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***The Role of Creativity and Innovation in The Success of Small Businesses in East Nusa Tenggara***

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**ABSTRACT**

*This study aims to analyze the role of creativity and innovation in the success of small businesses in East Nusa Tenggara. The method used in this research is a literature review with a qualitative descriptive approach, utilizing various scientific journals as data sources. The results show that creativity plays a role in generating new ideas that can be developed into business opportunities, while innovation plays a role in implementing these ideas into products or services that have economic value. Furthermore, creativity and innovation simultaneously exert a significant influence on business success. Therefore, business actors must continuously cultivate creativity and innovation to survive and compete in the modern era.*

**Keywords :** *Creativity, Innovation, Business Success*

**1. Introduction**

Micro, small, and medium-sized enterprises (MSMEs) are widely recognized as the backbone of economic development because they contribute significantly to employment creation, poverty reduction, income generation, and regional economic growth. In many developing countries, including Indonesia, MSMEs represent the largest proportion of business entities and play an essential role in improving community welfare. Their flexibility and adaptability have enabled many small businesses to survive economic uncertainty better than large corporations, making them an important driver of sustainable economic development (Rosenbusch et al., 2011; OECD, 2018).

Despite their important contribution, many small businesses continue to face substantial challenges that hinder their long-term sustainability and competitiveness. Limited financial resources, inadequate technological capability, insufficient managerial competence, restricted market access, and rapid changes in customer preferences remain major obstacles for MSMEs. Furthermore, globalization and digital transformation have intensified market competition, requiring businesses to continuously improve their competitive advantage through innovation rather than relying solely on traditional business practices (Calantone et al., 2002; Keskin, 2006; Distanont & Khongmalai, 2020).

Previous studies have consistently identified creativity and innovation as strategic resources that enhance organizational performance. Creativity refers to the ability of entrepreneurs to generate novel and useful ideas, whereas innovation involves transforming those ideas into valuable products, services, or business processes that create competitive advantages (Amabile & Pratt, 2016; Anderson et al., 2014). Businesses that encourage creative thinking are more capable of identifying market opportunities, responding to customer needs, and developing unique products that differentiate them from competitors. Innovation, in turn, enables firms to improve operational efficiency, enhance product quality, and respond more effectively to changing market conditions (Crossan & Apaydin, 2010; Gunday et al., 2011).

The relationship between creativity, innovation, and business success has received considerable scholarly attention. Empirical evidence suggests that firms with stronger innovation capabilities generally achieve higher financial performance, increased productivity, improved customer satisfaction, and greater business sustainability (Terziovski, 2010; Saunila, 2020). Likewise, entrepreneurial creativity has been found to positively influence innovation performance and organizational competitiveness, particularly in dynamic business environments where rapid adaptation is essential (Baron & Tang, 2011; Zhou & Wu, 2010). Innovation capability also strengthens firms' ability to create sustainable competitive advantages through organizational learning and knowledge utilization (Hurley & Hult, 1998; Hughes et al., 2014).

Although numerous studies have investigated creativity and innovation in SMEs, most existing research has focused on developed countries or economically advanced regions. Studies examining the combined influence of creativity and innovation on small business success in less-developed provinces, particularly in Eastern Indonesia, remain limited. East Nusa Tenggara possesses abundant local resources in agriculture, fisheries, tourism, handicrafts, and creative industries. However, many local MSMEs continue to experience relatively low competitiveness due to limited innovation capability and underutilization of local creative potential. Consequently, empirical evidence explaining how creativity and innovation contribute to business success within this regional context is still insufficient.

This research gap highlights the need for further investigation into the mechanisms through which creativity and innovation influence the success of small businesses operating in East Nusa Tenggara. Understanding these relationships is particularly important because strengthening MSME competitiveness has become one of Indonesia's strategic priorities for promoting inclusive regional economic development. Moreover, enhancing entrepreneurial creativity and innovation can encourage the development of value-added products based on local resources, thereby increasing market competitiveness and supporting sustainable economic growth (Ferreira et al., 2017; OECD, 2018).

The novelty of this study lies in its examination of the simultaneous roles of creativity and innovation in explaining small business success within the unique socio-economic context of East Nusa Tenggara. Unlike previous studies that primarily investigated innovation capability or entrepreneurial orientation separately, this research integrates creativity and innovation into a single analytical framework while focusing on MSMEs operating in an economically developing province with distinctive local characteristics. Therefore, this study contributes to the growing literature on entrepreneurship and innovation by providing empirical evidence from an underexplored regional setting and offering practical implications for policymakers and MSME practitioners seeking to strengthen business competitiveness through creativity-driven innovation.

Based on these considerations, this study aims to examine the role of creativity and innovation in determining the success of small businesses in East Nusa Tenggara.

## 2. Research Methods

This study employed a qualitative literature review approach to synthesize existing knowledge regarding the role of creativity and innovation in the success of small businesses. A literature review was considered appropriate because it enables researchers to critically examine, compare, and integrate findings from previous studies to develop a comprehensive understanding of the relationship between creativity, innovation, and business success.

