BUSINESS CREATION THROUGH CREATIVITY AND INNOVATION AMONG STUDENTS
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ABSTRACT: This study investigates the relationship between creativity, innovation, and the feasibility of business ideas created by students while taking entrepreneurship courses. Data were collected using an online questionnaire. Hypothesis testing uses structural equation modeling. The test results show that creativity has no direct effect on the feasibility of a business idea. Creativity affects the feasibility of a business idea through innovation. Creativity has a positive impact on innovation, and innovation positively impacts the feasibility of a business idea. This research proves creativity itself is not enough to produce a viable business; it requires innovation.

Keywords: Business ideas; Creativity; Innovation; Entrepreneurship.

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INTRODUCTION

Students in higher education are not only printed as graduates who are experts in their fields, but the government's attention in the focus of entrepreneurial development is a serious concern to be applied in every campus. The government has tried to involve campuses in their curriculum to produce young entrepreneurs as job creators. Therefore, students are encouraged to increase their creativity, and then they can provide an example for the community to build a country through entrepreneurship.

An entrepreneurial spirit exists in everyone with creative and innovative abilities and those who like change, renewal, progress, and challenges (Jamil, 2017, p.99), especially young people. Students have to be encouraged to think creatively and innovatively; thus, they can develop an entrepreneurial spirit, independence, and the production of new business ideas. However, universities are still contributing to national-educated unemployment (Harnani et al., 2020). There have not been any young entrepreneurs who are ready to run their businesses after completing their education. They tend to be job seekers rather than job creators.

The core or essence of entrepreneurship is the ability to create something new and different with creative and innovative thinking processes that will become opportunities (Drucker, 2002). Lumpkin and Dess (1996) also stated that innovativeness, risk-taking, proactiveness, competitive aggressiveness, and company autonomy are critical to producing breakthroughs. Therefore, entrepreneurial orientation is considered necessary in a business process, including introducing opportunities, innovation, and exploiting opportunities (Chen et al., 2012). Thus, creativity and innovation, especially in entrepreneurship, are seen as creative entrepreneurs expected to create jobs in society.

Marvianta et al. (2013) state that creativity is essential and required to improve business ideas. However, in creating a business idea, continuous innovation is needed as a mediator. Creativity is a fundamental driver of innovation (Rodríguez-pose & Lee, 2013). This innovation has a role in developing creativity to create business ideas.

In the relationship between creativity, innovation, and business ideas, gaps were found from previous research conducted by experts. Sutapa et al. (2017) found that the effect of invention on innovation was not significant. However, the reality indicates that creative industry players need innovation to find unique and original business ideas (Anjaningrum and Sidi, 2018). Research conducted by Bashor & Purnama (2017) reveals that creativity has a positive impact on the competitive advantage. Furthermore, Hana (2013) stated that it is essential for a business to innovate to win the competition and gain new customers. Based on the different views of some experts, further research is still needed to determine the mediating role of innovation concerning essential business ideas.

Likewise at the Bali Design and Business Institute, one of the universities that produce creative students in Bali, Indonesia, also finds obstacles in creating
graduates as entrepreneurs. Of the 700 students owned, only 10% are interested in the business field. They generally have shown themselves to be active and creative in following entrepreneurship courses, actively sharing their business ideas, and providing innovative ideas in business development plans. This formulation needs to be studied more deeply, especially the relationship between student creativity and the mediating role of innovation in creating business fields. Therefore, this study was conducted to answer whether the creativity and innovation of students had a significant relationship with the feasibility of business ideas.

LITERATURE REVIEW AND HYPOTHESES

Feasibility of Business Ideas

Various types of businesses have sprung up nowadays in line with the government's efforts to improve small and medium enterprises in society. According to (Marvianta et al., 2013), idea development will be carried out through designing a strategy. The strategy in question is through collecting various information related to the business, such as information about consumers, current trends, products, technology, and so on. Someone creative will tend to actively seek information about the company per the business he wants to create or develop. The more creative a person is, the more active he is in looking for business opportunities.

Of course, business ideas born from creative and innovative thought processes have high quality, so they are believed to be realized in real business. Students' business ideas have been tested for their feasibility in entrepreneurship courses; thus, students who have business ideas that are feasible in business will perceive that their business ideas can be realized in real business.

