its stock of skills.</i>
Augier & Teece 2007	<i>Inimitable. The company relies on them to form, reform, configure and reconfigure their asset base and thus be able to respond to changing markets and technologies.</i>
Wang & Ahmed 2007	<i>Orientation of the company's behavior in the continuous integration, reconfiguration, renovation and recreation of its resources and capabilities and, more importantly, upgrading and rebuilding its core capabilities in response to a changing environment to achieve sustainable competitive advantage.</i>
Augier&Teece 2009	<i>Ability to detect, integrate and reconfigure knowledge</i>

Source : Diaz Delgado, Hugo Ernesto Martínez Ardila and Edna Rocio Bravo Ibarra (2012:80)

### Competitive Strategy

Lewis III (2009, p.8) cites strategy as :

*"Strategy is defined as the development and creation of a procedure that is directed toward sustaining long, intermediate and short term direction for the organization that directs the activities of the internal and external stakeholders (Dictionary.com Unabridged [Vol. 1.1], s.v. "Strategy." Retrieved September 22, 2008, from <http://dictionary.reference.com/browse/Strategy>").*

Meanwhile Beneda (2008) argued that companies involved in the competitive analysis in an effort to gain a better understanding of the resources, capabilities, and strategies of competitors.

Porter in Kotler & Keller (2016) presents three generic strategies as a starting point for strategic thinking that is : *overall cost leadership, differentiation, and focus.*

Meanwhile, according to Hitt, Ireland, Hoskisson (2015), the company can choose five business strategies to establish and maintain a company's strategic position against competitors, which consists of cost leadership, differentiation, focused cost leadership, focused differentiation, and integrated cost leadership/differentiation.

Raymundo, Contador, Contador (2013) provides an alternative to facilitate the formulation of competitive strategy, presenting the easy application procedure, in addition to considering the concepts underlying the two mainstream resolve this problem, namely Porter and Resource-based View, also offered to companies the opportunity to enhance their competitiveness. Camison (2010) studied the relationship between the international experience of small and medium-sized enterprises (SMEs) and their economic performance with the use of intangible assets and financial assets, competitive strategy, and international intensity as a mediating factor.

### Business Performance

Refer to Best (2009), business performance is the output or result of the implementation of all activities related to business activities, business performance indicator is the growth in sales and profitability.

Matic & Jukic (2012, p.199) stated that *"Business performances are indicator of how well does organization accomplish its goals"*.

As according to Hubbard and Beamish (2011, p.140), the business performance indicators can be seen from the aspect of marketing and financial performance. Measurement of business performance through marketing performance is a measure of sales, market growth and market share. Perspective of financial performance is measured by using some measurements : (1) return on investment (ROI), (2) revenue mix, (3) the utilization of the assets (measured by asset turnover), and (4) reduced costs significantly.

### Previous Research

Sheng & Mullen (2010) analyzed the market opportunity by the indicators : market size, economic intensity, language difference, Physical infrastructure, Market receptivity, religion difference. Narula & Upadhyay (2011) conducted a comparison of corporate, business and operational level strategies of domestic vs multinational companies impacting environment has been made by selecting two companies of each type from the industry on the basis of their turnover. The product portfolios of selected companies have been analyzed on the basis of a matrix constructed for market attractiveness and environmental attractiveness. Then they found that both domestic and multinational companies have been making efforts to reorient their product strategy towards a relatively greener portfolio. Also, multinationals are having more environmentally safer products than their domestic counterparts. Indian firms have been catching up by acquiring brands/companies to expand/reorient their product portfolios, whereas multinationals have been adopting merger and acquisition strategies as well as launching new products using indigenous research and development of their parent companies. Related diversification is the preferred strategic move by both the groups, though in different areas.

Marichova (2014) developed a conceptual model "Dynamic capabilities - Competitive advantage - Performance" that can be applied to study the strategic behavior of the construction company and its longterm dynamic capabilities for sustainable competitive advantage. She determinates the strategic factors that influence on the strategic behavior of the firm, identificate the sources of competitive advantage, major strategic decisions and evaluation of the effect of the realization competitive advantages of the firm. Shu-Mei Tseng and Pei-Shan Lee (2012) found that dynamic capability is an important intermediate organizational mechanism through which the benefits of Knowledge Management capability are converted into performance effects at the corporate level. Dynamic capability, increases organizational performance and provides competitive advantages.

Pertusa-Ortega, Molina-Azorin, and Claver-Corte's (2010) shows the influence of competitive strategy to company performance. Then Teeratansirikool et al (2013) found that in general, the whole positive competitive strategy significantly improved the performance of the company through performance measurement. Vlachei et al. (2010) found an association between competitive strategy and the growth and profitability of the company.

