



# The Influence of Innovation, Creativity, and Digitalization on The Competitive Advantage of Women-Owned Msme's in West Jakarta

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**Abstract.** The purpose of this study is to examine the influence of innovation, creativity and digitalization on the competitive advantage of women-owned MSMEs in West Jakarta. The sample size for this study consists of 160 respondents, all of whom are female MSME owners located in West Jakarta. The research employed purposive sampling, with questionnaires distributed both online and offline. The data were analyzed using the PLS-SEM method through SmartPLS 4 software. The result indicate that innovation, creativity and digitalization have a positive effect on the competitive advantage of women-owned MSMEs in West Jakarta. The study recommends that women should strengthen their MSMEs with innovation, creativity and digital capabilities to enhance their competitiveness and long-term business sustainability.

**Keywords:** Innovation, Creativity, Digitalization, Competitive Advantage

## 1 Introduction

In fact, Indonesia's economy is dominantly supported by the micro, small, and medium enterprises (MSMEs) sector. Data from the Ministry of Cooperatives and SMEs shows that the number of MSMEs in Indonesia is expected to reach 65 million in 2024. MSMEs contribute over 60% to Indonesia's GDP, or about IDR 8,573 trillion annually. Beyond their economic contribution, MSMEs in Indonesia also play a crucial role in addressing the country's high unemployment rate, as they absorb approximately 97% of the total workforce, or the equivalent of 116 million workers.

The MSME sector's contribution to Indonesia's GDP is strongly supported by the important role of women, both as business owners and as workers. [1]. Interestingly, the Ministry of MSMEs recorded that as of 2023, the majority of MSMEs in Indonesia, 64.5% of the total 65 million businesses were owned by women. Becoming an entrepreneur cannot be constrained by age, gender, or educational background. Many successful entrepreneurs in Indonesia have limited formal education, and similarly, gender should not hinder women from contributing or becoming successful entrepreneurs. Nowadays, women have more opportunities to access quality education and the freedom to choose their careers, including starting their own businesses [2].

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Women generally view business as an interconnected system that integrates with life, placing themselves at the center of interaction between work, family, and society [3]. Despite the significant progress in women's participation in entrepreneurship in Indonesia, numerous challenges remain for women entrepreneurs in managing their businesses. Gender inequality continues to limit the representation of women in business leadership, and if not properly addressed, it will hinder their potential to grow their businesses [4].

A key challenge often faced by women entrepreneurs involved in MSME management is the lack of ability to compete effectively [5]. Women entrepreneurs always faced the competition, not only about fellow MSMEs but also includes large businesses that have far greater access to resources and capital. Many MSMEs eventually close down due to the intense competition [6]. Business competition demands that entrepreneurs possess strong competitiveness to survive in the market [7]. Therefore, competitive advantage is a critical goal that must be achieved by every MSME. It is not only a determinant of organizational sustainability but also a key indicator of success in facing dynamic market challenges [8].

For women entrepreneurs, gender inequality remains is such a major issue. This gap encompasses several aspects, including access to resources, capital, decision-making power, and the extent to which women can leverage innovation opportunities to gain competitive advantage in their businesses [9]. In this context, innovation becomes a key element in determining success, by creating added value, enhancing efficiency, and responding to ever-changing market needs [10].

Another issue that frequently encountered by women entrepreneurs in managing MSMEs is low productivity in creating new products. This often stems from a lack of creativity, which adversely affects business performance and limits their uniqueness and competitive edge [11]. President Joko Widodo has stated that "The creative industry within the MSME sector is one of the backbones of the Indonesian economy. Therefore, we must continue to support and develop this sector." The contribution of Indonesia's creative industries to the national economy reflects how the industry has evolved in an increasingly modern technological era [12]. Hence, to compete in today's competitive business environment, women entrepreneurs need a high level of creativity, which is crucial for business continuity [13].

