Relationship of Advertising Creativity, Innovation Capability and Firm Performance

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Abstract - The purpose of this study to test the relationship of advertising creativity to corporate performance through the capability of innovation with quantitative methods. This method was chosen because it uses a management perspective approach that emphasizes the use of a group of methods in managerial decision making, based on the scientific method. The survey was conducted on directors or managers in 154 advertising industries in Jakarta representing the advertising industry in Indonesia. It was found in this study that there is no relationship between advertising creativity and innovation ability, but there is a strong relationship between innovability and firm performance. Data analysis was processed using Amos 18.

Keywords - Advertising, Innovation, Capability, Performance.

I. INTRODUCTION

Advertising industry such as in East Java, for example, said Haries Purwoko, Chairman of the Association of Advertising Company of Indonesia (P3I) East Java, in 2016 many advertising companies in East Java experienced difficult times, like suspended animation. Of the total members of East Java P3I previously reached 85 companies, in 2016 the active does not reach 40 companies. Meanwhile, the central secretary of P3I, Adnan Iskandar added, the advertising industry is required to apply innovative and creative, He hopes, the advertising industry performance continues to improve because in fact advertising expenditure has never decreased and always rising around 13 percent (heritajatim.com; Saturday, 25 February 2017 20:24:49 WIB). This phenomenon attracts research that aims to achieve the performance of advertising industry companies. Company performance is a description of the overall situation of the company for a certain period of time, and is the result or achievement that is influenced by the company's operational activities in the benefits of resources owned (Helfert, 1996). Intangible Resource is considered the most likely source of corporate success because they are not easily obtainable (Ambrosini and Bowman, 2009; Cor and Mesko, 2013; Molloy and Barney, 2015). According to Davila et al. (2006) input is a resource dedicated to creating innovation. These inputs may be tangible (such as people, money, time, equipment) or intangible (such as motivation, knowledge and corporate culture). In this study resources do not materialize as mediation of innovation capabilities to encourage innovation, that is, aspects that affect the company's ability to manage innovation. According to the literature, these aspects include participatory leadership culture (Wang and Ahmed 2004; Martensen et al., 2007; Kallio et al., 2012; Tang, 1999; Dobni, 2008), work and welfare climate (Kallio et al. 2012; Wang and Ahmed 2004; Samson and Terziowski, 1999; Dobni, 2008), ideation and organizing structures (Martensen et al., 2007; Tang, 1999), and regeneration (Hurt et al., 1977; Wang and Ahmed 2004; Martensen et al., 2007; Dobni, 2008). Innovation and creativity in organizations have an inseparable relationship that will support organizational innovation (Fernando, 2012). The perspective of advertising creativity in this research explores the presentation of creative advertising process (sasser, 2008).

Based on the background that has been described above, it can be obtained research problems as follows:
A. Relationship of Advertising Creativity, Innovation Capability and Firm Performance

b) Does Innovation Capability Affect Corporate Performance?

Based on the problems of the above research sourced from the results of previous research and business phenomenon that existed in the advertising industry can be formulated the main problem in this study is to test the relationship of advertising creativity to the capabilities of innovation to achieve performance perusahaan.

II. MATERIAL AND METHODS

A. Firm Performance

Performance is an evaluation of changes in the financial condition of an organization, or financial results that occur from management decisions and implementation of the decisions by members of the organization (Sarker, Palit 2015). Organizational performance has been used as a dependent variable. March and Sutton (1997), and Brush and Vanderwerf (1992) use performance as a dependent variable and try to determine variables that produce variations. Previous researchers have used several performance dimensions such as Lumpkin and Dess (1996) using several dimensions (sales growth, market share, profitability and overall performance), Mokhtar et al. (2014) using four performance dimensions (customer retention, product success new, sales growth and return on investment) to measure market orientation and company performance. Previous researchers (Kusunoki et al., 1998; Venkatraman and Ramanujam, 1986) have used subjective perceptions of managers to measure favorable outcomes for firms. Others prefer objective data, such as asset recovery. The literature has proved widely that there is a high correlation and concurrent validity between objective and subjective data on performance, which implies that both are valid when calculating firm performance (Dess and Robinson, 1984; Venkatraman and Ramanujam, 1987). In this study performance is attributed to the central strategic concern of RBV: "the deployment of resources to gain profit beyond the cost of deploying such resources" (Galbreath, 2004: p143). Perceived perceptions, such as measuring Market share, and Sales Growth (Becker and Gerhart's sales growth), Delaney and Huselid (1996).

