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Creative Entrepreneurship Model: The Relationship between Innovation, Competitiveness, and Business Success among the Younger Generation

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Abstract

This study aims to analyze the Creative Entrepreneurship Model by examining the relationship between creativity, innovation, business competitiveness, and business success among young entrepreneurs in Indonesia. The phenomenon shows that although the young business sector is growing rapidly, its survival rate is still low. This condition requires innovative strategies to create sustainable competitive advantages. The approach used is explanatory quantitative with 110 active young entrepreneur respondents. Data were collected through an online questionnaire and analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) through SmartPLS 4.0. The results reveal that creativity and innovation have a significant positive effect on business competitiveness and success. Furthermore, business competitiveness was found to mediate the relationship between creativity and innovation and business success, with a path coefficient significant. These findings confirm that creativity and innovation are key factors in building superior competitiveness that drives business success. The implication is that young entrepreneurs need to foster a culture of innovation and adaptive strategies to market changes. These results reinforce the Resource-Based View (RBV) theory that long-term competitive advantage depends on the ability to manage unique resources such as creativity and innovation.

Keywords: Creative Entrepreneurship; Innovation; Competitiveness of MSMEs; Business Success

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Introduction

In this era of rapid digital economic growth, creativity and innovation are key to business success, especially for the younger generation who are the driving force behind the national economy (Tobari, 2021; Schwab, 2016). Indonesia's younger generation has great potential to create new business opportunities through the use of technology, creative ideas, and product innovation (UKM., 2023). The development of digital technology has opened up vast opportunities for the emergence of young entrepreneurs based on innovation, such as in the creative economy, e-commerce, and start-ups (Galaby & Abdrabo, 2020; Tambunan, 2021). However, the reality on the ground shows that many young entrepreneurs still face challenges in maintaining business competitiveness and achieving sustainable business success (Safitri et al., 2024). These challenges include limited capital, managerial experience, market access, and low innovation capabilities that are managed systematically (Prause, 2019). This phenomenon raises fundamental questions about how innovation carried out by the younger generation can be converted into competitive advantages and lead to business success (Ekanem, 2024; Hutahayan & Yufra, 2019).

According to the Central Statistics Agency (BPS, 2024), the micro and small business sector managed by the younger generation has experienced significant growth in the last five years, especially in the creative and digital economy sub-sectors. However, the business survival rate is still relatively low, with around 60% of start-ups run by young entrepreneurs not surviving more than three years. This condition shows that despite their high potential for creativity and spirit of innovation, their ability to manage innovation, adapt to market changes, and create sustainable competitive advantages remains a major obstacle (UKM., 2023; Safitri et al., 2024). This phenomenon underscores the importance of developing a creative entrepreneurship model that can bridge the gap between innovative ideas and the creation of real economic value. This model is expected to enhance the competitiveness of young entrepreneurs and ensure business sustainability in the face of the dynamics of the digital economy and globalization (Hutahayan & Yufra, 2019; Ekanem, 2024).

In entrepreneurship literature, innovation has long been recognized as a fundamental factor in building competitive advantage (Schumpeter, 1934). Innovation enables entrepreneurs to produce new products or services that are more efficient, relevant, and add value. Meanwhile, business competitiveness is a company's ability to face market competition through differentiation, efficiency, and service quality (Porter, 2001). Competitiveness is not only a measure of external performance but also an internal indicator that reflects the effectiveness of the innovation strategies implemented by young entrepreneurs.

Previous studies have shown a positive relationship between innovation, competitiveness, and business success. Research by Kanaan-Jebna et al., (2022) found that entrepreneurial competence supported by innovation significantly improves the performance of small businesses in Indonesia. Similar results were obtained by Hutahayan & Yufra, (2019), who proved that innovation and creativity have a direct effect on the competitiveness of MSMEs. Meanwhile, (Carreón-Gutiérrez & Saiz-Álvarez, 2019) in their research on young entrepreneurs showed that product and service innovation is a major determinant of business success through increased market competitiveness. In addition, research by Dewa et al., (2023) also confirms that young entrepreneurs who are innovation-oriented have a higher level of business sustainability than those who do not engage in continuous innovation. These results reinforce the assumption that innovation has a direct and indirect effect on business success through competitiveness.

