Does Dynamic Capability Can Foster Innovation Performance on Viral Marketing? Case Study in Creative Industry

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Abstract

Public phenomena that are easy to see and argue for something that attracts attention can be utilized for the creative industry through viral marketing. This marketing method is considered capable of achieving an exponential level of sales. It is rooted in previous research that viral marketing that drives sales simultaneously can immediately decline, which is a gap that stems from future research studies (Leskovec et al. 2007). The decrease was caused by products that were not following customer wishes. Thus, viral marketing to achieve success requires the support of innovation inherent in processes, products, and services. The presence of innovation needs to be provided through dynamic capabilities. This study offers dynamic capability variables and innovation performance to build a model in viral marketing based on the Theory of Planned Behavior which is empirically tested. The sample was 81 respondents who were creative industry managers in Central Java. Structural Equation Modeling (SEM) is the analytical tool used with Smart-PLS software. The results of this study prove the significant role of knowledge sharing, dynamic capabilities, and innovation performance in driving viral marketing success. Dynamic ability is dominant in encouraging knowledge sharing on viral marketing ($\beta = 0.233$).

Keywords
Creative Industry, Knowledge Sharing, Dynamic Capability, Innovation Performance, Viral Marketing.

1. Introduction

Conventional marketing today is not enough to achieve profit in sales (Mena 2019). This phenomenon is because the public is currently easy to highlight and argues against information that attracts attention. This phenomenon can be utilized in the creative industry through viral marketing, achieving exponential sales (Fahim 2020). Viral marketing is a marketing strategy that uses customers to spread product or service information from one individual to another to spread widely and quickly like a virus. In other words, the information is not only known by the target market but can also reach the public at large (Beverland et al. 2015; Van der Lans and Van Bruggen 2010). Viral marketing to achieve success requires the support of innovation that is included in processes, products, and services (Kogabayev and Maziliauskas 2017; Pani and Sharma 2011). The presence of innovation needs to be encouraged through dynamic capability. Dynamic capability is the ability of the creative industry to balance various rapid changes in the creation of innovation. The creative industry requires a dynamic capability to design various market changes and create specific strategies to develop innovation. Innovation will promote the product to the forefront market. Therefore, it will gain a high probability of going viral (Falasca et al. 2017; Pani and Sharma 2011). Thus, dynamic capability and innovation performance can encourage the success of viral marketing in the creative industry in the face of massive business competition.

The creative industry is a sector that contributes to the Gross Domestic Product (GDP). GDP in Indonesia experienced an economic contraction in 2020 with economic growth of -5.32% (Nainggolan 2020). However, the creative industry can still maintain its contribution to Indonesia's GDP of 1,100 trillion in 2020, so it can be concluded that the creative industry can survive in the face of business turbulence, such as the COVID-19 pandemic (Akbar 2021). Referring to Badan Pusat Statistik, three of the 17 creative industry sub-sectors are the main contributors, including culinary with a contribution value of 41%, fashion which contributes 17%, and crafts with 14.9% (Timorria 2020). The high achievement in the culinary sub-sector is influenced by the marketing strategy applied. As a practical example of implementing this marketing strategy, the inventor of the dessert box business has branded the product with the name Bittersweet by Najla, which is viral and favoured by the millennial generation. This success has made many new desserts box sellers appear. The business owner of Bittersweet by Najla has employed about 200 employees and opened seven outlets in several regions (pergikuliner 2020; Widianingtyas 2020). The COVID-19 pandemic poses challenges in the form of social restrictions so that offline stores have a decline in sales. In line with this, Bittersweet by Najla has built a marketing channel including social media, like Tiktok and Instagram. Tiktok and Instagram are used to create content to disseminate product information. One of the contents on Tiktok @bittersweetbynajla has gone viral with viewers of 5.4 million. Likewise, the Instagram post on their official account reached 74,281 likes. In addition, another way to do this is to use resellers with a pre-order system. Forty resellers spread throughout Indonesia, and the most sales through online media reach 90% (Ailin 2020; Money 2020). Therefore, the creative industry requires viral marketing application facilitated by dynamic capability and innovation performance.

The study of Leskovec et al. (2007) stated that viral marketing could increase the number of purchases, but it can go down constantly. Individuals tend to reject recommendations from their friends that are carried out continuously. Besides, they refuse products that are not what they want. This study is expected to build a model for viral marketing by offering dynamic capability and innovation performance variables. The theory of Planned Behavior is used to examine the proposed model empirically.

