

## The Effect of Entrepreneurial Spirit, Creativity, and Business Capital on Business Sustainability with Innovative Excellence as an Intervening Variable

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### ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh kreativitas, modal usaha, dan jiwa kewirausahaan terhadap keberlanjutan bisnis, dengan keunggulan inovasi sebagai variabel mediasi di sektor Usaha Mikro, Kecil, dan Menengah (UMKM). Latar belakang penelitian ini terletak pada peran krusial inovasi dalam memperkuat daya saing dan keberlanjutan UMKM di tengah lingkungan bisnis yang terus berubah. Metode yang digunakan adalah pendekatan kuantitatif menggunakan Pemodelan Persamaan Struktural berbasis Partial Least Squares (PLS-SEM). Data dikumpulkan melalui kuesioner tertutup yang disebarluaskan kepada 150 pelaku UMKM aktif di Pangkalpinang. Hasil analisis menunjukkan bahwa kreativitas dan modal usaha secara signifikan secara tidak langsung mempengaruhi keberlanjutan bisnis melalui keunggulan inovasi. Keunggulan inovasi terbukti menjadi variabel mediasi yang signifikan, memperkuat hubungan antara faktor bisnis internal dan keberlanjutan. Sebaliknya, jiwa kewirausahaan tidak menunjukkan pengaruh yang signifikan, baik secara langsung maupun tidak langsung, melalui inovasi. Temuan ini menekankan bahwa strategi bisnis yang berfokus pada peningkatan inovasi dan kreativitas, didukung oleh akses modal yang memadai, lebih efektif dalam menciptakan perusahaan yang berkelanjutan.

**Keyword:** Kreativitas; Keberlanjutan Usaha; Keunggulan Inovasi; Modal Usaha; Semangat Berwirausaha

### ABSTRACT

*This study aims to analyze the influence of creativity, venture capital, and entrepreneurial spirit on business sustainability, with innovation excellence as a mediating variable in the Micro, Small, and Medium Enterprises (MSMEs) sector. The background of this study lies in the crucial role of innovation in strengthening the competitiveness and sustainability of MSMEs in the midst of a constantly changing business environment. The method used is a quantitative approach using Partial Least Squares-based Structural Equation Modeling (PLS-SEM). Data were collected through closed questionnaires distributed to 150 active MSME actors in Pangkalpinang. The results of the analysis show that creativity and venture capital significantly and indirectly affect business sustainability through innovation excellence. Innovation excellence is proven to be a significant mediating variable, strengthening the relationship between internal business factors and sustainability. In contrast, entrepreneurial spirit does not show a significant influence, either directly or indirectly, through innovation. These findings emphasize that business strategies that focus on increasing innovation and creativity, supported by adequate access to capital, are more effective in creating sustainable companies.*

**Keyword:** Creativity; Business Capital; Business Sustainability; Entrepreneurial Spirit; Innovation Advantage

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## 1. INTRODUCTION

In an increasingly competitive era of digital economy and globalisation, business sustainability is one of the main challenges for entrepreneurs in various industry sectors. According to the World Economic Forum (2023), more than 50% of small and medium-sized enterprises (SMEs) fail within the first five years of operation due to a lack of innovation and business resilience. Factors such as entrepreneurial spirit, creativity and venture capital play a crucial role in determining the success and long-term sustainability of a business (Schumpeter, 2022; Lumpkin & Dess, 2021). However, despite various studies addressing these factors, there is still a research gap in understanding the mechanism of how innovative advantage can act as an intervening variable in business sustainability.

Entrepreneurial spirit refers to individual characteristics that reflect the ability to take risks, be proactive, and be innovation-oriented (Covin & Slevin, 2022). These characteristics are decisive factors in creating a sustainable business and being able to face increasingly fierce competition. In addition, creativity is an important aspect that supports entrepreneurs in developing new ideas, creating added value, and adjusting to dynamic market changes (Amabile, 2021). No less important, business capital is often the main obstacle for business actors in developing their business. A study by Robb & Robinson (2023) shows that access to adequate capital contributes significantly to the growth and sustainability of small and medium-sized businesses.