B. Innovation Capability

Innovation is a dynamic capability (ie a capability that allows organizations to integrate, build, and reconfigure internal and external competencies to cope with rapidly changing environments; Teece et al .1997) with multiple dimensions (Sa'eniz et al., 2009; Lin et al., 2010). According to Lawson and Samson (2001), innovation capability is a theoretical framework that aims to illustrate actions that can be taken to enhance the success of innovation activities, where the organization produces new products, processes and systems necessary to adapt to market changes, D'Aveni, 1994; Dougherty & Hardy, 1996; Utterback, 1994), or an evolutionary process within an organization to adopt any changes related to new organizational tools, systems, processes, policies or services (Calantone et al ., 2002). Innovation is the prime mover for progress and prosperity, both at the individual, corporate and economic levels in general (Croitoru, 2012; Nelson and Winter, 1982). The definitions given by researchers the ability of innovation.

C. Advertising Creativity

Creativity is the ability to produce new and useful works that are used extensively in the literature to distinguish between novel ideas and truly creative ideas within an organization's environment (Oldham & Cummings, 1996; Scott & Bruce, 1994). Creativity in organizations "is defined as the generation or production of new and useful ideas" (George, 2007). Creativity is also to discover new ways of looking at problems and opportunities (Scarborough, Cornwall, 2016: 97), and as a trigger for innovation, the dynamic process that accommodates challenges, the development of new, creative processes, and the separation and application of solutions new (Matei&Bujac, 2016). Till and Baack (2005) stated that advertising creativity is a complex field of research and not easy to summarize in a single definition. The definition of ad creativity is crucial to the success of a campaign (Heath, Nairn, & Bottomley, 2009; Kilgour &Koslow, 2009; Zinkhan, 1993). In advertising, creativity must be something new, unique, and appealing to consumers (Sharma, 2012). Advertising creativity will signal product quality so it becomes one of the potential strategies for sellers to reduce the sensitivity of consumer prices Modig and Rosengren (2014). In this research, ad creativity uses novelty dimension, resolution / resolution, elaboration and synthesis / elaboration and synthesis (Besemer and Treffinger, 1981). The contribution of three-dimensional advertising creativity will determine how divergent the advertisement is or not and consequently how effective or ineffective it is (Lehnert et al., 2014). The definitions given by advertisement creativity researchers.

D. Linkages of Information Technology, Market Orientation and Organizational Performance

Creativity is the seed of all innovations (Sarooghi, Libaers, Burkemper, 2015). Innovation is the ability to find creative solutions to problems and opportunities to enhance or enrich life (Scarborough, Cornwall, 2016: 97). Innovation as an important component of competitiveness, embedded in organizational structure, processes, products, and services.
Relationship of Advertising Creativity, Innovation Capability and Firm Performance

