

# Strategy Analysis for Increasing Business Performance through Innovation Capability in the Textile Industry

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**Keywords:** Co-Creation, Entrepreneur Capability, Innovation Capability, and Performance Firm.

**Abstract:** This research is to find out strategies for improving business performance through the ability of innovation in the textile industry, the authors conduct a study on the effect of co-creation, entrepreneur capability, on the performance firm through innovation capability. The sample in this study is a company engaged in the textile industry in Banten province as many as 125 respondents with purposive sampling method. The data analysis technique used in this study is quantitative analysis using the SEM (Structural Equation Modeling) model of the AMOS 23.00 program. the results of the study explain that the positive influence of entrepreneur capability, on the performance firm through innovation capability, but for co-creation, the results have no effect on company performance. While the entrepreneur capability variable has the most dominant influence on company performance. The results of this study explain that the total influence of entrepreneur capability and co-creation on innovation capability has a very large impact on improving the performance of companies in the textile industry in Banten province. Directly, co-creation is not significant influence business performance. It indicates that the company should respond to it by doing the innovations.

## 1 INTRODUCTION

At this time the global economic phenomenon is fluctuating, so that business development is experiencing a downturn, this is triggered by Donald Trump's government policy to protect the steel and aluminum industry in the country by raising tariffs by 25% for steel and 10% for aluminum products has caused a response countries including the European Union, Mexico, and Canada. According to the Indonesian Textile Association (API, 2018) responding to Trump's policy is getting widespread protests because it is feared that it will disrupt the world economy. The global economy has caused this industry to slow down in GDP as it appears to be related to the lower value added of this industry in the first quarter of 2017 compared to the fourth quarter of 2016. Despite the increase in industrial production of Chemicals and Goods from Chemicals in the first quarter of 2017 was strongly supported by an increase in exports. Meanwhile, several types of large and medium manufacturing industries (IBS) also experienced a decline in production in the first quarter

of 2017. A very significant decline was experienced by the Textile Industry whose production in the IBS group fell by 6.87%. (Perindustrian, 2017).

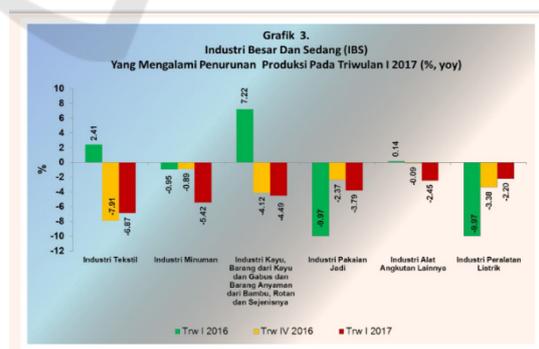


Figure 1: Decline in industrial production

The textile industry in Indonesia experiences problems that must be the concern of all parties in solving the problem, various studies and research on the textile industry in Indonesia until now there is no accurate approach to finding the answers, the research

conducted (Prasetyo, 2015) hat To deal with problems In this regard, Indonesia must now be prepared with a strong human resource capacity and strong technology to accept the challenge of competitiveness, especially from the TPT industry sector and other human resources. All Indonesian citizens must be ready and able to compete using their own domestic workforce and industrial workers must continue to be given appropriate and adequate skills, to serve the interests of industry and commerce in the MEA era and the world maritime axis.

The approach offered by the author in this study is guided by two theories; Resource-Based Value (RBV) and Capability Based Value (CBV). The RBV draws attention to the company's internal environment as a driver for competitive advantage. The main proposition of this theory if a company wants to achieve a state of strategic competitive advantage, the company must obtain and control resources and capabilities that are valuable, rare, inimitable, and irreversible, plus those that have organizations that can be applied to the company (Kraaijenbrink, Spender, & Groen, 2010).