Creativity

Creativity is a natural element that exists within an individual that needs to be honed and developed. Creativity is a person's ability to create new ideas and find new ways of seeing existing problems and opportunities (Zimmerer et al., 2008). In business development, creativity is needed to maintain the business and create new ideas to retain customers. Those who have creativity will continue to look for business opportunities through the new strategies it develops.

A person's creativity greatly influences new ideas in finding business opportunities. Heinonen et al. (2011) found a positive and significant influence between imagination on the perception of the feasibility of a business idea. People who have high creativity in entrepreneurship will always carry out business strategies in finding opportunities for developing their business. They generally have competence in managing work in organizations (Sulantara et al., 2020).

Gomez (2007), in his research in the world of education, found that
students who have high creativity will always be persistent and persistent in thinking about creating a new idea. They tend to have a firm stand and finalize their business ideas before they are executed in the field. This study also found that creative students were sharper in analyzing problems, solving obstacles, and being creative in seeking entrepreneurial experiences. Creative students have a positive relationship with increasing their entrepreneurial ideas (Yar et al., 2008). Previous research has also found similar results that creativity significantly affects the intention to become entrepreneurs (Hadiyati, 2011; Marvianta et al., 2013). It can be inferred that creativity is a strong basis in developing a business idea. Therefore, the first hypothesis proposed is as follows:

H1: Creativity has a positive and significant effect on the feasibility of a business idea

Innovation

Larsen & Lewis (2007) stated that one of the most important characteristics of entrepreneurs is their ability to innovate. A creative business idea usually comes from innovation through the development of old business ideas that are presented differently and differently through other advantages offered to provide convenience and comfort to its users.

Creativity refers to the formation of new ideas, while innovation attempts to generate solutions to problems using these new ideas. Creativity is the starting point of every innovation. Innovation is hard work that follows the formation of ideas and usually involves the efforts of many people with varied but complementary skills (Tan et al., 2005). However, creativity and innovation are interrelated factors in developing a business.

Creativity has a positive and significant influence on innovation, and these two variables also have a positive and considerable impact on the development of business ideas (Hadiyati, 2011). A competitive environment is an environment that is constantly changing and demands the creation of organizational members and adaptive organizational attitudes. This environment will require an intelligent organization to develop its potential and creative power to respond to and win the competition. If you want to live and win, the organization must be innovative and support its members' creative attitude to innovate. Organizations that master business creativity will maintain their Competitive Advantage by maintaining entrepreneurship and maintaining their relationships with their customers (Suardhika and Suryani, 2016). Therefore, the second hypothesis proposed is as follows:

H2: Creativity has a positive and significant effect on innovation

In the world of entrepreneurship, the word innovation is familiar, which means creating something new. Innovation is the transformation of knowledge into new products, processes & services, the act of using something new. Innovation is an economical & social success thanks to introducing new ways or new combinations of old ways of transforming between use values and prices offered to consumers or users, communities, social and the environment. Therefore, the third hypothesis proposed is as follows:
**H3: Innovation has a positive and significant effect on the feasibility of a business idea**

Creativity is not the only aspect that will affect the development of a business idea. Various intermediate variables can influence it, such as research by Kalay & Lynn (2015), which produces empirical evidence that innovation is the industry's primary key to achieving a dominant position and high industrial performance. The results of Suparman & Ruswanti’s research (2017) show that product innovation has a direct or indirect effect on the performance of the creative industry, which is mediated by competitive advantage. The reality shows that consumers today are also increasingly selective in choosing the products they consume. Only superior products that are unique, creative, and innovative can compete in the global market (Anjaningrum & Sapoetra, 2018). Therefore, the fourth hypothesis proposed is as follows:

**H4: Innovation mediates the relationship of creativity to the feasibility of business ideas**

**RESEARCH METHOD**

*Sample, Data Collection, and Data Analysis*

This research was conducted at the Bali Design & Business Institute, located in Denpasar Bali, Indonesia. The population of this research is active students who are still in college until the 2020-2021 academic year. Samples taken were 320 students who were recorded as having taken entrepreneurship courses. From the questionnaires distributed, 101 questionnaires were declared to meet the criteria for further processing. The data were collected by distributing questionnaires using a Likert scale of 5 (strongly disagree to agree strongly) and processed using Structural Equation Modeling-Partial Least Square (SEM-PLS).
The Measurement of Variables

The feasibility of a business idea is measured in terms of perceptions that the respondent self-assesses of the business ideas developed during taking entrepreneurship courses (Heinonen et al., 2011). Creativity is assessed as a perception in which respondents conduct self-assessments about the ability to generate ideas (Puhakka, 2007; Heinonen et al., 2011). Innovation is evaluated as a perception in which respondents conduct self-assessments about the ability to generate added value (Harnani et al., 2020). The measurement is in Table 1.