In today's era of globalization, every female entrepreneur must be ready to adapt to the digital world to maintain their competitive advantage. However, this is not in line with its implementation in the MSME sector because, according to data from the Ministry of Industry, only around 10% of MSMEs have access to adequate capital and technological resources. The lack of technological knowledge and skills possessed by female MSME owners is often a factor inhibiting the implementation and effective use of technology [14]. Therefore, digitalization in the form of digital transformation is needed to expand their market reach nationally and internationally and provide wider access to consumers so they can compete in a competitive market [15]. Based on the description above, the researcher decided to choose a relevant research title, namely *"The Influence of Innovation, Creativity, and Digitalization on The Competitive Advantage Of Msmes Owned by Women Entrepreneurs in West Jakarta"*

## 2 Literature Review

### 2.1 Grand Theory and Variables Definition

This study is grounded in the Theory of Resources Based-View (RBV), The Resource Based View (RBV) concept was first introduced by Wernerfelt and further developed by Barney as a business development strategy model in 1950. The Resource Based View (RBV) theory emphasizes analyzing and interpreting organizational resources to understand how organizations can achieve sustainable competitive advantage [16]. The following section provides a detailed explanation of the variables examined in this research.

**Innovation.** is defined as a tool, concept, or new idea that has never existed before and is expected to transform something into something more appealing and useful [17]. Innovation is also described as the process of generating ideas, implementing concepts, renewing, and developing products through new methods to provide added value that attracts customers [18]. Innovation involves the ability to think creatively, the skills, and resources possessed by business actors to transform creative ideas into something new, such as products, services, methods, processes, or opportunities [19]. Therefore, innovation can be concluded as a process of creating and developing new ideas to produce products, services, or methods that have unique selling value, with the aim of enhancing business competitiveness in meeting market demands.

**Creativity.** is the ability to imagine and generate new ideas by combining, modifying, or applying existing ideas in new ways [20]. Creativity is utilized to generate new ideas in starting a business and can enable someone to create a product or service that has never existed before [21]. Creativity involves leveraging an individual's potential to generate, think through, and develop new ideas and methods that are useful in identifying opportunities and solving problems effectively [22]. Therefore, creativity can be defined as an individual's ability to generate new ideas by developing and combining them with existing ones, which is useful in creating business advantages, seizing business opportunities, and solving existing problems.

**Digitalization.** refers to the utilization of digital technology that fundamentally transforms business operations and enhances the delivery of customer services [23]. It encompasses the integration of digital technologies across all operational aspects of an organization and this transformation accelerates workflows, automates routine tasks, and improves service quality through the integration of information systems and communication technology [24]. Digitalization in MSMEs not only about adopting digital technology in marketing processes but also in other business operations [25]. Therefore, digitalization can be defined as the application of digital technologies in various operational aspects of a business to achieve improved efficiency, optimization, and service quality.

**Competitive Advantage.** is the organization's ability to meet customer needs in a way that delivers the value they desire [26]. It refers to a condition in which an organization possesses a unique capability that is difficult for competitors to replicate, thereby providing greater added value to customers [27]. Competitive advantage is the key for companies to increase market share and achieve optimal profitability. Thus, this concept serves as a foundation for developing marketing and operational strategies across industries [28]. Therefore, competitive advantage can be concluded as the organization's capability to create unique value that is difficult for competitors to imitate—through innovation, efficiency, service, and technology in order to meet customer needs and expand market share to increase revenue.