The company's internal factors through the role of innovation are able to increase the spread of knowledge-based economies, globalization, and international competition pressures (Camagni, 1995; Feldman & Desrochers, 2003; Hogan et al., 2011; Storper, 1995). The fact that innovation has become the center of organizational performance and competitive advantage in a dynamic business environment today cannot be underestimated. Innovation affects organizational performance by building specific competencies that produce sources of competitive advantage. In order for innovation to be implemented, organizations must have the ability to innovate and operate in an environment (internal and external) with the right sufficient work under enablers under a healthy innovation management system (Kenneth, Janet, & Stanley, 2015).

According to (Asegaff, 2016) put forward an interesting theory to know the level of innovation capability has a significant effect on the performance measured from the share of output in a certain period of time. The policy that always positions the textile industry as a group that needs to be helped is based on the assumption that the textile industry is a weak business group and unable to compete with large businesses, the policy tends to continue to this day. It is time for the textile industry to innovate because innovation is an important aspect of the development of a company to improve performance, the company needs an increase in innovation involving all internal components of the company. The company's

innovation capability can be achieved when there is a total process of participation among individuals in the organization to improve innovation capability (Rahab, Sulistyandari, 2011)

The textile industry must implement co-creation in production to win business competition, according to (Prahalad & Ramaswamy, 2004) co-creation is a process of participation and collaboration to interact with customers and companies needed to adapt and innovate new products and services to win the competition business, according to (Roser, DeFillippi, & Samson, 2013) argues that company performance will increase if the industry uses a collection of ideas and strategies and has a unique approach to specific creations in order to increase the productivity of company performance

Improving the performance of the textile industry in winning the competition needs to be supported by the ability of the company entrepreneurs. Agree with (Atonic & Hisrich, 2004) that the concept of entrepreneurial ability needs to be well developed by the company because the entrepreneurial ability process is seen as the key to the company's success in increasing its ability to have competitive value that can be used as a strategy of competitive advantage of the company (Porter, 1985). Empirical data from research conducted by (Zahra, Sapienza, & Davidson, 2006) The textile industry shows problems in the ability to develop processes, at present, the textile industry has limited resources, lack of knowledge base, and weak expertise in building and integrating various capabilities One of them is entrepreneurial ability. But the opinion of (Alvarez & Busenitz, 2001) and (Woldesenbet, Ram, & Jones, 2012) Entrepreneurial ability as the ability to identify opportunities and develop the resource base needed to pursue opportunities.

This study the authors find research gaps related to innovation and construction capabilities, entrepreneurial skills, co-creation with the performance of companies in the textile industry sector that has been studied previously, research (Eny Rahmani & Siyamtinah, 2011) states that the diversity of patterns of building innovation capability has no impact on operational performance. Agree with (Lianto et al., 2015a) that several dimensions of innovation capability have absolutely no influence on the performance of SMEs, namely learning ability, R & D ability, resource allocation capabilities, marketing capabilities, and strategic capabilities. In this situation, the company follows an innovative strategy that is very open, but co-creation and low customer collaboration that leads to its overall performance (Soltanzadeh, 2014) thus encouraging

the writer to conduct further research. This research is strengthened by its analysis (Wang et al., 2016). His research shows that knowledge sharing has no direct effect on performance.

Based on the context of a number of research gaps that have been conducted, this study aims to determine the factors that affect the company's performance through innovation capability with its construct.

## 2 THEORETICAL FRAMEWORK AND HYPOTHESIS

In the literature review, this study refers to several parts of the theory, namely grand theory in this study in the form of management theory related to the middle theory on the basis of management theory and applied theory of business performance. This research is different when compared to other researchers before because of the research background that includes research gaps, and different business phenomena. This study tries to build a proposal for the proposed grand theory, middle range theory, applied theory about entrepreneurial ability, co-creation, the ability to innovate in influencing company performance. This idea was developed with the integration of the Resource-Based (RBV) theory.