2. Literature Review

The following will explain the constructs enablers to achieving viral marketing, such as dynamic capability, knowledge sharing, and innovation performance. The constructs used in this study refer to the research constructs (Hermawan and Suharnomo 2021). The conceptual model explains the proposed hypotheses (see Figure 1). The model's novelty is by addressing dynamic capability and empirically testing its effect on innovation performance and viral marketing.

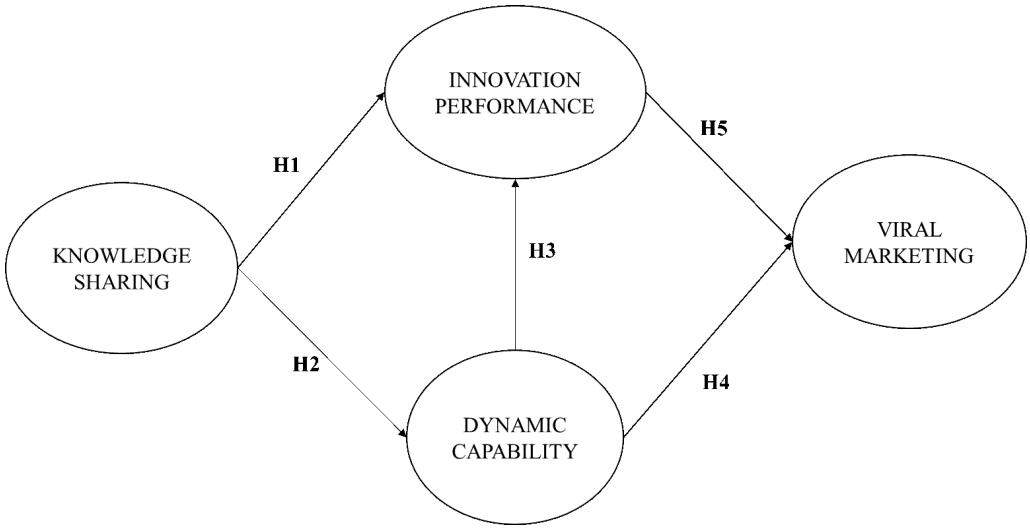

Figure 1. Empirical Research Model.

2.1 Theory of Planned Behavior

The Theory of Planned Behavior comes from the Theory of Reasoned Action, which was developed in 1985. Icek Ajzen and Martin Fishbein developed this theory by adding perceived behavioral control variables. This variable shows that motivation is influenced by the level of difficulty and ease in controlling behavior. Thus, the theory of planned behavior is a theory that provides a framework for studying attitudes to determine behavior (Ajzen 1991). This behavior is essential to build positive opinions that encourage products with innovative content to be known and popularized in the context of viral marketing.

2.2 Knowledge Sharing

Knowledge sharing is a method by enterprises where members actively share knowledge to achieve work targets (Hermawan et al. 2021). Usually, enterprises that find it challenging to implement knowledge sharing have formal structures that do not describe the dynamic and interdependent nature of social relationships among their employees. Lack of intrapersonal connection makes employees not want to share information. Meanwhile, a good relationship will make it easy for the enterprise to gain knowledge to create new ideas and practical problem solving (Zhang and Wang 2018).

2.3 Dynamic Capability

Dynamic capability is configuring enterprise resources to encourage innovation in business change. Strong dynamic capability is needed for enterprises that are trying to create innovation. This capability supports enterprises in detecting market risks and opportunities and strengthens tangible and intangible assets owned by the enterprise to adjust these market opportunities so that enterprises can create innovations and face business turbulence (Kim and Park 2021).

2.4 Innovation Performance

The creation of innovations to face competitive business competition can be in the form of products, processes, and methods. Innovation performance is the enterprise's performance in creating innovation which refers to a process of using knowledge to produce new products and solve problems. Innovation performance will have a positive impact if enterprises are willing to invest in developing the ability to absorb knowledge. This ability will be the basis for combining various acquired knowledge to create new knowledge that competitors cannot easily observe and imitate (Forés and Camisón 2016).

2.5 Viral Marketing

Viral marketing is a strategy that encourages consumers to transfer marketing messages to others. Viral marketing illustrates that every individual has the energy within him to influence the behavior of others. The success of this marketing depends on the results of the exchange of information between consumers and marketers. Savvy marketers

can take advantage of consumers in transferring information to other consumers with the satisfaction of consumers who have a large following on social media (Abbas and Ali, 2020).