Despite the rapid growth of youth entrepreneurship in the digital economy, the sustainability of young entrepreneurs' businesses remains relatively unstable. Many young business owners are able to generate innovative ideas, yet they often struggle to manage innovation systematically, making it difficult to maintain competitiveness in an increasingly dynamic market. Previous studies have highlighted the importance of innovation, competitiveness, and business success, but most of them examine these variables separately and have not developed an integrated model that explains the relationship between innovation, competitiveness, and business success in a comprehensive manner. Furthermore, research specifically focusing on young entrepreneurs in creative and digital-based ventures is still limited, even though their characteristics differ significantly from traditional MSMEs.

This study addresses these gaps by proposing a novel *Creative Entrepreneurship Model* specifically designed for young entrepreneurs. The model integrates the role of innovation in shaping competitiveness and demonstrates how both contribute to business success. This approach provides deeper insight into how creative ideas can be transformed into sustainable competitive advantages, offering both theoretical and practical contributions to the development of youth entrepreneurship in Indonesia.

Based on this background, this study aims to analyze the relationship between innovation, competitiveness, and the success of young entrepreneurs in Indonesia, as well as to develop a creative entrepreneurship model that can serve as a reference for the development of young businesses in the future. The results of this study are expected to contribute theoretically to the development of entrepreneurship studies and practically to policymakers, educational institutions, and young entrepreneurs in strengthening an innovative and highly competitive entrepreneurial ecosystem.

Literature Review

Creativity and Innovation in Entrepreneurship

Creativity is the ability of a person to generate new ideas that are original and useful in solving problems or creating business opportunities. In the context of entrepreneurship, creativity is the main source of innovation that can add value to products and services (Amabile & Pratt, 2016). Innovation, on the other hand, includes the ability to apply creative ideas to business practices that result in efficiency, effectiveness, and competitive advantage. According to Balya & Yuldinawati, (2025), entrepreneurial orientation has a significant influence on innovation and business performance among young people in Indonesia.

Similar findings were reported by Permana et al., (2023), who emphasized that product and process innovation is key to the success of small businesses in remaining relevant amid technological change. Nasir et al., (2024), through a systematic review, added that innovation plays a complex role as a mediator between external factors (such as the business environment) and business performance, which emphasizes the importance of innovative capabilities for the younger generation in maintaining business sustainability. In the digital economy era, innovation not only covers product aspects but also processes and business models. Young people who are able to utilize digital technology to develop creative ideas have greater opportunities to create new economic value Sulistyanto et al., (2025). Thus, creativity and innovation are the main foundations for creative entrepreneurship models that are relevant in the Society 5.0 era.

A number of previous studies consistently demonstrate that creativity and innovation are critical determinants of competitiveness and business success, particularly among young entrepreneurs. Gunawan, (2024) found that creative competence and innovative capability significantly enhance competitive advantage by enabling product differentiation and added value creation. This finding aligns with Abidin et al., (2023), who showed that innovation directly strengthens business competitiveness through improvements in product quality, efficiency, and responsiveness to market dynamics. Similarly, the study by Adeosun & Shittu, (2021) revealed that creativity and innovation in product and service development serve as key factors that enable young entrepreneurs to compete effectively in increasingly competitive markets.

Furthermore, existing research shows that creativity and innovation not only enhance competitiveness but also have a direct impact on business success. Widhi & Aditya, (2024) reported that young entrepreneurs who actively implement continuous innovation tend to achieve higher levels of business sustainability. Herbst et al., (2023) demonstrated that creativity and innovation improve business performance through opportunity creation, stronger market differentiation, and increased customer satisfaction. Howkins, (2002) also emphasized that creativity forms the core foundation of success in idea-based and creative-economy ventures. From several theoretical opinions and empirical findings above, the following research hypothesis is formulated:

H1: Creativity and innovation have a positive on the competitiveness of young entrepreneurs' businesses.
H2: Creativity and innovation have a positive effect on the success of young entrepreneurs' businesses.

