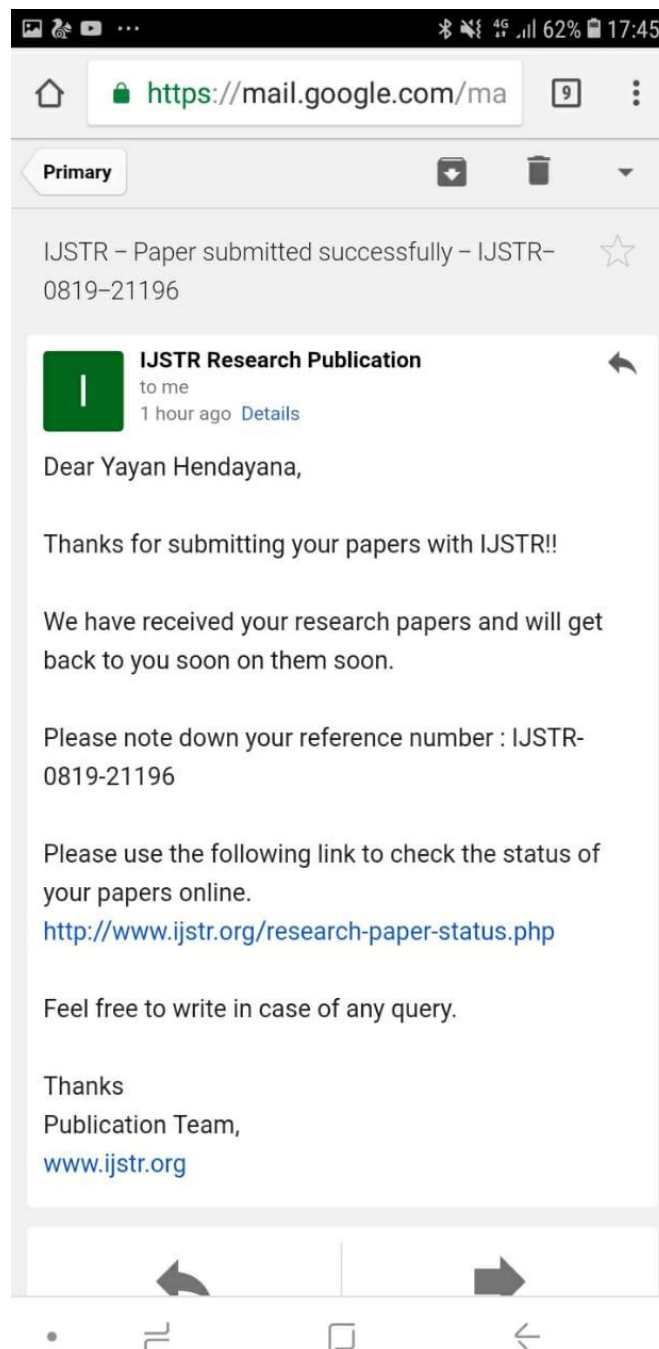


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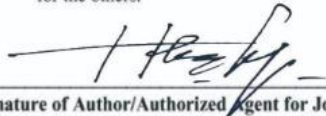
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Yayan Hendayana, Suryana, Eeng Ahman, Hari Mulyadi

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The ability to innovate is an important factor that must be owned by entrepreneurs in managing business. Innovation ability shows that every business activity carried out has novelty and uniqueness. Entrepreneurial oriented businesses will always strive to produce new products that are innovative and have the courage to face risks [4].

So far there has not been much research on the influence of technological capabilities on innovation in the handicraft industry's SME creative industries in Indonesia. A questioner survey was conducted on 253 respondents. The purpose of this study was to determine the effect of these two factors.

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Innovation can be interpreted as a new discovery that is different from what already exists or that has been known before. Innovation is needed in a business because it can provide competitiveness for the company. Innovations in

business activities can be in the form of product development, new methods, or in the form of marketing and distribution activities. Innovation is a product, service, idea, and new perception from someone. Innovation is a product or service that is perceived by consumers as a new product or service [5].

