

## Business Innovation for Micro, Small, and Medium Enterprises in Jember

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**Abstract:** Along with the rapid development of MSMEs, it requires business actors to innovate. Innovating is carried out according to the needs and tastes of today's consumers. Hundreds of MSMEs in Jember can still survive running their businesses during the Covid-19 pandemic, so they should be used as examples of best practices for other MSMEs in Indonesia. One of the products that are currently superior is souvenirs from Jember Regency. This study aims to identify and examine business innovations carried out by the souvenir center of Jember Regency. Conceptual studies related to building business innovation in MSMEs were carried out using a library research approach and took the case of a gift shop in Jember Regency. Main data and supporting data are obtained from various sources, both reference books and reputable journals. How to get a reputable journal is done by downloading various articles related to MSME business innovation. This concept will increase understanding of how carry out business innovation MSMEs in Jember Regency. In this case, Business Innovation is carried out with three aspects: marketing, product, and process.

## INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are a strategic economic sector and are the backbone of the national economy. The types of MSMEs vary depending on the cultural diversity of Indonesia. MSMEs that were considered safe from the crisis were conquered by dozens of large companies (Manurung, 2008). Small industries in Indonesia are growing so that many small-scale companies have sprung up. One of the small industries that continues to grow is the souvenir industry, such as snacks, coffee, and handicrafts. Jember Regency is one of the cities in East Java which is growing quite rapidly. Based on a survey conducted by the Central Statistics Agency (BPS) of East Java, as many as

9,700,000. While in Jember Regency in 2021, it is known that the number of MSMEs will reach 647,000, and this number is the highest in East Java. Many MSMEs in Jember Regency make business actors need to think about the best strategy applied to their business so that they can still exist when dealing with competitors.

One of the strategies that can be carried out by MSME actors in facing competition is a competitive strategy. The strategic step that must be taken by MSME actors to win the competition is to innovate. According to (Charan, 2008), innovation drives increased profits and can also increase customer acquisition and market entry. Based on this description, innovation is needed to ensure the sustainability of MSMEs, especially the souvenir industry in Jember Regency, continues to run optimally. MSMEs must innovate as an important part of business development because innovation can create business success. That innovation is the application of new ideas, products, or processes to keep up with changing times (Hurley & Hult, 1998). In addition, (Pearce, I., Jhon, A., Robinson & Richard, 2013) states that innovation is the initial commercialization of an invention through the production and sale of a new product, service, or process. Innovations are new ideas, products, information technology, institutions, behaviors, values, and practices that are not yet known, accepted, used, or used by most members of a particular local or community that are implemented or implemented but can be used or encouraged to change aspects of life. Community (Sukmadi, 2016). However, it is interesting to see how innovation is achieved at the organizational level, especially in terms of MSME sustainability, especially in the souvenir business.

This innovation does not seem to have been implemented optimally by MSMEs in Jember, for example at the Primadona gift shop. The initial information obtained by the researcher from the owner of the prima dona gift shop was that during the COVID-19 pandemic, the innovation was still limited to marketing innovation, namely by utilizing social media such as Instagram. The use of social media is still limited to uploading photos of store products, and the content is still not communicative. Therefore, the media cannot be used optimally; In this case, product orders are still made by communicating via WhatsApp. Because orders are still using WhatsApp, payments are still made via bank transfer and have not used e-money, such as Go-Pay, OVO, Qris, and Link Aja. Therefore, their business activities are still less effective and less efficient. Business innovation is a very important thing to do and a priority in developing a business. Research (Heye, 2006) (Loewe & Dominiquini, 2006) with innovation and creativity of business entities and employees, affect product quality and increase revenue.

Products are difficult to imitate and can attract more active employees. Business innovation must be supported by reliable human resources (HR). Dedicated HR manages and can maintain the business and win the competition (Faizal et al., 2018) (Leonandri & Rismadi, 2018) (Kalil & Aenurohman, 2020). According to research (Larsen & Lewis, 2007), companies without innovation and creativity will not be able to compete. They will not be able to survive in an era of increasingly fierce competition. Therefore, innovation can maintain business continuity. Gronhaug and Kaufmann (Han et al., 1998) argue that innovation is

increasingly becoming a means of survival, not just growth, in an uncertain environment and increasingly competitive business conditions. The purpose of this study is to identify and examine business innovations carried out by the souvenir center of Jember Regency.

## **METHOD**

Conceptual studies related to building business innovation in MSMEs were carried out using a library research approach and took the case of a gift shop in Jember Regency. Main data and supporting data are obtained from various sources, both reference books and reputable journals. How to get a reputable journal is done by downloading various articles related to MSME business innovation. The downloaded referral limit refers more to the development of business innovation. However, to enrich knowledge by seeking the development of business innovation in other areas. Furthermore, all papers in reputable journals are juxtaposed, understood, examined and analyzed. Various sources include reference books that have been read, then analyzed and interpreted by the author to draw conclusions.