Business Competitiveness and Competitive Advantage

Business competitiveness is defined as a company's ability to maintain its position in the market by creating superior value compared to its competitors (Porter, 2001). In the context of young entrepreneurship, competitiveness is often associated with the ability to adapt to technology, continuous innovation, and speed in responding to market changes (Chaniago, 2021). Recent research by Akbar & Amir, (2024) shows that the adoption of digital technology and innovation significantly increases the competitiveness of MSMEs, particularly in terms of efficiency, customer relations, and market reach. Meanwhile, Febrianita et al., (2023) emphasize that digital innovation-based business strategies are important factors in maintaining business resilience and sustainability in an era of disruption. However, competitiveness is not only shaped by technological innovation, but also by creativity in creating product differentiation and customer experience. Hardiani & Amril, (2023) highlight that young people in rural areas show high creativity, but limited access to markets and technology remains a major obstacle to building competitiveness. This reinforces the view that competitiveness needs to be built holistically through innovation, creativity, and adequate support from the entrepreneurial ecosystem.

Business success is the achievement of business objectives as measured by increased revenue, growth, customer satisfaction, and long-term sustainability (Zimmerer et al., 2008). In the context of the younger generation, business success is also defined as the ability to maintain business existence and adapt to market and technological changes. According to the BPS, (2024) and UKM., (2023), the micro and small business sector managed by the younger generation is growing rapidly, but more than 60% do not survive more than three years. This condition shows the need to improve innovative and managerial capabilities so that business success can be achieved sustainably.

Research by Febrianita et al., (2023) reveals that education, experience, and technology adoption play a major role in young entrepreneurs' perceptions of success. Meanwhile, Sulistyanto et al., (2025) emphasize that digital-based innovation significantly contributes to the sustainability and resilience of small businesses. Thus, the success of young entrepreneurs is not only determined by financial capital, but also by their ability to innovate and compete in the face of modern market dynamics.

From several theoretical opinions and empirical findings above, the following research hypothesis is formulated:

H3: Business competitiveness has a positive effect on the success of young entrepreneurs' businesses.

The Relationship between Innovation, Competitiveness, and Business Success

Several recent studies highlight the dynamic relationship between innovation, competitiveness, and business success. Nasir et al., (2024) found that innovation serves as an important mediating factor in improving the performance of small and medium-sized enterprises. Effective innovation strengthens business competitiveness, which ultimately improves business success and sustainability. Balya & Yuldinawati, (2025) also show that the innovative orientation of the younger generation has a direct impact on competitiveness and business success. Furthermore, Febrianita et al., (2023) added that

digital innovation and adaptive strategies play an important role in facing rapid changes in the Society 5.0 era. From these various research results, it can be concluded that the creative entrepreneurship model is a conceptual approach that can explain the relationship between creativity, innovation, competitiveness, and the business success of the younger generation. This model not only emphasizes creative thinking skills but also adaptive and innovative strategies oriented toward sustainable competitive advantage.

Creativity and innovation are fundamental elements that enable young entrepreneurs to create new value and differentiate themselves from competitors. According to Ahman et al., (2020), innovation derived from individual creativity is the main driver of increased competitiveness of micro-enterprises in the digital era. Similarly, Saba, (2024) found that product creativity and marketing innovation have a significant influence on the competitiveness of MSMEs in the creative sector. Creativity and innovation play a direct role in business performance and success through the creation of new ideas that are relevant to market needs. Mishrif & Khan, (2023) state that product innovation contributes to business success through increased added value and customer satisfaction. This finding is reinforced by Oduro, (2023), who asserts that innovation orientation is a key predictor of business success among young entrepreneurs.

A growing body of research provides strong evidence that business competitiveness serves as a crucial mediating factor linking creativity and innovation to business success. Krushkov & Zayakova-Krushkova, (2024) found that innovative activities tend to improve business outcomes primarily when they strengthen competitive capabilities, suggesting that innovation alone is insufficient without the ability to translate it into competitive advantages. In line with this, Grilli, (2022) showed that creativity and innovation in product and service development enhance market competitiveness, which subsequently leads to higher levels of performance and sustainability among young entrepreneurs. Their findings reinforce the idea that competitiveness acts as the channel through which creative and innovative efforts generate meaningful business results.