within an enterprise (Gunday et al., 2011), even if someone who will be creative must have the ability to innovate (Larsen, 2007). According to the literature, for individuals to be creative (Guilford, 1950: 13, Shalley et al., 2004), they need to instill in a low-structure (or organization) environment characterized by skill, motivation and originality (Amabile, 1988; Oldham and Cummings, 1996; Amabile, 1997; Perry-Smith and Shalley, 2003). Innovation and creativity in organizations have an inseparable relationship that will support organizational innovation (Fernando, 2012) by implementing innovation capabilities that refer to the creation of technology as applied to new systems, policies, programs, products, processes, devices or services for an organization (Chang and Lee, 2008; Damanpour and Evan, 1984). That is, for companies to succeed in technology management and innovation, companies need to focus their resources and ability to promote their success (White, Brutton 2011: 5). Thus, for the reconfiguration of new resources to be considered creative, it must be new and must also have the potential to be valuable (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984). To be creative, ideas must be new and unique compared to others that are in use or available (Shalley, Zhou, & Oldham, 2004; Racela Olimpia C., 2014). If by only generating creative ideas, it does not guarantee its application (Sohn, S. & Jung, C., 2010), because other organizational factors such as risk, motivation, and social support are needed to truly innovate (Baer, M., 2012). The innovation process consists of two main activities: creativity and innovation. Creativity involves the emergence of new and useful ideas, while innovation entails applying these ideas into new products and processes (Sarooghi, Libaers, Burkemper, 2015). Product and process innovation is crucial for organizations that will determine organizational success (Nusair, 2012). Collaborative creativity is a prerequisite for innovation (Gerald, 2009) and has the potential to create added value for organizations (George, 2007).

The theoretical framework provided by resource-based view (RBV) facilitates a clear analysis of innovation and its relationship with performance (Damanpour et al., 2009; Galende& de la Fuente, 2003; Mol & Birkinshaw, 2009; Yang, Marlow, & Lu, 2009). Research in marketing shows that innovation produces positive consequences for various performance outcomes, including firm market position, financial position, and firm value in the stock market (Pauwels et al., 2004; Sorescu and Spanjol, 2008; Srinivasan et al., 2009).

According to Calantone et al. (2002) innovation is the most important determinant of an organization's performance Tidd 2001 splits the measure used to prove the relationship between innovation and business performance, into two categories The first group concerns accounting and financial performance such as profitability and Return On Investment (ROI). The second group concerns market performance, such as share or growth (Tidd, 2001). Several studies have examined the relationship between innovation and firm performance (Calantine et al., 2002; Cainelli et al., 2004; Keskin, 2006; Bowen et al., 2010; Jimenez-Jimenez and Sanz-Valle, 2011) and support the idea performance.

E. Methods

Based on the research framework, background and literature study then putitiation hypothesis is:

H1: Advertising Creativity is expected to have an effect on Innovation Capability

H2: Innovation capability is expected to affect Company Performance

F. Data collection

Data collection methods used in this study is a questionnaire method or questionnaire, by giving written questions to respondents to be answered (Sugiyono, 1999). Questionnaire is sent to all samples using mail (by mail), either via Post or Internet (e-mail). The data used in this study using primary data collected through questioner.

Data processing using Structural Equation Modeling (SEM) analysis. The software used for this research is IBM SPSS AMOS 18. The theoretical model that has been described in the path diagram will be analyzed based on the data obtained.

III. RESULT AND DISCUSSION

A. Analysis With Amos SEM 18

Evaluation of data normality was done by using critical ratio skewness value value ± 2.58 at the 0.01 (1%) significance level. Data is said to be normally distributed if the value ratio of critical skewness value is below ± 2.58 (Ghozali, 2005). Based on the calculation, all the indicator value of critical ratio skewness value is below ± 2.58. The data from the indicators are normally distributed and feasible to use.
B. Test of Structural Model

The structural model is the relationship between latent variables (variables that cannot be measured directly and require multiple indicators to measure them) independent and dependent (Bollen, 1989). The result of structural test shows chi-square equal to 1614,342 and degree of freedom equal to 447.

The value of Chi-Square is affected by the degree of freedom value if the degree of freedom is smaller, the value of Chi-Square will also decrease. The estimation of the proposed model is dependent on the number of research samples, with the criteria according to Ferdinand, 2006: 47, that the input matrix and the model estimation technique chosen are Maximum Likelihood (ML) since the sample size is only 154 (between 100 - 200). The measurement model test results are summarized in Table 2.