Table 1. Measurement variable

| Variable                  | Question                                                                 | Source                                      |
|---------------------------|--------------------------------------------------------------------------|---------------------------------------------|
| Creativity                | 1. I usually find extraordinary solutions                                | (Heinonen et al., 2011)                    |
|                           | 2. I typically have a unique idea                                        |                                             |
|                           | 3. when I encounter obstacles, I can walk around it                      |                                             |
|                           | 4. I am trying to find a new solution                                     |                                             |
|                           | 5. I have so many ideas                                                  |                                             |
| Innovation                | 1. I learn things related to a new idea                                   | (Harnani et al., 2020)                     |
|                           | 2. I try to make new products in fulfilling tasks                        | Entrepreneurial practice                    |
|                           | 3. I try to develop a product by adding some creative ideas to improve existing products |
|                           | 4. I try to make products in a new way                                    |                                             |
|                           | 5. I am trying to make a product that has new benefits                    |                                             |
|                           | 6. I am trying to develop an existing product to make it better           |                                             |
| Feasibility of a business idea | 1. I believe that our business idea will have an excellent opportunity to grow | (Heinonen et al., 2011).                   |
|                           | 2. I believe the number of employees will increase with our business idea|                                             |
|                           | 3. I think that the owner will benefit from our business idea            |                                             |
|                           | 4. I think that the sales generated by our business idea will be able to reach its potential customers |                                             |

Source: (Harnani et al., 2020; Heinonen et al., 2011)

RESULT AND DISCUSSION

Validity and Reliability Test Result

The validity and reliability of the data tested will be revealed using convergent validity and discriminant validity. Convergent validity testing is done by outer loading value. The indicator is valid if it has an outer loading value.
> 0.50 and is significant (Ghozali, 2014). Table 2 shows the outer loading value of each indicator is higher than 0.50 and valid at a p-value < 0.05.

Table 2. Outer loadings of research

| Indicators and latent variables | Outer loading | P-value |
|--------------------------------|---------------|---------|
| X1.1 ← creativity              | 0.87          | 0.00    |
| X1.2 ← creativity              | 0.82          | 0.00    |
| X1.3 ← creativity              | 0.90          | 0.00    |
| X1.4 ← creativity              | 0.84          | 0.00    |
| X1.5 ← creativity              | 0.91          | 0.00    |
| Y1.1 ← innovation              | 0.90          | 0.00    |
| Y1.2 ← innovation              | 0.90          | 0.00    |
| Y1.3 ← innovation              | 0.90          | 0.00    |
| Y1.4 ← innovation              | 0.91          | 0.00    |
| Y1.5 ← innovation              | 0.86          | 0.00    |
| Y1.5 ← innovation              | 0.79          | 0.00    |

Table 3. Composite Reliability and AVE

| Construct                      | Composite reliability | AVE  |
|--------------------------------|-----------------------|------|
| Creativity                     | 0.94                  | 0.76 |
| Innovation                     | 0.95                  | 0.77 |
| Feasibility business idea      | 0.96                  | 0.85 |

Table 4. Discriminant Validity

| Innovation | business idea Feasibility | creativity |
|------------|---------------------------|------------|
| Innovation | 0.88                      | 0.92       | 0.87       |
| Feasibility business idea      | 0.73                      | 0.92       | 0.87       |
| creativity                        | 0.85                      | 0.63       | 0.87       |

Convergent validity test can be seen from the AVE value > 0.5. Table 3 shows that the total AVE value test is > 0.5; thus, it meets convergent validity.