Similarly, Hidayat et al., (2022) demonstrated that the effect of innovation on business sustainability becomes significant only when mediated by competitive advantage, underscoring the strategic role of competitiveness in transforming innovative ideas into tangible success. Chahal et al., (2024) also noted that creativity contributes to business achievements by first enabling differentiation and strengthening market positioning—key indicators of competitiveness. Collectively, these studies highlight that creativity and innovation exert their strongest impact when they enhance business competitiveness, thereby supporting the hypothesis that competitiveness mediates the relationship between creativity and innovation and the business success of young entrepreneurs.

From several theoretical opinions and empirical findings above, the following research hypothesis is formulated:

H4: Business competitiveness mediates the effect of creativity and innovation on the success of young entrepreneurs' businesses.

Methods

This study uses a quantitative approach with an explanatory research method that aims to explain the causal relationship between the variables of creativity and innovation, business competitiveness, and business success among young entrepreneurs in Indonesia. This approach was chosen because the study seeks to examine the direct and indirect effects between variables through the collection of numerical data and inferential statistical analysis.

The population in this study is the younger generation who run businesses in various small and medium industrial sectors. Because the population size is not known with certainty, the sample size was determined by multiplying the number of indicators by ten, as suggested by Hair, (2014). Based on a total of 11 research indicators, the sample size used was 110 respondents. The sampling technique used purposive sampling, with the criteria of respondents aged between 18 and 35 years, having a business that has been running for at least one year, and being directly involved in business decision-making.

This study involves three main variables, namely: Creativity and Innovation (X1), measured through the following indicators: (1) new ideas, (2) product uniqueness, and (3) recognition from customers or the business environment. This concept refers to Amabile and Pratt's (2016) view that creativity is the ability to generate original and useful ideas in a particular context, while innovation emphasizes the application of these ideas in business practice. Business Competitiveness (Y), measured using five indicators: (1) market share, (2) product quality, (3) business image, (4) partnerships, and (5) business sustainability. According to Barney and Hesterly (2019), competitiveness is determined by a company's ability to manage unique resources that are difficult to imitate and have strategic value. Business Success (Z) is measured using three indicators: (1) revenue growth, (2) customer growth, and (3) business efficiency. This definition is in line with the view of Gunday et al., (2011), who assess business success based on sustainable financial and non-financial performance. Data were collected through a closed questionnaire using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The instrument was developed based on variable indicators that had been validated through expert judgment and limited testing with 30 initial respondents to ensure construct reliability and validity.

The collected data were analyzed using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method with the help of SmartPLS version 4.0 software. The analysis was conducted in two stages, namely: (1) outer model to test the validity and reliability of indicators, and (2) inner model to test direct and indirect relationships between variables. The model acceptance criteria were based on a loading factor value > 0.7, average variance extracted (AVE) > 0.5, composite reliability > 0.7, and R-square to measure the predictive power of the model Hair, (2014).

Results and Discussion

This study aims to analyze the influence of creativity and innovation on business success, both directly and indirectly, through business competitiveness as a mediating variable.

Outer Model Analysis

The first step in analyzing the results of this study was to test the measurement model (outer model) to ensure that the relationship between latent variables and their indicators met the criteria for validity and reliability. Through data processing using the Partial Least Squares (PLS) algorithm, results were obtained that described the strength of the relationship between each construct and its indicators. These results form the basis for assessing the extent to which each indicator is able to represent the latent variable, while also ensuring that the research model has good measurement quality before proceeding to the stage of analyzing the relationships between variables (inner model).