### 1.1 Research Objective

This study aims to examine :

1. The influence of market attractiveness and dynamic capabilities to competitive strategy
2. The influence of market attractiveness and dynamic capabilities to business performance
3. The influence of competitive strategy to business performance

## II. METHODOLOGY

This is a verification study with the type of investigation which is testing the causality and effect of relationship between exogenous and endogenous variables. According to Aaker (2013, p.66) causalitas research used if wanted to show that one variable causes or determines the value of the other variables. The observations using a scope (time horizon) that is cross section / one shot, means any information or data obtained are the result of research conducted at one particular time, namely in 2016.

The unit of analysis in this study is the small businesses in the creative industries in West Java with the observation unit is the management of the company. The analysis design to be used is Structural Equation Modelling (SEM).

## III DISCUSSION

*Goodness of fit* – Structural Model Analysis (*Inner Model*) and Measurement (*Outer Model*)

*Goodness of fit* aims to test whether the resulting model describes the actual conditions. This section will discuss the results of hypothesis testing using Structural Equation Modelling (SEM). SEM can test whether the model proposed in the path diagram (theoretical model) suitable, or fit with data. An evaluation of the performance of the model is done thoroughly (overall test).

**Table 3 Model Testing**

Nu.	Degree of suitability	Value	Acceptable Degree of suitability	Description
1.	<i>Chi Square Normed Chi Square (x2/df)</i>	753.79 P value =1.000	P value >0.05	Close Fit
2.	<i>Goodness of Fit Indices (GFI)</i>	0.87	0.80 ≤ GFI ≤ 0,9	Close Fit
3	Adjusted Goodness of Fit Index (AGFI)	0.85	0.80 ≤ AGFI ≤ 0,9	Close Fit
4.	<i>Root Mean Square Error of Approximation (RMSEA)</i>	0.	RMSEA ≤ 0,08 (good fit) RMSEA < 0,05 ( <i>close-fit</i> )	Close Fit

The table above gives the p value at the Chi Square > 0.05, where the value of Goodness of Fit Indices (GFI) is close to 1, so it can be concluded that the model supported by empirical conditions or model is fit.

Below is the measurements framework:

$$Y = 0.22X_1 + 0.69X_2 + \zeta_1$$

$$Z = 0.29X_1 + 0.27X_2 + 0.47Y + \zeta_2$$

Which are :

Z = Performance

Y = Competitive Strategy

X1 = Market Attractiveness

X2 = Dynamic Capability

$\zeta_i$  = Residual

Measurement model of latent variables on the dimensions explain the extent of the validity of the dimensions in the study measure latent variables. The following table presents the results of the analysis of the measurement model for the latent variables on each dimension.