However, while all three factors are important, business sustainability is also highly dependent on the innovative edge that a business possesses (Teece, 2022). Innovative advantage enables businesses to create superior products or services, build strong differentiation, and respond more quickly to market changes. Therefore, this study aims to understand how entrepreneurial spirit, creativity and venture capital affect business sustainability, with innovative advantage as an intervening variable. Although many studies have highlighted the importance of entrepreneurial spirit, creativity and venture capital in the context of entrepreneurship, there are still some research gaps that need to be addressed. First, there are still few studies that comprehensively examine the role of innovative advantage as an intervening variable in the relationship between these factors and business sustainability. Secondly, most of the previous studies focus on the direct relationship between individual factors and business performance without considering how innovation can be the link that amplifies the impact (Zahra & Covin, 2022).

The novelty of this study lies in the integration of innovative excellence as an intervening variable linking entrepreneurial spirit, creativity, and venture capital with business sustainability, an approach that has rarely been comprehensively addressed in previous literature. This research offers a theoretical contribution by building a relationship model that highlights the strategic role of innovation as a bridge between internal and external factors of business actors towards business sustainability. In addition, this research broadens the perspective of business sustainability not only in terms of resources or entrepreneurial characteristics, but also from the innovative added value generated, thus providing new insights for the development of more adaptive and competitive entrepreneurship policies and strategies.

The purpose of this study is to analyse and explain the effect of entrepreneurial spirit, creativity, and venture capital on business sustainability, and to examine the role of innovative advantage as an intervening variable in strengthening the relationship. This research aims to provide a deeper understanding of how the combination of individual entrepreneurial characteristics and resources can create innovative advantages that have an impact on the ability of businesses to survive and thrive in the long term. The results of this study are expected to provide practical implications for business actors and policymakers in formulating sustainable business development strategies.

### **A. Relationship between Entrepreneurial Spirit and Business Sustainability**

The relationship between entrepreneurial spirit and business sustainability suggests that entrepreneurial behaviour can significantly improve sustainable business performance. Entrepreneurial Orientation (EO), characterised by innovation, proactivity and risk-taking, is positively correlated with sustainability outcomes across industries (Umapathy & Ramamoorthy, 2024).

EO dimensions such as innovation and risk-taking contribute to the adoption of sustainable practices, which in turn support long-term economic growth (Haque, 2024). In addition, entrepreneurial spirit drives the green development of firms, with new quality productivity as a mediating factor that strengthens sustainability efforts, especially in large firms (Ma, 2024). The impact of entrepreneurial spirit is more pronounced in large firms, suggesting a scale effect in the implementation of sustainability initiatives. Effective resource utilisation and strategic capability development are also crucial for aligning a firm's competitive strategy with sustainability goals (Kim & Kim, 2024). Companies that can optimise their entrepreneurial competencies tend to achieve better sustainable business performance.

However, it should be noted that small firms often face challenges such as intense market competition and limited resources, which may hinder the full realisation of the benefits of entrepreneurial spirit. Therefore,

support mechanisms tailored to the characteristics and needs of small enterprises are needed to promote their sustainability.

### **B. Relationship of Creativity to Business Sustainability**

The link between creativity and business sustainability is increasingly recognised as a critical component in achieving long-term success in today's competitive landscape. Creativity drives innovation, which is essential for developing sustainable practices in the face of environmental and social challenges. The synergy between creativity and sustainability not only improves operational efficiency but also fosters resilience to market volatility.

Creativity drives the development of new ideas and processes that support sustainable innovation, such as the development of renewable energy solutions and the adoption of circular economy practices (Sahani, 2025). Companies such as Tesla and Patagonia exemplify how creative approaches can generate significant environmental and social benefits while driving economic growth (Ayandibu, 2024). In addition, creativity-oriented human resource management (HRM) has been shown to improve corporate performance and sustainability through the promotion of innovative practices in organisations (Adıgüzel et al., 2025). Effective HRM strategies can accelerate the commercialisation of sustainable innovations, thereby positively impacting the social and environmental performance of firms.