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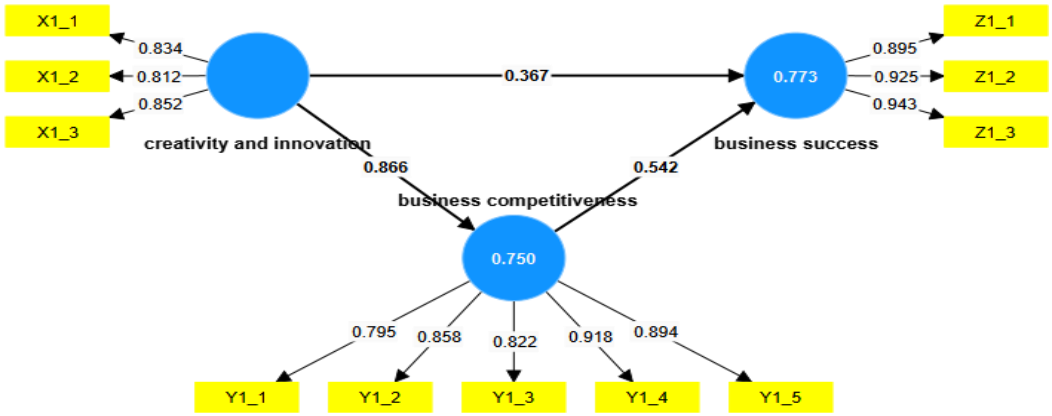

Figure 1 Algoritma PLS Smart PLS 3.29

Convergent validity serves to assess the extent to which each indicator can consistently reflect the construct being measured. The test is conducted by looking at the loading factor value, which is the correlation between the indicator score and the latent construct. According to Hair, (2014) and Henseler, (2018), an indicator is considered to meet the convergent validity criteria if it has a loading factor value greater than 0.7 and an Average Variance Extracted (AVE) above 0.5. Based on the test results, all indicators in this research variable have loading factor values that exceed the minimum limit, so it can be concluded that the research instrument has met the convergent validity requirements and is able to accurately describe the construct.

Table 1. Loading Factor Values of Research Variables

Variabel	Indikator	Loading Factor	Cronbach Alpha	Composite Reliability	AVE
Creativity and Innovation (X1)	X1_1	0.834	0.78	0.789	0.694
	X1_2	0.812			
	X1_3	0.852			
Business Competitiveness (Y)	Y1_1	0.795	0.91	0.914	0.737
	Y1_2	0.858			
	Y1_3	0.822			
	Y1_4	0.918			
	Y1_5	0.894			
Business Success (Z)	Z1_1	0.895	0.911	0.915	0.849
	Z1_2	0.925			
	Z1_3	0.943			

Source: Processed Data, 2025

Based on the test results in Table 1, all indicators show a loading factor value above 0.7, which indicates that each indicator has good representative ability for its construct. Cronbach's Alpha and Composite Reliability values are also above 0.7, so the research instrument is considered reliable. In addition, the Average Variance Extracted (AVE) values of all variables are greater than 0.5, which means that they meet the criteria for convergent validity (Hair, 2014; Henseler, 2018).

Inner Model Analysis

The inner model analysis section of this study discusses the results of path coefficient testing, goodness of fit, and hypothesis testing. Path coefficient testing is used to determine the magnitude of influence or strength of the relationship between independent variables and dependent variables in the research model. Meanwhile, the coefficient of determination (R-Square) value serves to explain the extent to which endogenous variables can be explained by other variables that influence them in the structural model.

The goodness of fit test is conducted to assess the extent to which the structural model built is in accordance with the data used in the study. Based on the test results in the goodness of fit table, a Standardized Root Mean Square Residual (SRMR) value of 0.075 was obtained, which is below the maximum limit of 0.08 (Hair, 2021), so the model is declared to have a good level of suitability.

Table 2. Model Goodness of Fit Test

	Saturated model	Estimated model
SRMR	0.075	0.075
d_ULS	0.375	0.375
d_G	0.464	0.464
Chi-square	245.899	245.899
NFI	0.790	0.790

Source: Processed Data, 2025

The Chi-square value of 245.899 indicates that the level of difference between the observed and predicted covariance matrices is relatively small, so the model can be considered acceptable. In addition, the Normed Fit Index (NFI) value of 0.790 indicates that the model is close to the criteria for good acceptance (≥ 0.75), as stated by Bentler & Bonett, (2020). Meanwhile, the low d_ULS (0.375) and d_G (0.464) values indicate that the model has a small distance between the observed and estimated values. Thus, the results of this test show that the research model has met the goodness of fit criteria, so it can proceed to the inner model testing stage to test the relationship between latent variables.