According to (Dess & Robinson JR, 1984) said the important thing in investigating organizational phenomena is that performance can be operationalized by the steps used in other environmental aspects. The company's Performance Model was developed to reflect new thinking in the era of competition and company effectiveness through four perspectives that are the main components, and then will be measured for each of these perspectives with several measuring instruments used to assess company performance.

In order for innovation to occur, interaction with internal and external input sources is needed (Sisodiya, Johnson, & Grégoire, 2013). This interaction creates an environment of a series of integrated components and capabilities where innovation occurs. The environment will function to build constructive conditions (possible) or inhibitions for innovation. For example, enabling policies to simplify internal management processes and eliminate barriers to innovation; while entrepreneurial ability serves to advocate and ensure leadership in the innovation process (Xu & Liu, J, 2012).

Innovation has been identified as a major source of competitive advantage. Innovation helps

companies build specific competencies that can produce new products that better satisfy customer needs, by improving the quality of existing products, or reducing the cost of making products that customers want (Hill & Jones, 2008).

According to (Lawson & Samson, 2001) the ability of innovation is not only to be successful in running a new business, or to manage key capabilities but to synthesize two operational paradigms. (Chen & Xu, 2009) defines the ability of innovation as a process that is acquired and integrated by a knowledge company to produce creative ideas and new products to satisfy customers. Values and creations in strategy and marketing have been treated very differently (Sánchez-Fernández & Iniesta-Bonillo, 2007); and opinions (Salem Khalifa, 2004) depends on the definition and paradigm that exists (Vargo & Lusch, 2004). The value in his opinion (Prahalad & Ramaswamy, 2004) namely motivation to map some of the most important perspectives on value and value creation because this will help determine the position of the subject. In general, the explanation of value in marketing explains perceived consumer value and consumer value, which is conveyed as a financial value that can be reinvested in the organization and as a better knowledge of the process that will produce efficiency. The value of a company can come from involvement in the product development process that reduces risk and reduces development costs (Prahalad & Ramaswamy, 2004). The company's ability to change strategic direction quickly related to products and markets (Johnson, 2013).

The idea of co-creation is the innovation of new ways to create products and experiences through the collaboration of companies, consumers, suppliers and distribution partners that are interrelated in the innovation network (Prahalad & Krisnan, 2008). The social media-based internet era allows attachment between producers and consumers. Potts inside (Hatch and Schultz, 2010) explains how social media is able to create co-creation that can produce creativity. According to (Kotler, 2010) concludes customer motivation in co-creation which is a product that consumers like in creating value so that consumers want to adjust certain products with their lifestyle.

According to (Roudini, Hassan, & Osman, 2012) that the ability to obtain the resources needed to do profitable moments is recognized in the market or new market opportunities are created.

## 2.1 The Influence of Entrepreneur Capability on Innovation Capability

A number of authors emphasize entrepreneurship as the main foundation (Roudini et al., 2012) states that innovation is the beginning of the entrepreneurial process. (Wilson & Martin, 2015) entrepreneurial ability introduces seven universal conditions and is needed for this type of unique freedom to be present. The importance of the concept of entrepreneurial ability for entrepreneurial theory and economic policy and human development is discussed. Economic growth and prosperity lie in the hands of entrepreneurs. These entrepreneurs not only create public welfare but also struggle hard to make this world a better place. Entrepreneurs who have an entrepreneurial spirit will continue to struggle to improve the standard of living of the community. (Jia-Sheng & Chia-Jung, 2010) states that there are three dimensions of entrepreneurship, namely innovation, initiative, and risk taking. This is in line with the opinion (Miller, 1983) which says that entrepreneurship requires three characteristics: innovation including product and process innovation, risk-taking, namely the need to have the risk-taking ability, and proactivity, namely the ability to actively analyze the environment and adapt to respond by determining the right strategy. Three characteristics of Miller are in accordance with the opinion (Covin & Slevin, 1989) that is innovativeness, risk-taking, and proactive as an aspect to measure entrepreneurship