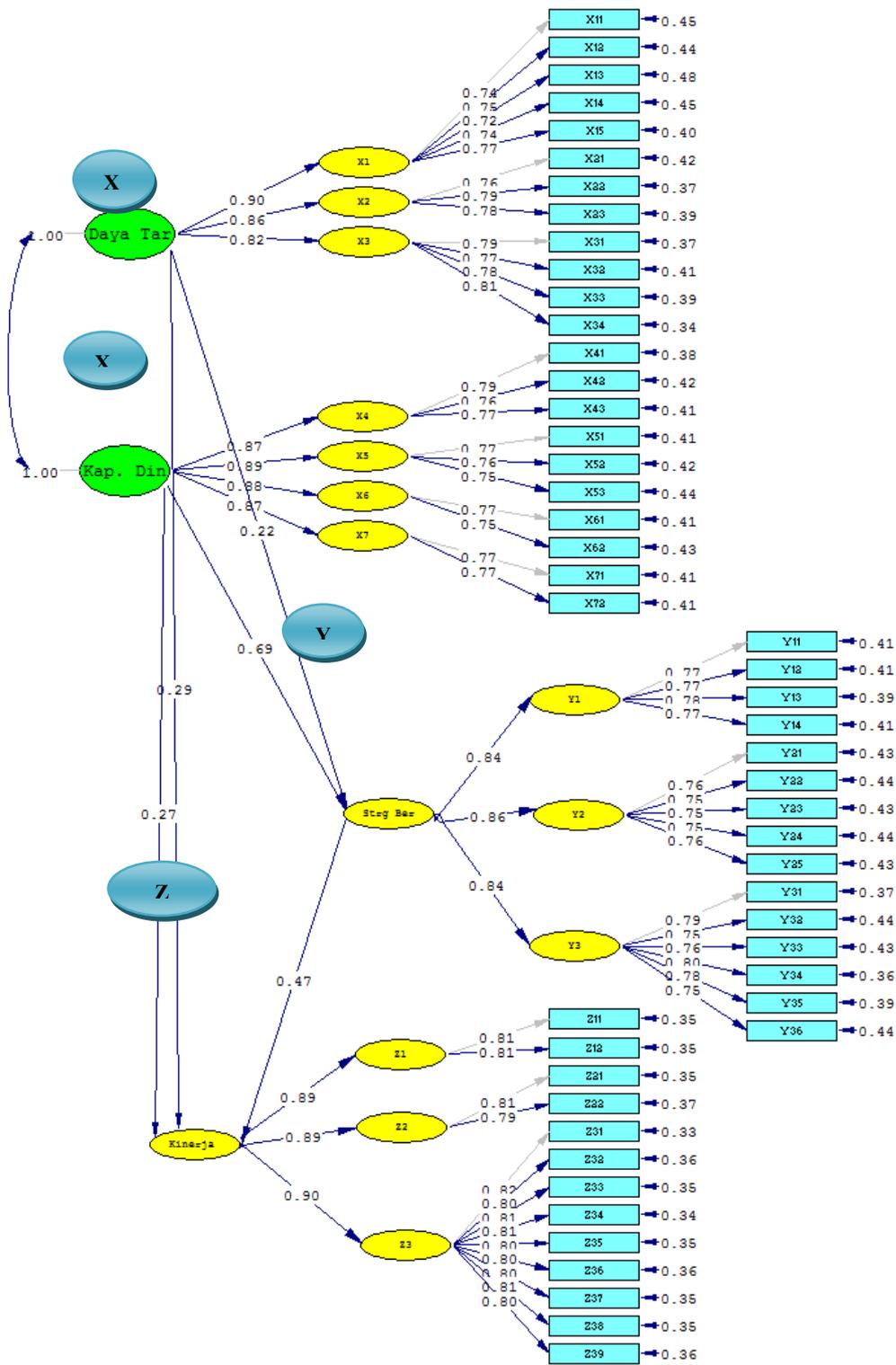
**Table 4**  
*Loading Factor Between Latent Variable-Dimension*

<i>Latent Variable-Dimension</i>	$\lambda$	t	Description
<b>Market Attractiveness -&gt;X1</b>	0.90	10.15	valid
<b>Market Attractiveness -&gt;X2</b>	0.86	9.92	valid
<b>Market Attractiveness -&gt;X3</b>	0.82	10.10	valid
		10.59	
<b>Dynamic capability -&gt;X4</b>	0.87	10.59	valid
<b>Dynamic capability -&gt;X5</b>	0.89	10.54	valid
<b>Dynamic capability -&gt;X6</b>	0.88	10.26	valid
<b>Dynamic capability -&gt;X7</b>	0.87	10.12	valid
<b>Competitive strategy -&gt;Y1</b>	0.84	8.43	valid
<b>Competitive strategy -&gt;Y2</b>	0.86	8.49	valid
<b>Competitive strategy -&gt;Y3</b>	0.84	8.68	valid
<b>Business Performance-&gt;Z1</b>	0.89	8.71	valid
<b>Business Performance -&gt;Z2</b>	0.89	8.69	valid
<b>Business Performance -&gt;Z3</b>	0.90	8.98	valid

The results of the analysis of the measurement model to the variables on the dimensions of research shows that all are valid dimension which the value of  $t < 1.96$  (t table pada  $\alpha = 0.05$ )

The following figure shows the results of the complete path diagram:

**Figure 1**  
**Complete Path Diagram of Research Model**



**Hypothesis Testing**

1. The influence of market attractiveness and dynamic capabilities to competitive strategy of creative industries in West Java

Below is the simultaneous and partial hypothesis testing:

**a. Simultaneous Hypothesis Testing**

Below is the simultaneous testing of hypothesis 1:

**Table 5**  
**Simultaneous Testing of Hypothesis 1**

Hypothesis	R <sup>2</sup>	F	Conclusion
Market attractiveness and dynamic capability→Competitive strategy	0.61	155.79*	Hypothesis accepted

\* significant at  $\alpha=0.05$  (F table =3.422)

According to the table above known that at the degree of confidence of 95% ( $\alpha = 0.05$ ), simultaneously there is the influence of Market attractiveness and Dynamic Capabilities on Competitive Strategy of creative industries in West Java, where its influence is as much as 61% while the rest of 39% influenced by other factors not examined.