The results of the coefficient of determination (R-Square) test are used to assess the extent to which independent variables explain the variation in dependent variables in the structural model. Based on the analysis results shown in the table, the R-Square value for the Business Competitiveness variable is 0.750, which means that 75% of the variation in business competitiveness can be explained by the Creativity and Innovation variable, while the remaining 25% is explained by other factors outside this research model.

Table 3. R-Square Value

	R-square	R-square adjusted
business competitiveness	0.750	0.748
business success	0.773	0.768

Source: Processed Data, 2025

Furthermore, the R-Square value for the Business Success variable is 0.773, indicating that 77.3% of the variation in business success can be explained by the combination of the

Creativity and Innovation and Business Competitiveness variables, while the remaining 22.7% is influenced by other factors not included in the model. According to the criteria proposed by Hair, (2014), an R-Square value of 0.75 is categorized as strong, 0.50 as moderate, and 0.25 as weak. Thus, the two R-Square values in this study indicate that the model has strong predictive power, suggesting that creativity and innovation play an important role in enhancing the competitiveness and business success of Indonesia's younger generation.

Hypothesis Testing

Hypothesis testing in this study is based on the results of inner model analysis (structural model), which includes output in the form of R-Square values, path coefficients, and t-statistics values. The purpose of this test is to determine whether the proposed hypothesis can be accepted or rejected by considering the significance values between constructs, t-statistics, and p-values. The testing process was carried out using SmartPLS software version 3.2.9, with estimation results obtained through the bootstrapping procedure. As a guideline for decision making, the criteria used were that a relationship was considered significant if it had a t-statistic value greater than 1.96, a p-value less than 0.05 (α = 5%), and a positive beta coefficient (Hair, 2014; Ghazali & Latan, 2015). The complete results of the hypothesis testing in this study can be seen in Table 4.

Table 4. PLS-SEM for Direct and Indirect Effects

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
business competitiveness -> business success	0.542	0.541	0.117	4.643	0.000
creativity and innovation -> business competitiveness	0.866	0.862	0.042	20.403	0.000
creativity and innovation -> business success	0.367	0.366	0.116	3.161	0.002
creativity and innovation -> business competitiveness -> business success	0.469	0.466	0.104	4.521	0.000

The results of hypothesis testing using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach show that all relationships between variables in this research model are significant at a 95% confidence level ($p < 0.05$).

First, the business competitiveness variable has a positive and significant effect on business success with a path coefficient value of 0.542, a t-statistic value of 4.643 > 1.96, and a p-value of 0.000. These results indicate that the higher the business competitiveness, the greater the chances of business success. This finding is in line with the research by (Hair, 2021; Ma, 2000), which states that strong competitiveness is a major determinant of the sustainability and success of small businesses.

Second, the variables of creativity and innovation have a positive and significant effect on business competitiveness, with a coefficient value of 0.866, a t-statistic of 20.403, and a p-value of 0.000. This shows that creativity and innovation play an important role in enhancing business competitiveness. This result reinforces the Schumpeterian view that innovation is the

main source of long-term competitiveness (Schumpeter & Swedberg, 2021; Shehadeh et al., 2023).

Third, creativity and innovation also have a direct positive and significant effect on business success with a coefficient value of 0.367, t-statistic of 3.161, and p-value of 0.002. This means that increased creativity and innovation not only strengthen competitiveness but also directly contribute to increased business success. These findings are consistent with studies by (Saunila, 2020; Ali, 2021), which confirm that creativity and innovation play a strategic role in strengthening business performance and growth.