The intrinsic nature of inherent entrepreneurship is creativity and innovation. Creativity sees old things with new perspectives, while innovations applying new ideas that will give more entrepreneurial value are often used as a solution to overcome the problem of unemployment, by giving up, becoming risky, creative, and innovative. Entrepreneurship is an important factor that depends on marketing ability and innovation (O'Cass & Weerawardena, 2010). Innovative ability is important for entrepreneurs, where entrepreneurs can change the environment and open new businesses (Drucker, 2015). A company based on innovation ability can help gain growth and profit (Statistics Canada, 1994). According to (Lin, Chen, & Ho, 2013) states that five aspects of innovation ability (product, process, administration, marketing, and innovation services). Marketing capabilities do not directly affect sustainable competitive advantage but through the ability to innovate (Jia-Sheng & Chia-Jung, 2010). From the theoretical and empirical results, the hypothesis can

be drawn that entrepreneurial ability influences innovation ability.

## 2.2 The Influence of Co-creation, on Innovation Capability

The influence of co-creation on Innovation capability. Co-creation is defined as collaborative work between consumers and companies in an innovation process, where consumers and companies are involved in co-ideation, co-design, co-development activities and co-creation of new products or services (Ramaswamy, 2008). In part, co-creation is a specific form of user contribution where "active" as opposed to "passive" consumers participate with companies and voluntarily contribute input (being that knowledge, opinion, experience or resources are informed into a process innovation, results in better and more focused on the innovation market (Russo-Spena & Mele, 2012)

The ability of users to innovate increases radically and rapidly as a result of continuously improving the quality of information technology, increasing access to easy-to-use tools and components for innovation, and access to increasingly evolving innovations (Magnusson, Arvola, Hursti, Åberg, & Sjöden, 2003).

This information-based business tool can be run on personal computers, and they quickly go down in price. As a result, innovation by users will continue to grow even if the level of heterogeneity of needs and desire to invest in getting the right product right remains constant (Maklan, Knox, & Ryals, 2008). (Hippel & Jin, 2009) illustrates that both companies and individual consumers are increasingly able to innovate for themselves, this is to say, innovation is being democratized. the direct relationship between innovation ability and personnel capabilities. In addition, he also offers the most important components and indices that directly influence and are related to innovation capabilities (Momeni, 2016). From the theoretical and empirical results, it can be drawn the hypothesis that the co-creation influences the innovation capability.

## 2.3 The Influence of Entrepreneur Capability on Company Performance

According to (He Xiao-Gang & Lin Gu-Yan, 2009) using the entrepreneurial ability as a starting point to investigate the influence on the ability of the entrepreneurial expansion and company performance. Research result (Cao, Kang, & Lim, 2017a) shows that the ability of entrepreneurs to capture opportunities

has a significant influence on company performance, and entrepreneurial innovation ability has a significant influence on the company's financial performance but does not have an impact on market performance.

According to (Ou Yin-Xue, 2010) claiming that entrepreneurship capability is an important factor influencing company performance. The ability of an entrepreneur, such as the ability to innovate, the ability to identify and capture opportunities, the ability to make and utilize network resources, learning abilities, knowledge management capabilities and ability to avoid losses can improve corporate performance. (Yu Dong-Ping & Duan Wan-Chun, 2012) argues that entrepreneurial ability is given a complete (partial) mediating effect on soft regional environments and short-term (long-term) performance, and further explains that entrepreneurial ability will directly influence the transformation of the regional soft construction environment.

Agree with the research (Wang, Sharma, & Cao, 2016) Thus the entrepreneur's capability includes the ability to identify opportunities, network capability relationships, capital operating capabilities, strategic management capabilities, and innovation capabilities, and they use case analysis to obtain the following results: entrepreneurship capability promotes the growth of the entrepreneurial business by influencing business growth strategies. To verify the relationship between ability entrepreneurs and companies. From the theoretical and empirical results, it can be drawn the hypothesis that the entrepreneur capability affects the company's performance.