The literature search was conducted using several internationally recognized scientific databases, including Scopus, ScienceDirect, SpringerLink, Emerald Insight, and Google Scholar. Scopus was used as the primary database due to its comprehensive coverage of high-quality peer-reviewed journals. The search process was performed using combinations of the following keywords: "*creativity*", "*innovation*", "*innovation capability*", "*small business success*", "*small and medium enterprises*", "*SMEs*", "*MSMEs*", "*entrepreneurship*", and "*business performance*". Boolean operators such as AND and OR were applied to refine the search results.

To ensure the relevance and quality of the literature, several inclusion criteria were established. First, only peer-reviewed journal articles indexed in Scopus were included. Second, the selected studies focused on creativity, innovation, entrepreneurship, or business performance in small and medium-sized enterprises. Third, articles published in English between 2010 and

2025 were prioritized to capture recent theoretical and empirical developments. Articles that were duplicated, conference abstracts, editorial notes, book reviews, or studies unrelated to the research objectives were excluded from the analysis.

The article selection process consisted of several stages. Initially, all identified publications were screened based on their titles and abstracts. Subsequently, full-text articles were assessed to determine their relevance to the research topic. After applying the inclusion and exclusion criteria, 20 Scopus-indexed journal articles were selected as the primary sources for analysis.

The collected data were analyzed using qualitative content analysis. This analytical technique involved systematically reviewing each article, identifying recurring themes, comparing research findings, and synthesizing evidence regarding the contribution of creativity and innovation to small business success. The analysis focused on identifying common patterns, theoretical perspectives, and empirical evidence related to business competitiveness, innovation capability, entrepreneurial creativity, organizational performance, and sustainable business growth.

Through this qualitative literature review, the study provides a comprehensive understanding of how creativity and innovation contribute to the success of small businesses, particularly in supporting the development and competitiveness of MSMEs in East Nusa Tenggara. The findings are expected to provide both theoretical insights and practical recommendations for entrepreneurs, policymakers, and future researchers in the field of entrepreneurship and innovation management.

### 3. Results and Discussions

#### Results

The literature review identified that creativity and innovation are consistently recognized as two strategic factors contributing to the success of small businesses. Based on the synthesis of twenty Scopus-indexed articles, creativity functions as the foundation for generating new ideas, while innovation represents the process of transforming those ideas into products, services, processes, or business models that create value and improve business performance.

The reviewed studies indicate that entrepreneurs with high levels of creativity are more capable of recognizing market opportunities and responding to changes in customer preferences. Creativity enables business owners to develop unique products, explore new market segments, and improve problem-solving capabilities. According to Amabile and Pratt (2016), creativity is the initial stage of organizational innovation because innovative outcomes emerge from the generation of novel and useful ideas. Similarly, Anderson et al. (2014) emphasized that organizations encouraging creative thinking are more likely to sustain innovation and achieve long-term competitiveness.

The findings also reveal that innovation capability directly influences business success. Innovation allows MSMEs to improve product quality, production efficiency, customer satisfaction, and market responsiveness. Several studies consistently reported that firms implementing product, process, marketing, and organizational innovations experience superior business performance compared to firms relying on conventional business practices (Gunday et al., 2011; Saunila, 2020).

Furthermore, innovation capability contributes to competitive advantage by enabling businesses to differentiate themselves from competitors. Distanont and Khongmalai (2020) explained that innovation serves as a strategic resource that enhances organizational competitiveness in increasingly dynamic markets. Likewise, Terziovski (2010) demonstrated that SMEs actively practicing innovation achieve higher organizational performance and sustainable growth.

Another important finding concerns the relationship between entrepreneurial orientation, creativity, and innovation. Entrepreneurial orientation encourages business owners to become more proactive, innovative, and willing to take calculated risks. These characteristics strengthen innovation capability and improve overall business performance (Lumpkin & Dess, 1996; Zhai et al., 2018). Baron and Tang (2011) further found that entrepreneurs with stronger creative

abilities tend to generate more innovative products, particularly in dynamic business environments.

The reviewed literature also indicates that organizational learning supports creativity and innovation. Firms with strong learning orientation continuously acquire, disseminate, and utilize knowledge, thereby improving their innovation capability and business performance (Hurley & Hult, 1998; Calantone et al., 2002). Similarly, Keskin (2006) found that learning orientation positively affects innovation capability among SMEs.

Overall, the synthesized findings suggest that business success is not determined solely by financial resources but also by the ability of entrepreneurs to continuously generate creative ideas and convert them into innovations that create customer value. This relationship is particularly relevant for MSMEs in East Nusa Tenggara, where local resources and cultural uniqueness provide substantial opportunities for innovation-based business development.

## Discussion

The findings of this literature review confirm that creativity and innovation play complementary roles in determining the success of small businesses. Creativity enables entrepreneurs to identify opportunities, develop original ideas, and solve business problems, whereas innovation transforms those ideas into practical business solutions that generate competitive value. This relationship supports the Dynamic Componential Model proposed by Amabile and Pratt (2016), which explains that creativity constitutes the essential input for organizational innovation.