2.6 Hypothesis

2.6.1 Effect of knowledge sharing on innovation performance.

The success of innovation is based on the knowledge-sharing process in the creative industry. The more sources of knowledge obtained; the more materials can be used to create new ideas. In other words, innovation is the enterprise's ability to combine and develop all acquired knowledge. It aligns with the study's results (Abbas et al. 2018; Jiang and Li 2009).

H1: Knowledge sharing has a significant effect on innovation performance.

2.6.2 Effect of knowledge sharing on dynamic capability.

Knowledge sharing can affect dynamic capability. Enterprises need to encourage employees to be active in retrieving, filtering, storing, transferring, and sharing knowledge from individuals to organizations. Then, employees must equip it with the dynamic capability to develop knowledge into new solutions, products, or services. It is in line with studies (Tseng and Lee 2014).

H2: Knowledge sharing has a significant effect on viral marketing.

2.6.3 Effect of dynamic capability on innovation performance.

Dynamic capability is a critical capability in creating innovation. The dynamic capability enables the creative industry to adapt, recognize potential changes, and solve various problems by encouraging innovation. This capability enables creative industries to identify opportunities and threats, explore skills, and detect new market opportunities (Lee and Yoo 2019; Rui et al. 2018).

H3: Dynamic capability has a significant effect on innovation performance.

2.6.4 Effect of dynamic capability on viral marketing.

Creative industries need the dynamic capability to be alert in seeing opportunities quickly and develop the ability to respond to what is happening in the market. Rapid market changes bring new ways of communicating and promoting products. One of these ways is viral marketing. This method should be sought to get customer feedback (Day 2011).

H4: Dynamic capability has a significant effect on viral marketing.

2.6.5 Effect of innovation performance on viral marketing.

Innovation performance is needed as a measuring tool for achieving viral marketing. Viral marketing in its application requires innovation to make customers interested in the product or service being marketed. This interest will make customers share information about products because the transfer of information is very fast in the digital era (Joseph and Chinenyeze 2019; Muller and Peres 2019).

H5: Innovation performance has a significant effect on viral marketing.

3. Methods

Primary data was obtained directly in the field for further analysis in this study. The data was obtained by distributing questionnaires. The sampling technique is purposive sampling, where the sample selection uses certain conditions. The analytical tool used is Structural Equation Modeling (SEM) which is analyzed with Smart-PLS software. The number of indicators in each construct is 80 (16 * weight 5), so the sample is sufficient for calculations in the study (Hair et al. 2014).

4. Data Collection

Questionnaires were distributed for six months to 120 managers in creative industry in several cities in Central Java. The return rate of the questionnaire was 67.5%, so 81 respondents were involved in this study, and this number is still adequate for a minimum sample size. The following are the characteristics of the respondents in this study.

Table 1. Respondent Characteristics.

	Amount	Percentage
Respondent Identity		
Gender		
Man	45	57,10%
Woman	36	42,90%
Business Identity		
Number of Employees		
< 6	44	54,30%
6 – 10	16	19,80%
11 – 15	5	6,20%
> 15	16	19,80%
Business Age (Years)		
< 11	67	83,80%
11 – 20	8	10,00%
> 20	5	6,20%
Total	81	100%

Based on Table 1, most of the respondents in the creative industry in Central Java are male, 57.10%. Respondents who have employees up to 6 are 54.30%. Then, the number of employees in the range 6 – 10 has a percentage of 19.80%, in the range 11 – 15 has a percentage of 6.20%, and businesses that have employees > 15 are 19.80%. Businesses that have been established for less than eleven years have a percentage of 83.80%, in the range of eleven to twelve have a percentage of 10.00%, and businesses that have been established for more than twenty years have a percentage of 6.20 %.

5. Data Analysis

5.1 Measurements

This study uses an analytical tool called Structural Equation Model (SEM) with Smart PLS software. The analytical procedure was carried out in two stages: the measurement model test and the structural model test. The measurement model test is usually called the validity and reliability test, while the structural model test means testing the hypothesized relationship. (Table 2)

Table 2. Measurement details for standardized factor loadings.