#### **2.4 Effect of Innovation Capability on Company Performance**

Innovation capability has a positive effect on company performance according to Lawless and Anderson in (Siyamtinah & Rahmani, 2011) argues that innovation influences the company's performance, but depends on the complexity of the market facing. With the complexity of market conditions, the stronger the influence of innovation on company performance. Research (Sharma & Fisher, 1997) show innovation has an influence on company performance.

Innovative ability according to (Hitt, Ireland, Camp, & Sexton, 2001) as an effort to create a competitive advantage in achieving company performance. Next (McMullen & Shepherd, 2006) says that the ability of innovation will only work well if it is followed by actions that lead to the achievement of organizational goals. Organizational performance expressed by (Bukhamsin, 2015; Calantone, Cavusgil,

& Zhao, 2002; Siyamtinah & Rahmani, 2011) the ability of innovation in corporate performance is defined as an internal process of an organization that contributes to creating the ability to survive and thrive. Organizational performance is measured through indicators on the development of the Balanced Scorecard theory from (Kaplan & Norton, 1992) with four perspectives: finance, customers, internal business processes and learning and growth.

The relationship between innovation ability and company performance is significant with performance measurement. Performance measurement can be used as a tool to improve company performance through innovation capabilities (Saunila & Ukko, 2013), Innovation capability has a significant effect on performance. This finding is in line with the results of research that states that creative and innovative organizations are able to improve individual and organizational performance and create a competitive advantage (Liao, Fei, & Chen, 2007). Likewise, the results of research that state that the higher the creativity of innovation will improve organizational performance (Salim, Won, Nesbitt-Hawes, Campbell, & Abbott, 2011). From the theoretical and empirical results, the hypothesis that the innovation capability has a positive effect on company performance can be drawn.

#### **2.5 Effect of Co-creation Capability on Company Performance**

Explanation of co-creation affects the company's performance, the implementation of co-creation partly mediates the influence of innovation capabilities. For that implication of research findings and practices about the depiction and application of unique value co-creation models (Fateme Hamidi, 2017), according to (S.J.F. Ren, 2015) The results show that the use of CRM capabilities is significantly related to company performance.

Explanation of the definition of co-creation is an interactive dialogue between performance companies and a group of consumers (Russo-Spena & Mele, 2012), (Piller, Ihl, & Vossen, 2010), (Nicolajsen & Scupola, 2011), which can vary in interaction, with the aim of jointly increasing the value of offers for both companies and consumers (Magnusson et al., 2003), (Maklan et al., 2008). The relationship between the stages in which a company is involved in joint creation and improvement in a company's growth and profitability (Ramaswamy, 2008). From the theoretical and empirical results, it can be drawn the

hypothesis that co-creation has a positive effect on company performance.

The company observes the environment to avoid strategic surprise actions and to ensure the health of the organization in the long run. This is in accordance with the opinion (Hunger & Bamford, 2015), (Hitt et al., 2001) which suggests that the external and internal environment plays an important role in determining individual business. According to (Hunger & Bamford, 2015) states that environmental analysis functions in planning strategies for monitoring the environmental sector in determining opportunities or threats to the company. The relationship pattern of each of the variables can be seen in the following Figure :

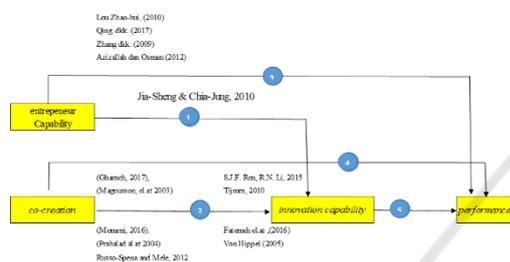


Figure 2: Research framework model

### 3 RESEARCH METHODS

The object of research is the target to get data, according to the opinion (Sugiyono, 2003) understanding of the object of research as follows: "The object of research is a scientific goal to get data with certain goals and uses about something that is valid and reliable about something (certain variants)". This research begins with the exploration of theory, the concepts that will be used. This explanatory research activity is used to find and limit research problems so that they can be applied and can be examined (Zigmund, 2000).