Despite the importance of creativity, businesses face challenges such as regulatory complexity and resource constraints that can hinder sustainable innovation (Tomar & Singh, 2024). Addressing these challenges through collaboration and investment in education is considered essential for building a sustainable entrepreneurial culture, which ultimately benefits the economy and the environment (Karar et al., 2025). Conversely, it is important to be aware that an over-emphasis on creativity without alignment with sustainability goals may lead to unsustainable practices. Therefore, a balance between creativity and structured sustainability strategies is necessary to ensure that innovation contributes positively to society and the environment.

### **C. The Effect of Business Capital on Business Sustainability**

Business capital has a significant impact on business sustainability, especially for small and medium-sized enterprises (SMEs) and the retail sector. Effective working capital management not only improves profitability but also supports long-term sustainability by ensuring liquidity is available for operational needs and investment in sustainable practices.

Research shows that working capital management has a direct impact on profitability, albeit with a modest correlation. A study in the Indonesian retail sector found that working capital accounted for 17.6% of the variation in profitability (Her-sugondo et al., 2025). In the context of SMEs, effective management of receivables and cash flow is key, with findings showing a significant positive effect of receivables management on financial sustainability (O. & B., 2024). Economic policy uncertainty also affects investment in working capital. Firms tend to increase working capital in response to uncertainty, with the relationship following a non-linear pattern, suggesting there is an optimal level of investment to maintain business stability (Mardones et al., 2024).

In the banking sector, working capital management has also been shown to significantly influence financial performance metrics such as Return on Equity (ROE) and Return on Assets (ROA), confirming the importance of this practice for the sustainability of financial institutions (Animasaun et al., 2024). Meanwhile, in micro and small processed food companies, effective working capital management can reduce the risk of bankruptcy and increase profitability, so serious efforts are needed to improve financial management capabilities (Kamal et al., 2024). While working capital plays an important role in business continuity, it is important to remember that other factors also determine overall financial performance. Therefore, companies need to adopt a holistic financial management approach, not only focusing on working capital optimization, but also integrating various financial strategies to support long-term growth and sustainability.

### **D. Relationship between Entrepreneurial Spirit and Business Sustainability through Innovation Excellence**

The relationship between entrepreneurial spirit and business sustainability through innovation excellence has received increasing attention in promoting sustainable economic growth. Entrepreneurship innovation not only improves financial performance but also creates new jobs and increases productivity, thus building a close link between innovation and sustainability (Sugiarti & Elmiwati, 2024). Entrepreneurial orientation (EO) dimensions, such as innovation and risk-taking, are known to have a positive impact on sustainable business performance in various sectors (Umapathy & Ramamoorthy, 2024).

Innovation acts as a transformation driver in sustainable entrepreneurship, enabling businesses to pay more attention to social and environmental well-being (Ayandibu & Ayandibu, 2024). Sustainable innovation enables businesses to develop environmentally friendly products and meet market demands that are increasingly focused on sustainability (Karar et al., 2025). Other EO aspects, such as proactivity and competitiveness, also play an important role in driving sustainability, reinforcing entrepreneurial behavior to

achieve higher sustainable performance (Umapathy & Ramamoorthy, 2024). This proactive approach encourages innovation and environmental stewardship, resulting in more optimal sustainability outcomes (Umapathy & Ramamoorthy, 2024).

Innovative work behavior mediates the relationship between entrepreneurial characteristics and sustainability performance, transforming skills and attitudes into concrete achievements (Rathee et al., 2025). Environmental awareness also strengthens the effectiveness of sustainable innovation, particularly in the context of SMEs (Karar et al., 2025). However, challenges such as market resistance and regulatory barriers remain, and strategies are needed to overcome these obstacles to realize the full potential of entrepreneurial innovation in supporting sustainable business practices.

#### ***E. Relationship between Creativity and Business Sustainability through Innovation Excellence***

Creativity, business sustainability and innovation excellence are inextricably linked to shape long-term business success in dynamic markets. Creativity serves as a key driver of sustainable innovation, enabling businesses to design solutions to social and environmental challenges while enhancing competitiveness.