Discriminant validity test can be seen from the Fornell-Larcker criterion. All variables must be explained by their indicators and present a more significant score comparable to the unrelated constructs.
Research Hypothesis Test

After all initial tests of validity, reliability, and model robustness test support the data quality, the study can assess the statistical results in the hypothetical formulations as in Table 5.

| Relationship | Coefficient | P-values |
|--------------|-------------|----------|
| Creativity → feasibility of business ideas | 0.02 | 0.86 |
| Creativity → innovation | 0.85 | 0.00 |
| Innovation → feasibility of business idea | 0.70 | 0.00 |
| Creativity → innovation → feasibility of a business idea | 0.02 | 0.86 |

| R² Innovation | 0.73 |
| R² feasibility of a business idea | 0.54 |

Source: Adapted Smartpls output

The research hypothesis test result and the impact of the variable shown in Table 5 are as follows: Hypothesis 1 (H1) proposed found rejected. Creativity does not affect the business idea feasibility, as demonstrated by the coefficient of 0.02 with a p-value of 0.086. Hypothesis 2 (H2) proposed found accepted. Creativity has a significant positive effect on innovation, as demonstrated by the coefficient of 0.85 with a p-value of 0.00 < 0.05. Hypothesis 3 (H3) proposed found accepted. Innovation has a significant positive effect on the feasibility of a business idea, as demonstrated by the coefficient of 0.70 with a p-value of 0.000. Hypothesis 4 (H4) proposed found accepted. Innovation mediates the relationship between creativity and the feasibility of a business idea partially.

Test result from the coefficient of determination (R²) shows that the variation of creativity variables can explain 73% of the variables' innovation variation. Meanwhile, the variation in creativity and innovation explains 54% of the variation in the business feasibility variable. Table 5 provides evidence that the indirect effect in the model is not significant. This finding indicates specific care for future policy recommendations in the field.

DISCUSSION

This study shows that creativity has no effect on the feasibility of a business idea, so the first hypothesis was rejected. This result is not in line with the research conducted by Heinonen et al. (2011), Gomez (2007), who found that students who can think creatively will posture their new ideas. This study confirms that not all creative students can make a business, but they create a business idea without the maximum creativity required. These exciting results show that creativity does not directly affect the feasibility of a business idea. These results differ from the findings (Marvianta et al., 2013). Still, according to the findings (Heinonen et al. 2011), creativity affects the feasibility of finding
business ideas, whereas creativity affects the feasibility of business ideas through innovation.

Creativity has a significant positive effect on innovation, and this result shows the second research hypothesis is accepted. This study confirms that when students have high creativity, they will be able to put it into innovation for their business. This creativity generates innovation is a mutually supportive force (Hall & Rosson, 2006). This result aligns with research conducted by Tan et al. (2005) and Hadiyati (2011).

Innovation has a significant positive effect on the feasibility of a business idea, and this result shows the third research hypothesis is accepted. This hypothesis confirmed that students who have innovations could come up with new business ideas. Business ideas require high innovation skills; thus, a student with the innovation can make and execute a business idea to be a real business. The results of this test are in line with research conducted by Larsen & Lewis (2007) and Tan et al. (2005).

The mediation test results found that the variable creativity is not directly related to the feasibility of a business idea but is through innovation. This innovation partially mediates the relationship between creativity and the feasibility of a business idea (Chen et al., 2005; Dul & Ceylan, 2011). This result shows that the creative sector industry requires significant creativity to develop distinctive and original business concepts (Anjaningrum and Sidi, 2010).

The practical implication of this research is that the creative sector requires originality in the development of new business concepts and constant innovation (Fukawa et al., 2021; Mumford, 2000). Those with a high level of creativity and who are encouraged by innovations will have no trouble coming up with unique and original company ideas (Martín-Rojas et al., 2017; Teece et al., 1997).

The theoretical implication in this study proves that the role of innovation in mediating the relationship between creativity and the development of business ideas needs more attention. From several previous research gaps, this study supports the research results conducted by Sutapa et al. (2017). Tan et al. (2005) stated that high creativity supported by innovation would accelerate business ideas for business actors in the community.

**FURTHER STUDY**

Although creativity is crucial in the business sector, it must be accompanied by varied innovations to be realized. This finding necessitates the creation of entrepreneurship education. Innovation refers to products, services, or concepts that are novel to the client in the business world. Although this concept has been around for a long time, it can be considered innovative by those who have only recently witnessed or experienced it (Hadiyati, 2011). In this scenario, creativity is crucial in coming up with a new idea or adapting an old one in a new commercial venture. As a result, it is suggested that future studies focus on the innovation variable as a critical factor in business success. The
relationship between the innovation variable and other variables in increasing a company’s performance can be further examined.

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