## 2.2 Variables Relationship and Hypothesis Development

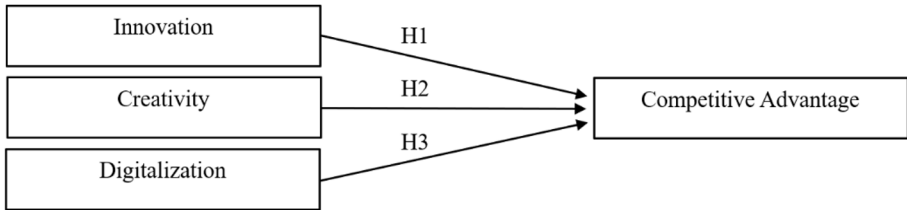
**The Relationship Between Innovation and Competitive Advantage.** Innovation plays an important role in maintaining and improving a business's competitive advantage because it involves creating and introducing new or enhanced products or services to the market [29]. The effective implementation of innovation requires the involvement of various organizational functions, through this approach, businesses are not only able to compete but also have the potential to become market leaders in an era of global competition [30]. Furthermore, innovation is a key tool for achieving competitive advantage by creating unique products that are difficult for competitors to replicate [31]. Therefore, it can be concluded that innovation plays a significant role in helping businesses maintain and enhance their competitive advantage by creating novel and hard-to-replicate offerings. Integrated innovation efforts allow businesses to compete effectively and even lead the market amid intense competition.

**The Relationship Between Creativity and Competitive Advantage.** Creativity enables the development and combination of new ideas derived from customers, which leads to creative product innovations that positively influence competitive advantage [32]. Creativity simultaneously has a strong and positive correlation with competitive advantage, indicating that higher levels of creativity result in stronger competitiveness [33]. Every industry must be creative in producing competitive products, especially in the face of intense competition [34]. Therefore, creativity contributes to competitive advantage by generating innovative ideas that align with customer needs and preferences. The higher the level of creativity applied, the greater the opportunity for businesses to outperform competitors in the market.

**The Relationship Between Digitalization and Competitive Advantage.** When digitalization supported by training, development, and technology adoption, can significantly enhance a company's competitiveness in a dynamic market [35]. To gain a competitive advantage, micro, small, and medium enterprises (MSMEs) must integrate digitalization into their operations, especially in light of ongoing technological disruptions [36]. In the current era of digital transformation, where digital platforms serve as a

primary business tool, MSMEs must adopt digital technology to enhance competitiveness and build organizational resilience [37]. Therefore, digitalization plays a vital role in improving productivity and business competitiveness. By adopting digital technologies, businesses can adapt to technological developments, strengthen their competitive edge, and build long-term sustainability.

Based on the above explanation, the conceptual framework of this study is illustrated as follows:



**Fig. 1.** Research Conceptual Framework

Based on the conceptual framework, this study proposes three research hypotheses. First, innovation is expected to have a positive influence on the competitive advantage of women-owned MSMEs in West Jakarta. Second, creativity is also assumed to positively affect their competitive advantage. Finally, digitalization is hypothesized to have a positive impact on the competitive advantage of women-owned MSMEs in the region.

### 3 Method

The design of this study is a descriptive quantitative approach aimed at providing a clear and detailed depiction of the collected data to facilitate interpretation and decision-making based on the existing data [38]. This study used a non-probability sampling method, specifically purposive sampling. Purposive sampling is a sampling technique where subjects are selected based on specific criteria considered relevant [39]. The data is collected used a questionnaire via Google Forms, which was distributed to 160 respondents who are female micro, small, and medium enterprise (MSME) owners in West Jakarta whose businesses have been operating for at least one year. All data from this study were processed using SmartPLS 4 software. The data analysis technique employed in this study is Structural Equation Modeling (SEM) based on Partial Least Squares (PLS).

### 4 Results and Discussion

Validity and reliability analyses were conducted in this study to determine whether the variables used are valid and reliable. The validity analysis is divided into two types: convergent validity and discriminant validity. The indicators were tested using Average

Variance Extracted (AVE), loading factors, the Fornell-Larcker Criterion, and composite reliability.

**Table 1.** Average Variance Extracted

Variable	Average Variance Extracted
Innovation	0,662
Creativity	0,627
Digitalization	0,665
Competitive Advantage	0,664

Based on the AVE analysis results in the table above, it can be concluded that all variables in this study meet the convergent validity requirements from the AVE perspective, as all four variables have AVE values greater than 0.5.