Creative thinking enables entrepreneurs to identify complex problems and create environmentally and socially friendly technologies (Ram et al., 2024). Case studies of companies such as Tesla and Patagonia show that creativity can lead to sustainable practices that fit the preferences of the modern market (Ayandibu, 2024). Businesses that integrate sustainability into their innovations can achieve cost savings, strengthen brand reputation, and increase resilience to market changes (Sahani, 2025). The sustainable innovation framework emphasizes the importance of aligning innovation goals with the sustainability agenda to ensure long-term business viability (Tomar & Singh, 2024).

Environmental awareness further increases the effectiveness of sustainable innovation, particularly within the SME sector, as it creates market opportunities for environmentally-based solutions (Karar et al., 2025). On the other hand, challenges such as regulatory complexity and limited resources can hinder creative and innovative processes, so there needs to be consistent efforts to overcome these barriers to build a strong culture of sustainable innovation.

#### ***F. The Effect of Business Capital on Business Sustainability through Innovation Excellence***

Working capital plays a crucial role in supporting business sustainability through innovation excellence. Effective working capital management provides room for companies to invest in innovative initiatives that support sustainable business practices. Efficient working capital management maintains firm liquidity, which is essential for funding sustainability and innovation projects (Hersugondo et al., 2025). In the textile industry, management of shorter cash conversion cycles and accelerated collection of receivables are associated with increased profitability, which in turn reinforces investment in sustainable practices (Mehak et al., 2024).

Innovation plays a role in improving operational efficiency and expanding markets, two important factors in achieving sustainability targets (Sahani, 2025). Companies that integrate innovation into their sustainability agenda tend to experience reduced operating costs and gain a better brand reputation, strengthening their competitive position (Sahani, 2025).

However, while working capital management contributes positively to sustainability, its impact on profitability is moderate, so companies still need to adopt other financial strategies simultaneously (Hersugondo et al., 2025). Maintaining a balance between working capital management and investment in innovation is crucial, as an imbalance in either can hinder the achievement of long-term sustainability goals (Rijal & Supriandi, 2024). Conversely, an approach that focuses solely on working capital optimization without considering strategic innovation may hinder comprehensive sustainability efforts, emphasizing the need for a more holistic financial strategy.

## **2. RESEARCH METHOD**

This research uses a quantitative approach with the Structural Equation Modelling (SEM) method based on Partial Least Squares (PLS). This method was chosen because it can analyze complex causal relationships between latent constructs and their measuring indicators, and is suitable for models with relatively medium to small sample sizes. PLS-SEM is also suitable for theory exploration or theoretical model development, as in this study, which explores the influence of creativity, venture capital, and entrepreneurial spirit on business sustainability through innovation excellence.

The population in this study were micro, small and medium enterprises (MSMEs) in the Pangkalpinang City area, with a purposive sampling technique. The main criteria in sample selection include: active business actors for at least two years, having business legality, and running business activities independently. The number of respondents collected and analyzed in this study amounted to 150 people, which is considered to meet the minimum requirements in the use of PLS-SEM.

Data collection was conducted through a closed questionnaire structured using a 5-point Likert scale, ranging from "strongly disagree" to "strongly agree". This instrument consists of several indicators for each latent variable, namely: Entrepreneurial Spirit (ENTSPRT), Creativity (CREATV), Business Capital (BUSCAP), Innovation Advantage (INNADV), and Business Sustainability (BUSSUST). The validity and reliability of the instrument were tested first through convergent and discriminant validity tests, as well as Composite Reliability and AVE (Average Variance Extracted).

Data analysis was conducted using SmartPLS software version 4.0, with two main stages: measurement model analysis (outer model) and structural model analysis (inner model). At the outer model stage, an evaluation of construct validity and reliability was carried out. While at the inner model stage, hypothesis testing was carried out through the path coefficient value, T-statistics, and P-values to assess the significance of the relationship between variables. The results of data processing are visualized in the form of path diagrams to facilitate the interpretation of the relationship between constructs.

