

Innovation and productivity in Indonesian it clusters: The influence of external economies and joint action

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Abstrak

Literature studies indicate that information technology (IT) clusters encourage innovation and increase firm-level productivity by providing external economies and facilitating joint action for its members. The purpose of this study is to identify the external economy and joint action factors that affect firm innovation and productivity in the IT cluster. A research model was developed based on earlier models of joint action and external economies. The model consists of three external economy related factors, i.e., access to skills, finance, and infrastructure, as well as three joint action related factors, i.e., vertical, horizontal, and research and development (R&D) cooperation as the independent variables, firm innovation as the intervening variable, the firm's absorptive capacity as the moderating variable, and firm productivity as the dependent variable. Data collection was conducted through a survey with respondents from 32 IT firms located in three clusters in Bandung and one cluster in Cimahi (West Java – Indonesia). The partial least square (PLS) approach was used for hypotheses testing. The results indicate that horizontal cooperation, access to infrastructure, and access to skill have a positive impact on productivity, while horizontal cooperation and R&D cooperation have a positive impact on innovation. Finally, firm innovation is proven to positively influence firm productivity.