Another called innovation to be a business operation whose main function is to carry out production reforms through the use of innovative ideas and sources to create new products (or produce old products using new manufacturing methods) and find new resources for products, markets, distribution, etc., namely rearranging the main production factors or patterns of innovation [6]. Innovation is the application of resources to create value for customers and companies by developing, repairing and commercializing new and existing products, processes and services [7].

It can be concluded that innovation is the process of discovering or applying something new through the process of creativity into a new situation. Novelty shows a difference from the others. Novelty is relative, meaning that what is considered new by another person or in a context is something that is old for others or in another context.

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manufacturing procedures, and the ability to predict future technology[10]

2.3 The Link Technological Capability and Innovation

Technology capabilities must be mastered in order to be able to innovate continuously. Technology capability is the ability of companies to develop existing technology into newer technologies so that companies can meet market desires [8]. Research in paper [11] found that good technological capabilities can improve innovation performance. A study in paper [12] found that technological capabilities and social capital are positively related to innovative product launch strategies. In paper [13] the results of his research found that the company's technological competence derived from R & D is the main determinant of product innovation. Product innovation indicators used are idea development and implementation (including QC), idea diffusion: finding the right way to market their products and the right business model for each product. They also [13] found that the association technological capabilities with innovation. It was found that the ability of innovation is determined primarily by the quality of human resources that are able to learn continuously and follow the changing technological trends. The results of his study found that the company's technological competencies derived from R & D were the main determinants of product innovation.

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Based on the study of theory and the study of previous research, the conceptual framework of the study can be described as follows:

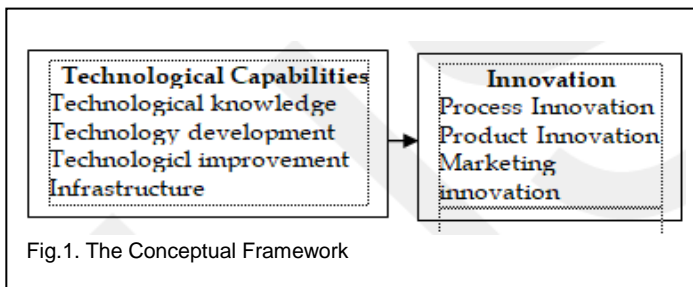


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4.1. Normality

To find out the even distribution of data that can represent the population. Data distribution is said to be normal if it has a value of c.r between -2.58 to 2.58 [14]. The results of the normality test of the data from this study are as follows:

Based on the results of the above normality test it can be concluded that the data in multivariate are normally distributed with a value of c.r (0.800) < 2.58.

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NORMALITY TESTING

Variable	skew	c.r.	kurtosis	c.r.
Y3	-,118	-,765	-,269	-,873
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Y1	-,135	-,877	-,397	-1,290
X1	,150	,972	-,931	-3,022
X2	,023	,148	-1,342	-4,356
X3	,197	1,279	-1,309	-4,250
X4	,049	,317	-,903	-2,933
Multivariate			-1,129	-,800

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MEASUREMENT MODEL RESULT

Laten Variabel	Manifest Variabel	CR	VE	Information
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	Y2			
	Y3			

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Based on the table above shows that all constructs (latent variables) have CR values ≥ 0.7 and VE values ≥ 0.5 and can be said to be reliable.

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Goodness of Fit (GoF) is used to validate the overall structural model. GoF index is a single measure to validate the combined performance of measurement models and structural models.

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Googdness of Fit Index	Cut Of Value	Result	Information
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AGFI	$\geq 0,90$	0,920	Good Fit
CFI	> 0,95	0,980	Good Fit
TLI	> 0,95	0,967	Good Fit
RMR	$\leq 0,05$	0,03	Good Fit
RMSEA	< 0,08	0,077	Good Fit

Source : Data Processing Result (2019)

Based on table 3 above, it is known that the final model of confirmatory factor analysis (CFA) formed has met the criteria

of goodness of fit (GOF). Thus, this full model fit or significant structural model can be used in the phase of testing the research hypothesis.