### 3. RESULTS AND DISCUSSION

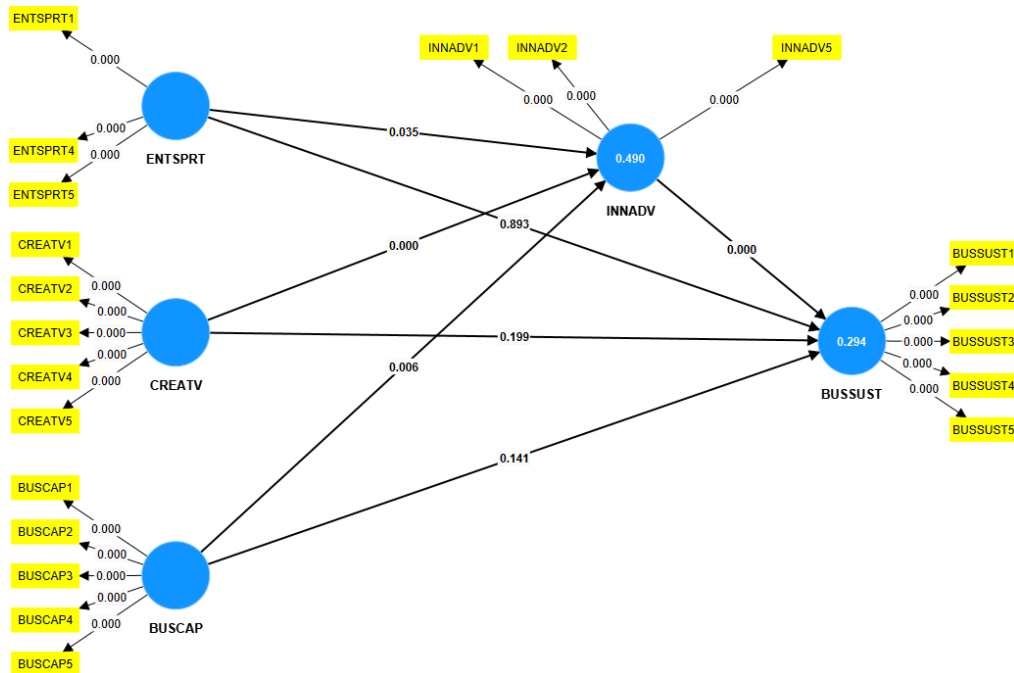


Figure 1. Bootstrapping Test

The figure presents a Partial Least Squares (PLS)-based structural model showing the relationship between several latent constructs of Entrepreneurial Spirit (ENTSPRT), Creativity (CREATV), Business Capital (BUSCAP), Innovation Advantage (INNADV), and Business Sustainability (BUSSUST). Each construct is measured by several indicators (yellow boxes), with factor loading values (numbers above the arrow towards the blue circle) generally above 0.7, which indicates good indicator reliability.

The relationship between constructs is shown by the arrow and the path coefficient value in the middle. It can be seen that CREATV and BUSCAP have a positive and significant relationship with INNADV, at 0.377 and 0.249, respectively. In addition, INNADV has a strong influence on BUSSUST of 0.335, which means that innovation excellence is a key predictor of business sustainability. However, the direct relationships between ENTSPRT and BUSSUST (0.011), as well as between CREATV and BUSSUST (0.134), are not statistically significant, indicating that their influence on sustainability is stronger when mediated by innovation.

Overall, the model makes it clear that the mediating role of INNADV is critical, where creativity and venture capital impact business sustainability indirectly through innovation. This suggests that in the context of business development, investment in innovation and creativity will have a positive impact on sustainability, especially if supported by adequate capital. The model illustrates the importance of innovative strategies born from creativity and supported by capital resources in shaping a sustainable business.