Samples are taken in accordance with the provisions set for the benefit of the Structural Equation Model analysis tool. According to (Hair, et al., 1998) in determining the sample size, the sample size depends on the parameter estimation method used. If the parameter estimation using the recommended sample size method is between 100-200. The sample size that must be met in this modeling is a minimum of 100 and then uses a comparison of 5 observations for each parameter estimation, which is 5 x the number of indicators. Based on the determination of the sample (Singarimbun, 1999), according to Augusty (2005),

according to (Hair, et.al, 1955), then in determining the number of sample indicators used as a basis for determining the sample, where there are 25 indicators used in comparison 5 observation, for each parameter estimation of each indicator, the number of samples used is 5 x 25 parameters = 125 samples for the Textile industry. Then the total sample used was 125 samples

To analyze the data, the Structural Equation Modeling is used from the AMOS statistical software package in the model and hypothesis study. Structural equation model, Structural Equation Model (SEM) is a set of statistical techniques that allow testing a series of relatively "complicated" simultaneous relationships (Ferdinand, 2014).

## 4 RESULTS AND DISCUSSION

### 4.1 Structural Equation Modeling (SEM) Analysis

Data processing results for full SEM model analysis are shown in Figure below:

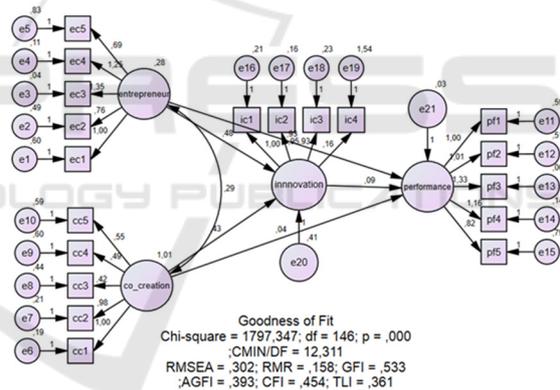


Figure. 2: Results of structural equation modeling analysis

Testing the research hypothesis according to (Siswoyo, 2017) was carried out on the 5 proposed hypotheses. Testing this hypothesis is done by using the t-value value with a significance level of 0.05. The value of t-value in the Amos program 23.00 is the Critical Ratio (CR) value in the regression weight (Group Number 1- Default model) of the matching model if the critical ratio (CR)  $\geq 1.967$  or the probability value (P)  $\leq 0.05$  then H0 is rejected (the research hypothesis is accepted). The test criteria are rejected by H0 if the v-value or critical ratio (CR)  $\geq 1.967$  or the value of  $p \leq 0.05$ .

The test results for all hypotheses proposed in this study are as follows :