**b. Partial Hypothesis Testing**

Below is the partial testing of hypothesis 1 :

**Table 6**  
**Partial Testing Of Hypothesis 1**

Hypothesis	$\gamma$	t	R <sup>2</sup>	Conclusion
Market attractiveness →Competitive strategy	0,22	3.17*	0.09	Hypothesis accepted
Dynamic capability→Competitive strategy	0,69	6.82*	0.52	Hypothesis accepted

\* significant at  $\alpha=0.05$  (t table =1.96)

In the table above is known that partially both dynamic capability and market attractiveness significantly influence the competitive strategies which dynamic capability has a greater impact (52%).

**2. The influence of market attractiveness and dynamic capabilities to business performance of creative industries in West Java**

Below is the simultaneous and partial hypothesis testing :

**a. Simultaneous hypothesis testing**

Below is the simultaneous testing of hypothesis 2 :

**Table 7**  
**Simultaneous Testing of Hypothesis 2**

Hypothesis	R <sup>2</sup>	F	Conclusion
Market attractiveness and dynamic capability→Business Performance	0.20	24.27*	Hypothesis accepted

\* significant at  $\alpha=0.05$  (F table =3.422)

According to the table above test is known that at the degree of confidence of 95% ( $\alpha = 0.05$ ), simultaneously there is the influence of markets attractiveness and dynamic capabilities on business performance of creative industries in West Java, where its influence is at 20% while the rest of 80% influenced by other factors not examined.

**c. Partial Hypothesis Testing**

Below is the partial testing of hypothesis 2:

**Table 8**  
**Partial testing of hypothesis 2**

Hipotesis	$\gamma$	t	R <sup>2</sup>	Conclusion
Market attractiveness →Business Performance	0.29	4.18*	0.107	Hypothesis accepted

<b>Dynamic capability→Business Performance</b>	0.27	2.65*	0.093	Hypothesis accepted
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\* significant at  $\alpha=0.05$  (t table =1.96)

In the table above is known that partially both of market attractiveness and dynamic capabilities have a significant effect on business performance, which is about the same effect.

3. The influence of competitive strategy on business performance of creative industries in West Java

a. Partial hypothesis testing

Below is the partial testing of hypothesis 3 :

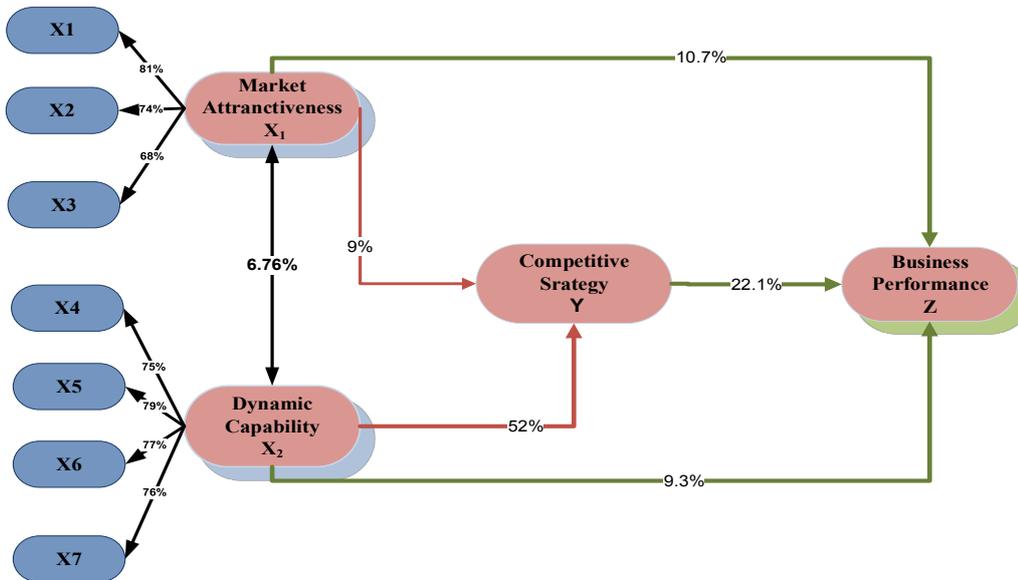
**Table 9**  
Partial testing of hypothesis 3

Hipotesis	$\beta$	t	R <sup>2</sup>	Conclusion
<b>Competitive strategy-&gt; Business Performance</b>	0.47	3.77*	0.221	Hypothesis accepted

\* significant at  $\alpha=0.05$  (t table =1.96)

In the above table it is known that competitive strategies has a significant effect on the performance of business of 22.1%.