Table 1. Path Coefficients

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values
BUSCAP -> BUSSUST	0.139	0.146	0.094	1.472	0.141
BUSCAP -> INNADV	0.249	0.256	0.090	2.774	0.006
CREATV -> BUSSUST	0.134	0.130	0.104	1.285	0.199

CREATV -> INNADV	0.377	0.370	0.098	3.829	0.000
ENTSPRT -> BUSSUST	0.011	0.007	0.079	0.135	0.893
ENTSPRT -> INNADV	0.176	0.183	0.084	2.109	0.035
INNADV -> BUSSUST	0.335	0.339	0.079	4.224	0.000
BUSCAP -> INNADV -> BUSSUST	0.083	0.086	0.036	2.290	0.022
CREATV -> INNADV -> BUSSUST	0.126	0.126	0.046	2.753	0.006
ENTSPRT -> INNADV -> BUSSUST	0.059	0.063	0.033	1.764	0.078

Based on the "Path Coefficients" table displayed in the figure, we can interpret and discuss the relationship between variables in this research model. Each row in the table shows the path of the relationship between two or more variables, with important information such as path coefficients (Original Sample), t statistical values, and p values which are the basis for assessing the significance of the relationship.

#### **A. The Effect of Business Capital on Business Sustainability**

The results showed that the relationship between business capital (BUSCAP) and business sustainability (BUSSUST) has a path coefficient of 0.139 with a p-value of 0.141. The p-value that exceeds the significance threshold of 0.05 indicates that statistically, the relationship between the two variables is not significant. This means that although there is a positive relationship direction, business capital does not directly play a significant role in influencing business sustainability in the model studied.

This shows that the amount of capital owned by business owners does not necessarily guarantee the sustainability of their businesses in the long term. Working capital does not have a significant direct influence on business sustainability, mainly because its impact is often mediated through profitability rather than being an independent factor.

This finding provides an important implication that business sustainability is not only determined by the availability of capital directly, but may be influenced by other more strategic factors such as innovative ability, creativity and entrepreneurial spirit. Enterprise capital may be more effective if utilized in creating added value through innovation or adaptive business strategies.

Conversely, some argue that focusing solely on working capital management may overlook other important factors that influence sustainability, such as market conditions, innovation and strategic planning. Thus, while working capital is critical, it should be seen as part of a broader framework for achieving business sustainability.

Studies show that working capital management significantly affects profitability, which in turn affects sustainable growth (Nastiti et al., 2019; Stouffer, 2023). For example, companies that minimize their cash conversion cycle can increase profitability, thereby supporting sustainable growth (Stouffer, 2023).

The relationship between working capital and sustainability may vary by industry and firm size. Larger firms tend to show higher profitability and sustainable growth compared to smaller firms (Stouffer, 2023). In small and medium-sized enterprises (SMEs), while receivables management positively affects financial sustainability, cash and inventory management show insignificant effects (Court & Ogbolo, 2024). Therefore, it is important for businesses to not only rely on financial strength but also build innovative capacity to maintain and improve the sustainability of their business.

#### **B. The effect of business capital on Innovation Advantage**

The relationship between business capital (BUSCAP) and innovation advantage (Innovation Advantage/INNADV) is shown by a coefficient of 0.249 with a significance value of  $p = 0.006$ , indicating that there is a significant positive relationship between the two. A p-value smaller than 0.05 strengthens the evidence that the effect does not occur by chance. That is, an increase in the amount or quality of venture capital directly contributes to an increase in the innovative capacity of an entity, be it a company, MSME, or other institution. This capital can include fresh funds, productive assets, and investment in human capital.

From a strategic perspective, venture capital catalyzes innovation because it provides a foundation of resources that enable experimentation, research and development (R&D), and adoption of new technologies. When businesses have access to greater capital, they can take higher risks and try new approaches to create superior products, services or business processes. Conversely, capital constraints often limit the scope for businesses to implement innovative ideas, hindering the achievement of innovation-based competitive advantage.

In a practical context, these findings emphasize the importance of access to financing and capital support policies as one of the strategies to encourage national innovation, especially in the MSME sector, which often faces capital constraints. Governments and financial institutions can play a major role in creating a financing ecosystem that supports innovation through incentives, R&D subsidies, or innovative financing programs. Thus, investment in business capital capacity building is not just a matter of financial growth, but also a strategic investment to accelerate innovative transformation in the economy.