Description	Loading Factor
Knowledge Sharing (Abu-Shanab et al. 2014)	
KS1: Enterprise has teams and groups.	0.912
KS2: Enterprise expects an increase in knowledge share in the future.	0.937
KS3: Enterprise holds internal knowledge sharing during business meetings and conferences.	0.783
KS4: Top management always supports its employees by bringing and exchanging new knowledge.	0.928
Dynamic Capability (Singh et al. 2020)	

DC1: Enterprise regularly monitors the business environment for new opportunities.	0.885
DC2: Enterprise can turn market information into new knowledge in building products.	0.786
DC3: Enterprise learns from past experiences to build knowledge that addresses today's needs.	0.833
DC4: Enterprise has a fast response in the face of market changes.	0.722
Innovation Performance (Kalay and Gary 2015)	
IP1: Enterprise can develop innovative products according to customer wishes.	0.793
IP2: Enterprise is more innovative than competitors.	0.922
IP3: Enterprise always finds creative ideas in making new products.	0.922
IP4: Enterprise gets new innovative ways to save on production operations.	0.852
Viral Marketing (Hamid et al. 2017)	
VM1: Enterprise promotes viral products in the market.	0.841
VM2: Enterprise often sells products that have gone viral.	0.570
VM3: Enterprise has customers who share product content on their network.	0.745
VM4: Enterprise's viral marketing can reduce promotional costs.	0.835

Table 2 shows the loading factor results, which measure how much an indicator can explain the latent variable. All loading factors for each indicator are above 0.5. Table 3 shows extracted mean-variance for each variable has reached a number above 0.5 so that the convergent validity of the research model has met the requirements. In addition, the value of Cronbach's Alpha and Composite Reliability for each variable has been greater than 0.7. This value indicates that all constructs have met the reliability requirements (Hair et al. 2019). Thus, the data can be analyzed further.

Table 3. Cronbach'S Alpha, Construct Reliability, and Average Variance Extracted.

	Cronbach'S Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Dynamic Capability	0.822	0.883	0.654
Knowledge Sharing	0.895	0.928	0.763
Innovation Performance	0.914	0.939	0.796
Viral Marketing	0.751	0.839	0.571

5.2 Hypothesis Testing

Hypothesis testing determines the significance of direct and indirect effects and measures the effect of exogenous variables on endogenous variables. The following is Table 4, which shows the R Square value from the results of the data analysis.

Table 4. Value of R Square

	R-Square
Dynamic Capability	0.533
Innovation Performance	0.687
Viral Marketing	0.464

Table 4 displays that the R-Square value of dynamic capability is 0.533. It means that dynamic capability can be explained by knowledge sharing of 53.3%, while the remaining 46.7% is explained by other variables not included in this study. Innovation performance has an R Square value of 0.687, which means that innovation performance can be explained by knowledge sharing and dynamic capability of 68.7%. In contrast, 31.3% is explained by other variables not discussed in this study. Then, the value of R Square on viral marketing is 0.464. Dynamic capability and innovation performance can explain viral marketing by 46.4%, while the remaining 53.6% is explained by other variables not included in this study.

Table 5. Hypothesis Result.

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values	Decision
Dynamic Capability => Innovation Performance	0.582	0.594	0.144	5.126	0.000	S
Dynamic Capability => Viral Marketing	0.319	0.338	0.130	2.461	0.014	S
Innovation Performance => Viral Marketing	0.398	0.395	0.153	2.607	0.009	S
Knowledge Sharing => Dynamic Capability	0.730	0.744	0.049	14.962	0.000	S
Knowledge Sharing => Innovation Performance	0.302	0.289	0.130	2.326	0.020	S

Table 5 explains the results of the hypotheses between variables. The table shows that the five hypotheses in the study were accepted. These results are obtained based on the P Values generated in each hypothesis, where P Values < 0.05 indicates that the hypothesis is significant.