The calculation results show for the criteria of GFI, AGFI, RMSEA and TLI according to the recommended limits, while the Chi-square, Cminf, RMR and CFI indices show unfit model results. From several model feasibility tests, the model is said to be feasible if at least one of the model feasibility test methods is met (Hair et al, 1998 in Haryono et al., 2012). In an empirical study, a researcher is not required to meet all the criteria of goodness of fit, but depends on the judgment of each researcher. Chi-Square value in this research is 203.875. Joreskog and Sobron in Haryono (2012) say that Chi-Square cannot be used as the only measure of overall fit of the model, one reason is that chi-square is sensitive to sample size.
C. Indicator Relation Analysis with Construct

Indicators in a construct is part or can explain the construct. The process is called construct validity test (latent variable). With Convergent Validity test an indicator describes a construct, then the indicator will have a high loading factor with the construct and the total indicator will have a high enough extracted variance.

Table 3. Standardized Regression Weight Estimates

<table>
<thead>
<tr>
<th>Construct Variable</th>
<th>Estimate</th>
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<tbody>
<tr>
<td>Capabilities_Innov</td>
<td>.001</td>
</tr>
<tr>
<td>Creativity_Innov</td>
<td>.032</td>
</tr>
<tr>
<td>Novelty_Innov</td>
<td>.092</td>
</tr>
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<tr>
<td>Value_Innov</td>
<td>.922</td>
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<tr>
<td>Roi</td>
<td>.933</td>
</tr>
<tr>
<td>Market</td>
<td>.874</td>
</tr>
<tr>
<td>Position</td>
<td>.980</td>
</tr>
<tr>
<td>Performance</td>
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<tr>
<td>Total</td>
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</table>

In general, it can be said that factor loading above 0.7 indicates an indicator is indeed part of the construct. Some literature considers the limit is 0.5. The numbers in the Estimate column indicate the loadings factor of each indicator to the corresponding properties. For example there is a company performance has 4 factor loading (roi = .726, market = .742, position = .565, value = .640) can be said roi and the market has a high loading factor indicating that roi and market can explain the existence of construct company performance.

The correlation numbers between the construct and all the indicators can be used to find the extracted variance, which is the average of the total squares of all the loading factor numbers, for example the construct of firm performance:

\[
\text{VE} = \frac{(.726^2 + .742^2 + .565^2 + .640^2)}{4} = \frac{(5.27 + 5.50 + 3.19 + 4.09)}{4} = 4.51
\]

In general, VE (Variance Extracted) above 0.5 can be a sign of adequate convergence. VE (Variance Extracted) results indicate a number of .451 that is well below 0.5, indicating the absence of convergence among indicators to explain the existing constructs.

D. Hypothesis Testing Analysis

Criteria of goodness of fit structural model in the estimation can be met, then the next stage is an analysis of the structural relationship model (hypothesis testing) as shown in Figure 2 earlier. The relationship between constructs in the hypothesis is shown by the value of regression weights (Hair et al, 1998 in Haryono and Hastjarjo, 2010).

1. The influence of advertising creativity on innovation capability
Based on the results of the study known that there CR value of .011 (p = .991 > 0.05) then H0 accepted, meaning that advertising creativity has nothing to do with innovation capability.

2. The effect of innovation capability on company performance
CR value of 2.008 (p = .45 < 0.05) then H0 is rejected, it means there is a relationship that innovation capability really have close relationship with company performance.

Full results are listed in the table 4

In this research note that advertising creativity has no effect on innovation capability because there is insignificant value, but in this research proven the involvement of innovation capability become mediation between advertising creativity to company performance.

Table 4. Regression Weights

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IV. CONCLUSION

The conclusions of this study are briefly prepared to facilitate an understanding of the results of this study. That the capability of innovation as measured by the participative culture of leadership, ideation and working climate has a high
and significant involvement in influencing the company's performance.

REFERENCES