### **C. Effect of Creativity on Business Sustainability**

Based on the results of the analysis of the relationship between creativity (CREATV) and business sustainability (BUSSUST), it is found that the coefficient value is 0.134 with a p value of 0.199, indicating no direct significant effect. The p-value, which is far above the significance threshold of 0.05, indicates that creativity, despite having a positive relationship direction, cannot be said to statistically have a direct impact on business sustainability. This implies that creativity alone, without the support or influence of other factors, is not strong enough to promote long-term business continuity.

This analysis opens up a discussion on the possible role of mediation or indirect mechanisms. Creativity may have a more tangible impact when mediated by factors such as innovation, management strategy or technology adoption. For example, creative ideas need to be converted into innovative products or real business solutions to strengthen business sustainability. Without the conversion of ideas into strategic actions, creativity may remain an unrealized potential. Therefore, the role of creativity is more appropriately positioned as the initial trigger in the innovation process chain, rather than the final determinant of sustainability.

In practical terms, these results serve as a reminder to businesses and policymakers that encouraging creativity must be accompanied by strong implementation mechanisms, such as business incubation programs, innovation training, or market access support. Business sustainability requires a combination of creativity, systematic execution and resource support. In other words, creativity is an important foundation, but it will not generate real impact without an ecosystem capable of translating it into sustainable economic value.

### **D. The Effect of Creativity on Innovation Advantage**

The results of the analysis of the effect of creativity (CREATV) on innovation advantage (Innovation Advantage/INNADV) show a strong and significant relationship, with a coefficient of 0.377 and a p-value of 0.000. The high coefficient value and very small p-value (far below 0.05) indicate that creativity has a statistically positive and significant effect on innovation advantage. This means that the higher the level of creativity in an organization or individual, the greater the opportunity to create superior and competitive innovations.

From a theoretical and practical perspective, these findings reinforce the role of creativity as a key element in the innovation process. Creativity creates the foundation for new ideas, fresh approaches to problems, and unprecedented solutions. In a business or organizational context, creative individuals are more likely to design new products, devise efficient work methods, or create services that can provide added value to customers. Therefore, the resulting innovation advantage is not only technical but also reflects the uniqueness and differentiation that arise from creativity itself.

The implications of these findings confirm the importance of an organizational culture that supports creativity, such as flexibility, tolerance for experimentation, and respect for new ideas. Investments in creative thinking training, cross-disciplinary collaboration, and the application of design thinking methods can improve a company's overall innovative capabilities. Thus, strategies to achieve innovation excellence cannot be separated from systematic efforts to nurture and manage creativity as a key strategic asset in an era of innovation-based competition.

### **E. Effect of Entrepreneurial Spirit on Business Sustainability**

Analysis of the relationship between entrepreneurial spirit (ENTSPRT) and business sustainability (BUSSUST) shows that the relationship coefficient is very low, 0.011, with a p value of 0.893, indicating no significant direct effect between the two variables. The p-value far exceeds the threshold of statistical significance (0.05), indicating that the entrepreneurial spirit is independently not strong enough to directly influence business sustainability in the analyzed model.

However, this does not mean that the entrepreneurial spirit is not important. Instead, this result signals that ENTSPRT may have an indirect influence, through intermediary variables such as innovation, creativity, or adaptability to market changes. In much literature, the entrepreneurial spirit encourages individuals to take risks, explore new opportunities, and remain resilient amidst uncertainty - all of which are indispensable foundations for businesses to thrive and be sustainable. Therefore, business sustainability may be more influenced by how the entrepreneurial spirit is transformed into action through other mechanisms.

From an implementation perspective, this finding implies that it is not enough for entrepreneurship development programs to foster entrepreneurial motivation or spirit. An ecosystem that encourages the transformation of that spirit into concrete and innovative strategies is needed. This could include business management training, access to capital, strengthening market networks, as well as innovative capacity building. With this approach, entrepreneurial spirit can be an important element in the indirect path to stronger and more stable business sustainability.