## **RESULT AND DISCUSSION**

### **a. MSME Innovation**

Innovation is the ability to apply creativity in solving problems and finding opportunities. Innovation is more than just pure ideas that play an essential role; also, creative minds develop them into valuable ideas. According to (Larsen & Lewis, 2007), innovation is the ability to apply creativity in solving problems and finding opportunities consisting of pictures, new products, and others. According to (Ojasalo, 2008) states that innovation is divided into three types; namely, product innovation has the meaning of generating revenue, process innovation provides a means to maintain and improve quality and save costs, while market innovation increases the target market mix and chooses the best market to serve. By the company. In carrying out Business Innovation, three activities need to be carried out: Product Innovation, Marketing Innovation, and Process Innovation.

### **b. Product Innovation**

Products displayed by business owners must-have innovation. Product innovation needs to get the immediate attention of small industries because this is closely related to marketing activities carried out by small enterprises. The uniqueness of the product as a result of innovation will temporarily bring greater competition (McDaniel, 2002), even the innovation created by the company is the key to the competitive advantage that determines the economic success of an organization (Urbancova, 2013). Product innovations are categorized as new products, new product lines, additions to existing product lines, improvements and revisions to current developments, redefinition, and cost reductions (Suci, 2017). Product innovation can be categorized more concisely into three categories (Bryan Lukas & O.C. Ferrell, 2000).

1. Product Expansion (line extensions)  
Product extensions are products that are still familiar to business organizations but are new to the market.
2. Product imitation (me-too products)  
Product imitation is a product considered new by the business but is familiar to the market.
3. New Products (new-to-the-world products)  
New products are considered unique by both the business and the company.

According to (O’Cass & Sok, 2014), the growth of SMEs can be increased by combining intellectual resources and product innovation capabilities in addition to the combination of reputation resources and high marketing capabilities. To achieve growth in a competitive business environment, the ability of SMEs to innovate and market products is critical (Rosenbusch et al., 2011) (Sanzo et al., 2012). That three organizational activities characterize product innovation: the ability to see product-market opportunities, build marketing capabilities to respond to identified market opportunities, and pursue opportunities (Elwisam & Lestari, 2019) quickly. This indicates that product innovation can lead to easier production; product innovation is essential for effective marketing and, consequently, for the company's financial performance.

#### **c. Service or marketing innovation**

Service innovation is a service perceived as new and helps focus on specific customers (Flint & Gammetgaard, 2005) (Grant, 1991). Service innovation is a service considered unique and helps focus on particular customers (Nova, 2013). Service innovation can occur through four aspects: the development of new services, interaction with customers, service delivery, and technology (Delafrooz, 2013). Service innovation can be seen from the strategy that has been set by the company, which places particular emphasis on service innovation by continuously seeking new ways and modifying existing services to meet the specific needs of customers and can provide new offerings compared to other companies (Churchill, 1979). Service innovation consists of transportation and logistics, information, and knowledge-based services.

#### **d. Process Innovation**

Process innovation is a new element introduced in organizational input, task specifications, job and information flow mechanisms, and equipment used to produce a product or create a service to achieve lower costs or quality higher product (Utterback & Abernathy, 1975). Process innovation is a form of innovation related to openness (Reichstein & Salter, 2006). Process innovation focuses on how existing products or services are produced (Edquist, 2001). According to (Reichstein & Salter, 2006), process innovation is also a driver of company performance and an important strategic tool to improve the company's competitive position. There are several stages in carrying out process innovation: Identifying processes for innovation (Aydinli et al., 2008).

Process innovation is divided into two categories: technological innovation and organizational innovation. In the technological process, innovation changes the way products are produced by introducing technological

changes (physical equipment, techniques, and systems). In contrast, organizational innovation is innovation in organizational structure, strategy, and administrative processes (Damanpour & Aravind, 2012). According to (Ojasalo, 2008) incremental innovation is utilizing the potential of a predetermined design and often strengthens the dominance of a company's capabilities because this innovation can increase the functional capacity of existing technology, add value to technology or make small-scale improvements to products and processes and business currently available.

## CONCLUSION

This concept will increase understanding of how MSMEs carry out business innovation in Jember Regency. In this case, Business Innovation is carried out with three aspects: marketing, product, and process. However, this conceptual limitation only traces three aspects of business innovation, whereas innovation can be carried out in organization, governance, and technology.

## SUGGESTION

From this conceptual study, it can be followed up with future research. It is necessary to add several aspects of business innovation and expand the research object. From this conceptual study, it can be followed up with future research. It is necessary to add some aspects of business innovation and expand the research object.

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