**Figure 2**



**Research finding**

Research findings show that competitive strategy has a greater influence than the dynamic capabilities and market attractiveness in influencing business performance. Meanwhile, the variable that contributes in shaping the competitive strategy is dynamic capability and market attractiveness, where the dynamic capability provides greater influence.

Competitive strategy is the dominant variable in improving business performance. Thus, in an effort to improve business performance, the development of competitive strategy is a very important element, especially on the dimensions of the most dominant reflect competitive strategy that is differentiation strategy, which in this case the creative industries in West Java in developing competitive strategies increasingly demanded to increase innovation of design and product quality, develop products that are more varied than competitors, create ease in customer service, as well as in adapting the latest technology.

Dynamic capability is a dominant factor in the effort to develop competitive strategy. Implementation of good dynamic capabilities, especially in terms of reconfiguration and the creation of resources and capabilities, contributing to the competitive strategy on creative industries in West Java.

The adaptation of market attractiveness contributed in supporting of dynamic capabilities to create competitive strategy. Where for that, they need the understanding particularly in the aspects of market forces, namely covering the breadth of market coverage serviced, the growth of markets served, target market power in buying the product, and the characteristics of the market.

Based on the findings, it can be said that the increase in customer growth, the rate of profit, and internal business development process, influenced by how companies favor itself through competitive strategy. The development of competitive strategy itself predominantly shaped by the dynamic capability, which is supported by adapting to the market attractiveness of creative industries. So it can be said to be the dominant dynamic capability is able to affect the company's performance is expected mainly through competitive strategy.

The results of the study in line with finding of Pertusa-Ortega, Molina-Azorin, and Claver-Corte's (2010) which show the influence of competitive strategy to company performance, then Teeratansirikool et al. (2013) who found that in general, the whole positive competitive strategy significantly improved the performance of the company through performance measurement, as well as Vlachei et al. (2010) who found an association between competitive strategy and the growth and profitability of the company.

Based on the findings it is suggested that the increase in customer growth, the rate of profit, and internal business development process, should be rely on how companies favor itself through competitive strategy applied. To develop a competitive strategy, management must rely on the development of dynamic capabilities, supported by adapting to the market attractiveness of creative industries. Their also suggested to strengthen their partnership or relationship with the stakeholders especially the government in order to accelerate its growth with the development of creative industries program launched by the local government.

#### IV CONCLUSION AND SUGGESTION

Refer to the research objective was aim to examine the influence of market attractiveness and dynamic capabilities to competitive strategy and business performance, as well as the influence of competitive strategy to business performance, the findings show that the adaptation of market attractiveness and the development of dynamic capabilities contribute to the development of competitive strategy on creative industries in West Java, which the dynamic capabilities have the greater influence than market attractiveness. Besides the adaptation of market attractiveness and the development of dynamic capabilities contribute to business performance on creative industries in West Java, which the market attractiveness has the greater influence than dynamic capabilities. The finding also shows that the development of competitive strategy has a higher contribution rate in improving business performance than market attractiveness and dynamic capabilities.

Based on the research findings suggested to the management of the creatives industry company in West Java to strengthen their partnership or relationship with the stakeholders especially the government in order to accelerate its growth with the development of creative industries program launched by the local government. Such as for example the Department of Industry and Commerce of West Java Province held a program "Jabar Motekar" which is to prepare for the initiation of West Java's businesses in facing global competition. This preparation in the form of start-up business support, skills training and business management as well as internships at businesses that have been running and successful. The local government in other provinces can do a similar program to boost the growth of creative industries in the region.

The results were obtained in the analysis unit of small business of creative industries, especially in the field of handicrafts and fashion (tangible) and telematics industries (intangible) in West Java. In addition, the variables in this study stem from strategic management, which focused on four (4) variables research that are market attractiveness, dynamic capability, competitive strategy and business performance, while other aspects concerning the format of strategic management as a whole is not an aspect of main concern. So that the future studies are expected to examine the tangible and intangible aspects of the different viewpoints with this study, for example, with emphasis on aspects of marketing management.

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Radix Iwan M. Sipayung  
Doctorate Program in Management,  
Faculty of Economic and Business, Universitas padjadjaran, Bandung, Indonesia

Sucherly  
Professor, Doctorate Program in Management,  
Faculty of Economic and Business, Universitas padjadjaran, Bandung, Indonesia

Faisal Affif  
Professor, Doctorate Program in Management,  
Faculty of Economic and Business, Universitas padjadjaran, Bandung, Indonesia

Imas Soemaryani  
Lecturer, Doctorate Program in Management,  
Faculty of Economic and Business, Universitas padjadjaran, Bandung, Indonesia