### **F. The effect of Innovation Advantage on business sustainability**

The relationship between innovation advantage (INNADV) and business sustainability (BUSSUST) indicated by a coefficient of 0.335 and a p-value = 0.000 provides strong evidence of a positive and highly significant effect. This is the highest coefficient among the paths analyzed, confirming that innovative

advantage plays a major role in ensuring the long-term survival and growth of a business. Innovation excellence reflects the ability of a business to continuously create new value, adapt to change, and compete in a dynamic market.

Theoretically, these results confirm many views in the strategic management literature that innovation is the foundation of competitive sustainability. Organizations or businesses that can maintain differentiation through product, process, or business model innovation will have an advantage that is difficult for competitors to replicate. Innovation also expands market opportunities, increases customer loyalty, and enables rapid adaptation to changes in the external environment, such as economic crisis or technological disruption. Therefore, innovation excellence serves not only as a growth tool but also as a safeguard against the risk of business collapse.

The practical implication is that businesses and policymakers need to place innovation as a key strategic agenda in business sustainability efforts. This can be done by creating a conducive environment for research and development, encouraging cross-sector collaboration, and providing incentives for technology adoption and new value creation. Sustainability cannot rely solely on business efficiency or scale, but must be anchored on the continuous ability to innovate and provide relevant and superior solutions to the market.

#### **G. *The Role of Innovation Excellence in the Relationship between Creativity and Business Sustainability***

Analysis of the mediation path  $CREATV \rightarrow INNADV \rightarrow BUSSUST$  reveals that the effect of creativity on business sustainability is not direct, but mediated by innovation excellence. With a p-value of 0.006 and a T-statistic of 2.753, this relationship is statistically significant, suggesting that creativity does contribute to sustainability, but through the intermediary of innovation. This is an important finding that changes the way we view the role of creativity in sustainable business strategy: it is not a direct prime mover, but rather a trigger that drives innovation as a path to sustainability.

Conceptually, this mediation path emphasizes the position of innovation excellence as a key variable in transforming creative potential into a real impact on business sustainability. This means that creativity will only contribute to sustainability if it is successfully transformed into concrete innovations - whether in the form of products, processes, strategies, or customer experiences. In other words, creativity is a raw input that needs to be "processed" through an innovative process to become a strategic value that supports business sustainability. This is a reminder that creativity without innovative application will only be an unrealized idea.

The practical implications of these findings are strong: organizations or businesses that want to optimize the role of creativity in business sustainability must actively build innovation mechanisms—from the development of R&D systems, to the provision of experimentation space, to an organizational culture that supports testing new ideas. Governments and business support institutions also need to direct capacity development programs not only to creativity training, but also to innovation acceleration. By making innovation the bridge between creativity and sustainability, business models will be more resilient, adaptive and relevant in the long run

## **4. CONCLUSION**

Based on the results of the structural model analysis that has been carried out, it can be concluded that innovation advantage is a key variable in determining business sustainability. Creativity and business capital do not have a significant direct effect on business sustainability, but have a significant indirect effect through innovation advantage. Thus, it can be asserted that innovation acts as a crucial mediating variable. Meanwhile, the entrepreneurial spirit shows an insignificant influence both directly and indirectly on business sustainability in the context of this model.

The results of this study provide practical implications for business actors, especially MSMEs and budding entrepreneurs, that strengthening innovation should be a strategic priority. Efforts to increase creativity and capital utilisation should be directed to support the innovative process to make a real contribution to business sustainability. In addition, it is important for financing institutions and policymakers to not only provide access to capital but also provide innovative mentoring programmes so that the use of capital is more effective in creating additional business value.

This research leaves room for further, more in-depth studies. First, future studies could include external variables such as government support, digital technology or social networks that may play a role in strengthening innovation and sustainability. Second, a longitudinal approach can be used to explore how the relationship between these variables evolves over the long term. Third, industry or geographical segmentation can also be considered, as different business contexts can influence the dynamics of the relationships between the variables in the model. By expanding this scope, the understanding of the factors that support business sustainability will become more comprehensive.

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