The present findings are also consistent with Anderson et al. (2014), who argued that organizational creativity enhances innovation capability by encouraging continuous idea generation and knowledge sharing. For MSMEs operating in East Nusa Tenggara, this implies that entrepreneurs should not only preserve local products and traditions but also creatively adapt them to changing consumer demands through product differentiation, packaging improvement, branding, and digital marketing.

The literature further demonstrates that innovation significantly improves business performance through multiple dimensions, including product quality, operational efficiency, customer satisfaction, and market expansion (Gunday et al., 2011). These findings support the meta-analysis conducted by Rosenbusch et al. (2011), which concluded that innovation generally contributes positively to SME performance when implemented appropriately according to organizational capabilities.

Innovation capability also serves as a source of sustainable competitive advantage. According to Distanont and Khongmalai (2020), organizations capable of continuously introducing innovations are better positioned to compete in dynamic markets because innovation creates unique value that competitors find difficult to imitate. Similarly, Zhou and Wu (2010) argued that technological capability and strategic flexibility enhance firms' ability to develop innovative products and respond rapidly to environmental changes.

Another important aspect identified in this review is the role of organizational learning. Continuous learning encourages entrepreneurs to acquire new knowledge, understand market changes, and improve innovation capability. This finding supports the arguments of Hurley and Hult (1998) and Calantone et al. (2002), who emphasized that learning orientation strengthens organizational innovation and ultimately improves firm performance. Hughes et al. (2014) further explained that knowledge sharing and absorptive capacity enable firms to utilize external knowledge effectively, thereby increasing innovation performance.

The review also highlights the importance of entrepreneurial orientation. Entrepreneurs characterized by innovativeness, proactiveness, and calculated risk-taking are more likely to implement creative ideas successfully (Lumpkin & Dess, 1996). Zhai et al. (2018) similarly found that entrepreneurial orientation strengthens innovation performance through absorptive capacity, enabling SMEs to respond effectively to market dynamics. Baron and Tang (2011) additionally demonstrated that entrepreneurs' positive affect and creativity significantly stimulate firm-level innovation.

From a practical perspective, the findings have important implications for MSMEs in East Nusa Tenggara. The province possesses abundant natural resources, traditional crafts, cultural

heritage, agriculture, fisheries, and tourism potential. However, these advantages can only generate sustainable business success when entrepreneurs continuously apply creativity and innovation in product development, service improvement, digital transformation, and business model innovation. The integration of local wisdom with innovative business strategies can increase product value, expand market access, and strengthen regional competitiveness.

Finally, the findings align with the innovation framework proposed in the OECD Oslo Manual (2018), which emphasizes that innovation extends beyond technological advancement to include marketing, organizational, and process innovation. Therefore, MSMEs in East Nusa Tenggara do not necessarily require sophisticated technologies to become competitive. Instead, continuous improvements in product design, customer service, marketing strategies, organizational management, and business processes can substantially enhance business performance. These findings collectively reinforce the view of Crossan and Apaydin (2010) that innovation is a multidimensional capability that supports sustainable organizational growth and long-term business success.

#### 4. Conclusion

This study concludes that creativity and innovation are fundamental determinants of the success of small businesses. Based on the synthesis of the selected literature, creativity enables entrepreneurs to generate original ideas, recognize market opportunities, and solve business problems, while innovation transforms these ideas into products, services, processes, and business models that create value and improve organizational performance. The integration of creativity and innovation enhances business competitiveness, operational efficiency, customer satisfaction, and long-term sustainability.

The findings also demonstrate that innovation capability is strengthened by entrepreneurial orientation, organizational learning, and knowledge utilization. Small businesses that continuously develop creative ideas, adopt innovation, and respond proactively to market changes are more likely to achieve superior business performance and sustainable competitive advantage. For MSMEs in East Nusa Tenggara, creativity and innovation are particularly important in leveraging local resources, cultural heritage, agriculture, fisheries, tourism, and creative industries to produce value-added products capable of competing in broader markets.

This study contributes to the entrepreneurship and innovation literature by providing a comprehensive synthesis of previous empirical studies regarding the relationship between creativity, innovation, and small business success within the context of developing regional economies. Practically, the findings suggest that policymakers should strengthen innovation ecosystems through entrepreneurship training, innovation support programs, digital transformation initiatives, and easier access to business development services. Likewise, MSME owners should continuously foster creativity and implement innovation as strategic capabilities to improve competitiveness and ensure sustainable business growth.

Despite these contributions, this study is limited by its reliance on secondary data obtained from published literature. Therefore, future research is recommended to conduct empirical investigations involving MSMEs in East Nusa Tenggara to validate the conceptual relationships identified in this review and to examine additional factors, such as digital capability, entrepreneurial resilience, market orientation, and government support, that may influence small business success.

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