**Table 2.** Loading Factor

	Innovation	Creativity	Digitalization	Competitive Advantage
I1	0,783			
I2	0,830			
I3	0,805			
I4	0,842			
I5	0,862			
I6	0,801			
I7	0,759			
I8	0,823			
K1		0,766		
K2		0,831		
K3		0,787		
K4		0,851		
K5		0,843		
K6		0,829		
K7		0,709		
K8		0,705		
D1			0,843	
D2			0,708	
D3			0,855	
D4			0,859	
D5			0,867	
D6			0,778	
D7			0,761	
D8			0,836	
KB1				0,777
KB2				0,774
KB3				0,836
KB4				0,780
KB5				0,856
KB6				0,798
KB7				0,834
KB8				0,760

Based on the loading factor analysis results in Table 2, all variables in this study show results above 0.7. Therefore, all indicators in this study can be stated to meet the criteria and have a strong correlation with the latent variables they represent.

**Table 3.** Fornell-Larcker Criterion

	Innovation	Creativity	Digitalization	Competitive Advantage
Innovation	0,814			
Creativity	0,532	0,792		
Digitalization	0,560	0,586	0,815	
Competitive Advantage	0,679	0,646	0,750	0,803

Based on the Fornell-Larcker Criterion results in Table 3, it shows that all variables in this study meet the requirements because the square root of the AVE for each construct is greater than its correlations with other constructs within the research framework.

**Table 4.** Composite Reliability

	Cronbach's alpha	Composite reliability (rho a)	Composite reliability (rho c)
Innovation	0,927	0,930	0,940
Creativity	0,914	0,918	0,931
Digitalization	0,927	0,931	0,940
Competitive Advantage	0,921	0,923	0,935

Based on the reliability analysis shown in Table 4, it can be concluded that all variables in this study are reliable since all Cronbach's alpha values are greater than 0.60 and all Composite Reliability values are greater than 0.70.

**Table 5.** Hypothesis Results

	O-Sample	T-statistics	P-value
Innovation → Competitive Advantage	0,314	2,835	0,005
Creativity → Competitive Advantage	0,217	2,347	0,019
Digitalization → Competitive Advantage	0,447	4,448	0,000

The first hypothesis is accepted, it shows that innovation has a positive effect on competitive advantage with a positive O-Sample value of 0.314, t-statistic greater than 1.96 at 2.835, and p-value less than 0.05 at 0.005. This indicates that the higher the level of innovation performed by female MSME owners in West Jakarta, the more their businesses can demonstrate competitive advantage. Innovation is a crucial factor in creating sustainable competitiveness and business growth

The second hypothesis is accepted, it shows that creativity has a positive effect on competitive advantage with a positive O-Sample value of 0.217, t-statistic greater than 1.96 at 2.347, and a p-value less than 0.05 at 0.019. This indicates that the higher the creativity level of female MSME owners in West Jakarta, the more their businesses can show competitive advantage, as higher creativity manifested through new ideas, products, or services can enhance competitiveness.

The third hypothesis is accepted, it shows that digitalization has a positive effect on competitive advantage with a positive O-Sample value of 0.447, t-statistic greater than 1.96 at 4,446, and p-value less than 0.05 at 0.000. This indicates that the higher the level of digitalization applied by female MSME owners in West Jakarta, the more their businesses can demonstrate competitive advantage. By adopting digital technology and adapting to current developments, the competitive advantage of the business is strengthened.

## 5 Conclusion and Recommendations

### 5.1 Conclusion

Based on the hypothesis testing in this study, it can be concluded that:

1. Innovation has a positive and significant effect on the competitive advantage of MSMEs owned by women entrepreneurs in West Jakarta.
2. Creativity has a positive and significant effect on the competitive advantage of MSMEs owned by women entrepreneurs in West Jakarta.
3. Digitalization has a positive and significant effect on the competitive advantage of MSMEs owned by women entrepreneurs in West Jakarta.

### 5.2 Recommendations

The researcher suggests that every female MSME owner should engage in innovation across various fields to create uniqueness, be creative in developing products and services, and be able to utilize digitalization effectively—whether in marketing products/services, payment systems, or other technologies—to survive in this competitive market and achieve a strong competitive advantage.

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