- H1: The result of data analysis is known, where the value of the  $t$ -value or critical ratio is  $2.870 \geq 1.967$  or  $P$  value of  $0.004 \leq 0.05$ , H1 is accepted, it is concluded that: Entrepreneurial ability has a positive influence on the innovation ability of companies in the textile sector. Industry in Banten Province. The hypothesis is acceptable. The above hypothesis is in accordance with the results of the study (Cao, Kang, & Lim, 2017b). The results show that entrepreneurial ability has a significant influence on the company's dynamic ability; the ability of company integration and innovation ability has a significant influence on company performance, organizational learning capabilities do not have a significant influence on company performance. The ability of entrepreneurs to capture opportunities has a significant influence on company performance, and entrepreneurial innovation ability has a significant influence on the company's financial performance but does not have an impact on market performance.
- H2: Known the results of data analysis, where the value of the  $t$ -value or critical ratio of  $5.083 \geq 1.967$  or  $P$  value of  $0,00 \leq 0.05$ , H2 is accepted, it is concluded that: Co-creation that influences the company's innovation capability in the textile industry in the Banten Province hypothesis can be accepted. The above hypothesis is in accordance with the results of the study (Fatemeh Hamidi, 2017) said that the results of structural equation modeling showed a  $T$ -value of 2.159 for creation at a significance level of 0.95. Because the result is greater than 1.95, the relationship between co-creation and innovation capability is accepted. Therefore, it refers to the path coefficient of 0.0381, co-creation affects the ability of innovation in large companies. The results of structural equation modeling show a  $T$ -value of 4.444 for innovation capability at a significance level of 0.95. Because the results are greater than 1.95, the relationship between innovation capabilities and company performance is accepted. Thus, referring to the path coefficient of 0.592, innovation capabilities affect the performance of companies in large companies. The third hypothesis is about the impact of co-creation on company performance. The results of structural equation modeling show  $T$ -values of 26,229 for co-creation on the company's performance at a significance level of 0.95. Because the result is greater than 1.95, the relationship between co-creation and company performance is accepted. Therefore, it refers to the path coefficient of 0.808, the characteristics of co-creation affect the performance of companies in large companies. Thus it can be claimed that co-creation affects the company's performance more than other factors in the sample community. Because of the structure, type, and method of partnership, dimensions have similarities and differences from other studies.
- H3: The results of the analysis, explaining the value of the  $t$ -value or critical ratio is  $5.288, \geq 1.967$  or  $P$  value  $0.000 \leq 0.05$ , then H3 is accepted, it is assumed that there is a negative entrepreneurial ability to the performance of companies in the textile sector in Banten Province and the hypothesis is acceptable. The hypothesis above in accordance with the results of the study (Kartika and Soenami, 2017) produces a very significant output in improving performance using 4 perspectives, including finance, customers, business processes, growth, and learning.
- H4: The result of data analysis is known, where the value of the  $t$ -value or critical ratio is  $1.093 \leq 1.967$  or  $P$  value is  $0.093 \leq 0.05$ , H4 is accepted, concludes that: "co-creation that does not affect the performance of the company in the textile industry in Banten Province, the hypothesis can be In accordance with his research (Yazdanparast, Manuj, & Swartz, 2010), that customer involvement to carry out logistical activities in achieving environmental performance (Chu Kai Chat, 2015). Co-creation in company performance is not able to increase a comprehensive understanding of the impact of value in terms of logistics performance that still lack means that there is no strong influence between co-creation on company performance.
- H5: The results of data analysis are known, where the value of  $t$ -value or critical ratio  $2.059 \geq 1.967$  or  $P$  value  $0.040 \leq 0.05$ , H5 is accepted, the ability of innovation has a positive influence on the performance of companies in the textile industry. In Banten Province, the hypothesis is acceptable. Research on this hypothesis is consistent with the results of research from (Dalvand, Moshabaki, & Karampour, 2015) stating that operational capabilities and export performance are approved and it shows that the impact of operational innovation capabilities on export performance is more than effective innovation, the ability of operational innovation has a positive effect in export performance.

The results of the feasibility testing of Structural Equation Model can be explained in the table as follows :

Table. 1 : Full model test results

Goodness of Fit index	Cut off value	Analysis results	Model evaluation
X <sup>2</sup> - Chi-square	P=5% df 146 Chi-square	179,347	good
Significance probability	≥ 0,05	0,000	good
RMSEA	≤ 0,08	0,302	good
GFI	≥ 0,90	0,533	good
AGFI	≥ 0,90	0,393	Marginal
CMIN/DF	≤ 2,00	12,311	good

Above can be concluded that overall the full table model above is an acceptable model fit. As for according to (Ghozali, 2012) overall goodness of fit can be assessed based on a minimum of 4- 5 criteria (absolute fit indices, incremental fit indices, and parsimony fit indices) represented for the feasibility of a model, thus the SEM analysis hypothesis fundamental in this study acceptable which means there is no significant difference.