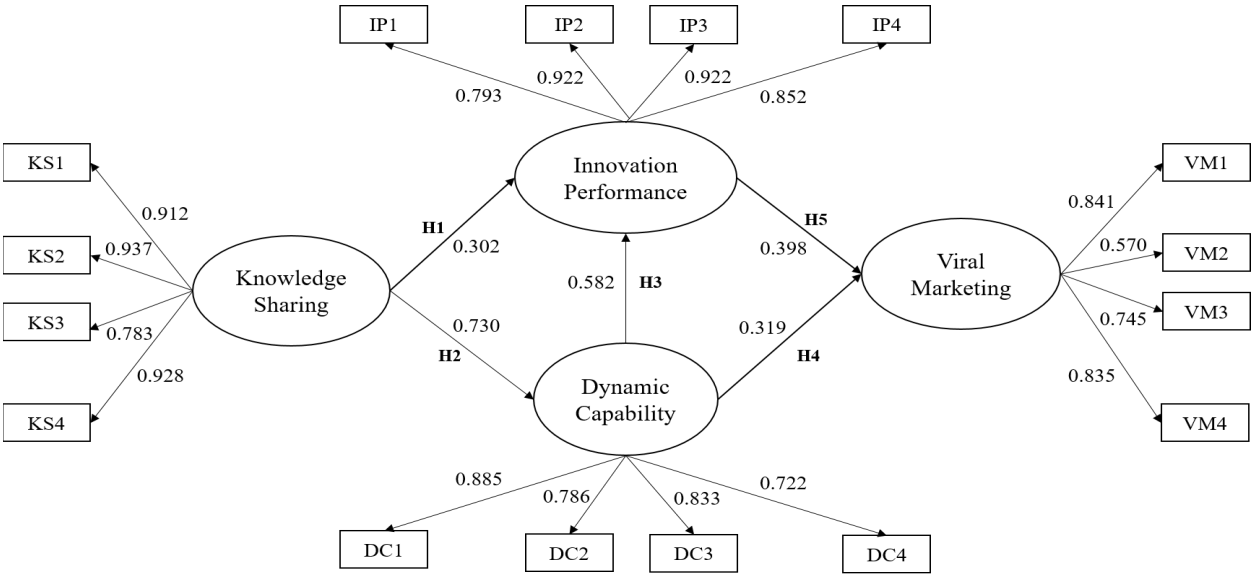

Figure 2. Full Model.

Figure 2 displays significant results found on the effect of dynamic capability on innovation performance (p = 0.000), the effect of dynamic capability on viral marketing (p = 0.014), the effect of innovation performance in viral marketing (p = 0.009), the effect of knowledge sharing on dynamic capability (p = 0.000), and the effect of knowledge sharing on innovation performance (p = 0.020).

Table 6. Direct Effects, Indirect Effects, and Total Effects.

Effects on Endogenous Variables	Direct Effects	Indirect Effects	Total Effects
Efek pada innovation performance			
H1: Knowledge sharing	0.303	0.425	0.728
H3: Dynamic capability	0.582		
Knowledge sharing through dynamic capability		0.425	0.425
Efek pada dynamic capability			
H2: Knowledge sharing	0.730		
Efek pada viral marketing			
H4: Dynamic capability	0.319		
H5: Innovation performance	0.398		
Knowledge sharing through innovation performance		0.120	0.120
Knowledge sharing through dynamic capability		0.233	0.233
Knowledge sharing on dynamic capability on innovation performance		0.169	0.169

Table 6 shows the results of the influence of the variables to leverage viral marketing. Knowledge sharing on innovation performance produces a total effect of 0.728 with a direct effect of 0.303 and an indirect effect of 0.425. Dynamic capability affects innovation performance by 0.582. Knowledge sharing directly affects the dynamic ability of 0.730. Dynamic capabilities in viral marketing have a direct effect of 0.319. The innovation performance has a direct effect of 0.398. Then obtained are three alternative paths to influence viral marketing. The first path is a knowledge sharing on innovation performance with a total effect of 0.120. Knowledge sharing to dynamic capability as the second path has a total effect of 0.233. The third path is a knowledge sharing through dynamic capability and innovation performance with a total effect of 0.169. The second path is the best to influence viral marketing of the three alternative paths.

4. Results and Discussion

Based on the data processing analysis, **Hypothesis H1 is accepted**. Knowledge sharing has a significant effect on innovation performance $\beta = 0.302$. Creative industries with organizational elements accustomed to sharing knowledge will be richer in information to build knowledge repositories within the organization. The knowledge repository is used to solve bottleneck problems, decision-making, and considerations in risk-taking when building innovative products so that the market can accept them. The existence of knowledge sharing within the creative industry will bring up many problem-solving options that can create innovation, both in processes, methods, products, or services. In addition, knowledge sharing can validate solutions to avoid failure. In line with studies (Li et al. 2019), human resources with different knowledge and experience need to be linked by building a database capable of encouraging the transfer and sharing of knowledge between them. Thus, establishing an atmosphere of sharing knowledge in completing work can enable the enterprise to develop new products following customers' wishes. In addition, knowledge in the organization also needs to be protected and optimized into innovations that are inimitable by competitors (Hermawan and Hindrawati 2021).

Hypothesis 2 is accepted. Knowledge sharing has a significant effect on dynamic capability $\beta = 0.730$. The existence of an atmosphere of sharing knowledge among members to complete work can help creative industries to create new knowledge or find creative ideas in creating content about products. The knowledge gained from each other will help the merging, configuring, and integrating because knowledge is the material for building new products or services. Congruent with (Yu and Kim 2020), knowledge sharing in developing innovation must combine with dynamic

capability. The exploration of innovation tends to lead to large consumption of organizational resources and failures that impact enterprise performance.