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Hypothesis testing is done by analyzing regression weight significance values to determine the effect of innovation and business networks on the competitiveness of SMEs in the handicraft sector in West Java. The basic decision-making test of significance for regression weight is:

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TABLE 4
HYPOTHESIS TESTING

		Estimate	C.R.	P
Innovation <---	Technological_ Capabilities	,629	7,861	0.000

Source : Data Processing Results (2019)

Based on the results of the study, it was found that the influence between technological mastery of innovation obtained a CR value of 7.861 and a value of $p < 0.05$, H_0 was rejected and H_a was accepted, meaning that there was a positive and significant influence between technological capabilities and innovation. It can also be interpreted that the higher the mastery of technology, the higher the ability for innovation. Conversely the lower the mastery of technology, the lower the ability to innovate. This finding is in accordance with the results of research conducted in study [13], [15] which explains that technological capabilities is the main determinant of innovation. In paper [13] shows that technological capabilities contributes more to innovation performance than other factors. Furthermore, the findings in paper [12] also reinforce these findings, where the results of the study show that technological capabilities positively associated with innovative product launch strategies.

5 CONCLUSION

Based on the number of samples of 253 craft sector SMEs, this study empirically examined the relationship between technological capabilities and innovation. in craft sector SMEs in Indonesia. Technological capabilities in the handicraft sector SMEs in Indonesia tends to be low, as well as innovation at a level that tends to be low. Technological capabilities can explain variations that occur in innovation according to the research model. The low technological capabilities and innovation if left unchecked, will have an impact on the difficulty of producing products that are unique that can be designed according to the tastes of consumers in a faster time and difficulty in producing products that are guaranteed quality. In addition, the low technological capabilities will also have an impact on the ineffective and efficient work process

and the difficulty of developing the variety of products produced. Another impact is the lack of maximum innovation in online marketing. To prevent adverse effects due to the low technological capabilities and innovation, SMEs should improve the ability of human resources to absorb, adopt and implement the right technology in their business. Technological capabilities makes it easy to process innovation, product innovation and marketing / distribution innovation. Process innovation creates faster service, product innovation that is making product designs that meet consumer / market tastes, while marketing innovation is making new breakthroughs in marketing mix and network marketing.

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Do Technological Capabilities Influence Innovation In Creative Industry : The Case Of Handicraft Sector In Indonesia

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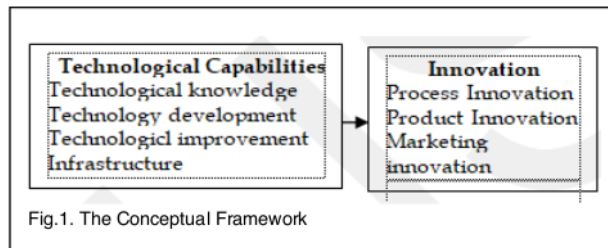


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5 CONCLUSION

Based on the number of samples of 253 craft sector SMEs, this study empirically examined the relationship between technological capabilities and innovation in craft sector SMEs in Indonesia. Technological capabilities in the handicraft sector SMEs in Indonesia tends to be low, as well as innovation at a level that tends to be low. Technological capabilities can explain variations that occur in innovation according to the research model. The low technological capabilities and innovation if left unchecked, will have an impact on the difficulty of producing products that are unique that can be designed according to the tastes of consumers in a faster time and difficulty in producing products that are guaranteed quality. In addition, the low technological capabilities will also have an impact on the ineffective and efficient work process

and the difficulty of developing the variety of products produced. Another impact is the lack of maximum innovation in online marketing. To prevent adverse effects due to the low technological capabilities and innovation, SMEs should improve the ability of human resources to absorb, adopt and implement the right technology in their business. Technological capabilities makes it easy to process innovation, product innovation and marketing / distribution innovation. Process innovation creates faster service, product innovation that is making product designs that meet consumer / market tastes, while marketing innovation is making new breakthroughs in marketing mix and network marketing.

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