The two structural equations produced by the fit model can be formed as follows:

1. Structural Equation 1: Innovation capability = 2,870\*entrepreneur capability + 5,083\*co-creation + 0,480
2. Structural Equation 2 : Performance firm = 5,288\*entrepreneur capability + 1,093\*co-creation + 2,059 innovation capability + 0,901

Based on two structural equations resulting from this study, entrepreneurial ability variables have the most dominant influence on company performance. This is indicated by the path coefficient of 2,059 innovation capability compared to the coefficient of co-creation 1,901. while the effect on innovation capability, co-creation variable is more dominant, this is indicated by the path coefficient 5.083 greater than the entrepreneurial ability variable of 2.870.

The above research is very suitable for previous research, such as the results of Julaeha's research, (2016), said the results of the study showed that there were significant and insignificant variables. Innovation ability does not have a significant effect on company performance.

Strengthened by the results of the research (Siyamtinah & Rahmani, 2011) the results of data processing shows that the better the internal factors that are owned by the company, then the ability of innovation will increase, the improvement of innovation capabilities will affect the improvement of company performance. Likewise with the results of

the study (Mulyana & Sutapa, 2014) said the results of the study showed quadruple helix (intellectuals, government, business, civil society) had a significant influence on creativity. Intellectual and business have a significant influence on the ability of innovation, innovation capabilities have a significant influence on competitive advantage and performance.

Research results (Singhry, 2015) say innovation capability is a full mediator regarding the relationship between supply chain technology and supply chain performance as well as supply chain collaboration and supply chain performance. The results of the study (Fatemeh Hamidi, 2017) say the results of the study show that the implementation of co-creation is partly mediated by the influence of the ability of the innovation process.

## 5 CONCLUSIONS

Based on the results of the analysis of structural model research and testing the goodness of fit, this study yields the following conclusions :

1. For the variable capability to have a positive effect on the innovation capability of the company in the textile industry in Banten Province, the hypothesis can be accepted at 2,870, as well as the co-crisis variable that influences the innovation capability of the company in the textile industry in Banten. The hypothesis can be accepted at 5,083. Similarly, the Entrepreneur capability variable affects the performance of the company in the textile industry in Banten Province and the hypothesis can be accepted at 5.288. However, co-creation that does not affect the company's performance in the textile industry in the Banten Province hypothesis can be accepted because the value is  $1.093 \leq 1.967$  so there is no effect. While Innovation capability has a positive effect on the performance of the company in the textile industry in the Banten Province, the hypothesis can be accepted 2,059.
2. The results of structural equations resulting from this study, that the entrepreneur's capability variable has the most dominant influence on company performance. This is indicated by the coefficient of the path of 2,059 innovation capability compared to the path coefficient of co-creation of 1,901. while the influence on the innovation capability, co-creation variable is more dominant, this is indicated by the coefficient of the path of 5.083 greater than the entrepreneur capability variable of 2.870.

3. The results of the calculation above the total effect of entrepreneur capability and co-creation of the innovation capability impact on improving the performance of the company in the textile industry in the province of Banten, this shows that entrepreneur capability has a large total effect of 0.863 than co-creation of 0.132 on the performance of companies in the industry textile. Then the results of calculating the effect of the total innovation capability and co-creation on innovation capability, the results show the influence of very large co-creation with a value of 0.492 compared to entrepreneur capability of 0.286. Thus, the variable entrepreneur capability is much more dominant than the variable co-creation and innovation capability in influencing the performance improvement of the textile industry companies in Banten Province.

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