Hypothesis 3 is accepted. The dynamic capability significantly affects innovation performance of β = 0.582. When creative industries utilize resources to capture market information, such as changes in market trends, creative industries can convert information into knowledge as learning material for developing new products. New product development requires integrating resources in skills and experience. New products that are in line with trends will be able to answer customer desires and be considered more innovative compared to competitors. Thus, the more the creative industry can capture market information, the more excellent the opportunity for the creative industry to develop innovative products needed by customers. In addition, creative industries need to respond to market changes quickly by adopting digital technology that is in line with the times. The ability of resources to configure new skills will enable creative industries to find new ways to save operational costs. It is in line with research (Bao-jie 2010) which states that it is not enough to have rich resources to spur innovation performance. However, creative industries also need dynamic integration, coordination, learning, replacement, and conversion capabilities.

Hypothesis 4 is accepted. The dynamic capability significantly affects viral marketing by β = 0.319. Creative industries that can combine their various resources will be able to develop products that have the potential to go viral. Creative industries can modify products by incorporating new experiences and capabilities. The results of the modification into an inimitable innovative product will encourage competitive advantage. In addition, creative industries can create product content that stimulates the information transfer process between customers. The transfer process will, in turn, drive viral product content in the market. It is in line with research (Prabowo et al. 2021) which states that the creative industry in carrying out corporate campaigns emphasizes the value it has to customers by focusing on innovative products or services to be superior to competitors. In addition, they use viral videos as an inexpensive and accessible marketing tool. The success of using these marketing tools cannot be separated from the dynamic capability that must be possessed. The ability to capture market information is then used to create video content that is in line with trends, as well as utilize the capabilities of human resources in processing video creation with the provision of experience. Thus, the better the creative industry's ability to convert knowledge into new products, the better the creative industry will be at having customers share viral content with their friends.

Hypothesis 5 is accepted. Innovation performance has a significant effect on viral marketing by β = 0.398. When creative industries explore to find creative ideas, they will try to use those ideas to create an inimitable product or service. Inimitable products will encourage customers to share product information on their network. Moreover, the business world has acquired digital where it is easy for people to share writings, photos, and videos, so it is crucial to increase innovation in creative industries to encourage products to go viral in the market. Thus, it can be said that the more often the creative industry discovers new ideas, the more often it sells viral products. This study's results are in line with (Pani and Sharma 2011) who states that campaigns on viral marketing in the modern era require an innovation strategy supported by creative thinking, technology, and the right content.

6. Conclusion

This study succeeded in building a model for encouraging viral marketing in the creative industry through the Theory of Planned Behavior perspective. Tests on the model involving the variables of knowledge sharing, dynamic capability, and innovation performance used proved to be able to influence viral marketing. Based on the results of data analysis from three alternative paths, the best path is obtained, namely the second path. This second path is a knowledge sharing through dynamic capability on viral marketing with a total effect of 0.233. This result is greater than the first route, namely knowledge sharing through innovation performance on viral marketing of 0.120. Likewise, the third path, namely knowledge sharing through dynamic capability and innovation performance on viral marketing with a total effect of 0.169. The presence of innovation in the creative industry is used to stimulate viral marketing, which requires dynamic capability owned by the creative industry. Dynamic capability is needed so that the creative industry can adapt to business turbulence in a constantly changing business environment. It needs to be supported by utilizing available resources to monitor the market environment, create new knowledge based on market information, learn from past experiences, and respond quickly to market changes. Dynamic capability can be built through knowledge sharing that is applied among employees in the creative industry.

Furthermore, creative industry players can find new methods or create innovative products that are not easily imitated and are closer to viral creation. For example, when the creative industry faces business turbulence during the COVID-

19 pandemic, offline stores must be closed indefinitely due to physical distancing policies. The creative industries can encourage employees to apply knowledge sharing within the creative industry in learning new skills such as using social media or online shops. Through social media as an instrument to capture knowledge, creative industries can develop their product marketing with exciting content that can bind customers emotionally. In turn, customers will become promoters of the creative industry's products by utilizing social media features to share product content with their network.

This study is included in cross-sectional research so that further research can also be carried out longitudinal research with the same variables to test the model in fields other than the creative industry. In addition, further studies can develop models by revealing antecedent variables in viral marketing.

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