Fourth, the results of the mediation effect analysis show that business competitiveness significantly mediates the relationship between creativity and innovation and business success. The indirect path coefficient value of 0.469, with a t-statistic of 4.521 (> 1.96) and a p-value of 0.000 (< 0.05), indicates that the mediating effect is statistically significant. This means that creativity and innovation not only have a direct impact on business success, but also indirectly through increased business competitiveness. In other words, business actors who are able to consistently develop creativity and innovation tend to create competitive advantages that ultimately contribute to business success. This finding supports Hesterly & Barney, (2014) view in the Resource-Based View (RBV) theory, which states that valuable, rare, and difficult-to-imitate resources—such as creativity and innovation—can be the main basis for competitive advantage and sustainable business performance. This research is also in line with recent empirical studies by (Ismail & Alam, 2019; Mmadubuko, 2025), which confirm that competitive advantage functions as a mediating mechanism that strengthens the influence of innovation on business performance, particularly in small and medium-sized enterprises (SMEs).

Overall, the findings of this study indicate that creativity and innovation function as primary drivers in building business competitiveness, which in turn enhances business success. This suggests that competitiveness acts as a mediating mechanism that strengthens the influence of creativity and innovation on business outcomes. In other words, business competitiveness serves as a bridging variable that explains how creative and innovative capabilities can be transformed into sustainable business performance. This mediation mechanism illustrates that creativity and innovation alone are not sufficient; they produce meaningful impacts only when they are converted into strategic advantages such as differentiation, market responsiveness, and value creation.

These results are consistent with empirical evidence from various studies across different contexts. For instance, Krushkov & Zayakova-Krushkova, (2024) showed that innovation contributes to business performance primarily through improvements in competitive advantage, indicating that innovation becomes effective only when it enhances a firm's ability to compete. Similarly, Carreón-Gutiérrez & Saiz-Álvarez, (2019) found that young entrepreneurs who focus on creative product development and service innovation achieve higher competitiveness, which subsequently leads to improved business sustainability. Their findings reinforce the idea that creativity and innovation influence success indirectly through competitiveness rather than solely exerting a direct effect.

Comparative empirical evidence from international contexts also supports this mechanism. Ince et al., (2023), studying European SMEs, demonstrated that innovation capability enhances firm performance only when aligned with competitive strategies such as

differentiation and customer focus. Likewise, Vij & Bedi, (2016) emphasized that innovation positively affects business success when it strengthens market-oriented competitiveness, highlighting the mediating effect of competitive positioning. These global findings validate the argument that competitive advantage is a key pathway through which creativity and innovation translate into business performance.

Moreover, empirical evidence from developing economies shows similar patterns. Tambunan, (2021) noted that SMEs in Southeast Asia benefit from innovation only when they are able to channel it into competitive strengths such as cost efficiency or niche specialization. This supports the view that innovation must be strategically managed to yield competitive outcomes. In the context of youth entrepreneurship, (Akomea et al., 2023) further emphasized that innovation orientation alone does not guarantee long-term business survival; it generates meaningful impact only when paired with strong competitive capabilities.

Taken together, these empirical findings across countries and sectors reinforce the theoretical position that business competitiveness plays a foundational mediating role. It bridges the gap between the creative and innovative inputs of young entrepreneurs and the resulting business success. Thus, strengthening competitiveness is essential for maximizing the transformative potential of creativity and innovation within youth-led enterprises.

Conclusions

Based on the results of structural model analysis (inner model) using SmartPLS, it can be concluded that all hypotheses in this study are empirically supported. The findings show that creativity and innovation have a positive and significant effect on business competitiveness and business success, both directly and indirectly. In addition, business competitiveness is also proven to have a strong positive effect on business success. Specifically, the results of the mediation effect test show that business competitiveness acts as a significant mediating variable in the relationship between creativity and innovation and business success. This means that increasing the creativity and innovation of business actors can strengthen business competitiveness, which in turn increases overall business success.

These findings emphasize the importance of innovation and creativity as strategic resources capable of creating sustainable competitive advantage. In the context of small and medium-sized enterprises (SMEs), these results confirm that business success is not only determined by innovation alone, but also by the ability to translate that innovation into valuable competitive advantages in the market. Thus, this study provides theoretical implications that the relationship model between creativity, innovation, competitiveness, and business success is in line with the Resource-Based View (RBV), where unique internal resources such as innovation are the key to long-term success. Practically, business actors are advised to continue developing a culture of innovation and adaptive competitiveness strategies in order to maintain business success amid increasingly fierce competition.

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