

# From Small to Significant: Innovation Process in Small-Medium Creative Businesses

Elvy Maria Manurung and Inge Barlian

**Abstract**—This paper presents interviews with several entrepreneurs in West Java, Indonesia, who dedicate themselves in small-medium creative businesses. Many have studied innovation process in large business, but only few explored the innovation occurrence in small-medium businesses. The research use qualitative method which is interpreting the transcript from interviews. Five entrepreneurs in West Java, Indonesia, have interviewed as case studies, and all transcript have been discussed in focus group discussion. Porter's theory of competitive advantage, has been used to analyze the process of innovation. The finding reveals that, the emergence of small-medium creative business by women entrepreneur in West Java have been increasing inevitably. There are several radical innovation in both product differentiation and cost advantage. The entrepreneurs learn to create their own market and change the old business shape. This paper gives insights that small-medium creative businesses are sustainable and growing in West Java, Indonesia, due to the innovation process made by the entrepreneurs.

**Index Terms**—Creative businesses, innovation process, differentiation, cost advantage, learning.

## I. INTRODUCTION

The term of Creative Industries in Indonesia -as the basis of the creative economy- is increasingly being discussed within the last 5 years. The Minister of Creative Economy of Indonesia, Marie Pangestu, proclaimed Indonesia's creative economy development plan period 2009-2025. In one meeting, she mentioned:

*"The creative industry will be the third leg of the economy," Mari said. Creative industries account for 7.3 percent of Indonesia's current gross domestic product, and the target is to raise this to 10 percent during the next 10 years. That would involve the creative industry growing from \$49 billion to approximately \$150 billion as the economy is projected to expand to \$1.5 trillion in the next decade."* [1]

In an creative industries exhibition in Jakarta, a head of Public Relation of Ministry of Manpower said that creative businesses is proven to reduce unemployment and improve the country's economy. [2]

Creative industries or businesses characterized by "creativity" as a capital, motor, or drive of the economy, offers the exciting economic growth. Creative economy and creative class have been a discourse for a decade. Starting in 2001 by John Howkins, creativity becomes the idea for

people to make some money. people can live in prosperity. What is meant by the idea is an original idea which can be protected. [3] The second figure who was also inspiring is Dr. Richard Florida. His theory is about the urban studies in America. His book *"The Rise of the Creative Class"* gives an idea of the creative industries and creative class in society. [4]

In Indonesia, under Creative Industries Mapping Study conducted by the Ministry of Trade in 2007, creative industries divided into fourteen subsector, namely: *advertising, architecture, art goods market, crafts, design, fashion, video-film-photography, Interactive games, music, performing arts, publishing and printing, computer services and software, television and radio, research and development.* [5] The updated information from Ministry of Trade in 2012, creative industries added by one more sub-sector which is *culinary business* [6].

More than ninety percent of Indonesia businesses are in small and medium business level. Many researchers have studied the innovation process in large level and scale of businesses. However, only few have studied the innovation in small-medium businesses. This research attempts to see the whole process of innovation happening in small-medium creative businesses and how those innovation changing the old business shape.

## II. LITERATURE REVIEW

### A. Previous Studies

A survey to 600 small-medium enterprises or businesses conducted by Terziovski, found that SMEs are similar to large firms in the way that innovation strategy and formal structure are the key drivers of their performance, but do not appear to utilize innovation culture in a strategic and structured manner. SME's should formalized their innovation culture into its strategy and structure. [7] While Mitra J. argued that SME's as a part of clusters are more (better) able to innovate --than SME's out of clusters, due to the learning derived from interaction in networking process. [8]

This paper explored the process of innovation in small-medium creative businesses with no formalized innovation culture in strategy and structure. Some businesses located in a part of clusters, but some others do not. This research paper analyzes the competitive advantage to be achieved by small-medium creative businesses company, by making differentiation advantage or cost advantage in its innovation process.

### B. Competitive Advantage

There are two types of competitive advantage according

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to Michael E. Porter (1998), the first is the 'uniqueness' (differentiation) and the second is 'competitive advantage' (lower cost). Uniqueness, is the organization's ability to provide unique and superior value to consumers, the aspect of product quality, additional functions (features), as well as after sales service. While the competitive advantage, is the ability of an organization to design, manufacture, and marketing of goods or services of good quality with higher efficiency than its competitors. The design of competition usually based on both types, although to achieve a comparable level of excellence in both, is rarely done because it is not easy.

Competitive advantage can achieved through a variety of ways. Some of them are, to close the gap with suppliers, and consumers, or by simplifying access to raw materials, or the effort to reduce the price of input factors (raw materials, energy, human resources, services, etc.).

Competitive advantage seeks to address some of the criticisms of comparative advantage. Competitive advantage theory suggests that states and businesses should pursue policies that create high-quality goods to sell at high prices in the market. Porter emphasizes productivity growth as the focus of national strategies. Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. [9] This describe as following:

	Cost	Differentiation
Industry-wide	Lowest cost across the industry	Better product/service across the industry
Focus	Lowest cost within an industry segment	Better product/service within an industry segment

Fig. 1. Competitive advantage–industry wide

### III. ANALYSIS

#### A. The Stories of Five Creative Businesses

Thres Tirta is a mother of one daughter, has started the creative business in accessories production since college. After married, she still loves the world of art-craft in the form of producing accessories and jewelry for women and continue her efforts until now. She began the creative accessories businesses in 1970, when she was still running his studies in Architecture Unpar. The option to work on a creative field is related to her artistic interests and talents. "Everything is a gift from God," she said in an interview at the "Grandi Flora" store. Starting from her desire to help friends find the wedding dress and complement, Thres very happy and be excited when friends or customers satisfied. When she was in college, she likes to make small and unique corsages and sold to friends on campus.

TABLE I: THE STORIES OF FIVE CREATIVE BUSINESSES

No	Company Name	The Owner / Start from	Creative Business Sub-sector	Innovation Process
1	Grandi Flora	Thres Tirta / 1980's	Fashion	Create accessories for bride from fabric as good as the original
2	Mine Jewelery	Irmin / 2006	Jewelry	Making jewelry from copper as good as gold
3	Rumah Lentik	Leny Puspawati / 2005	Muslim Fashion	Make beautiful Muslim fashion yet affordable and follow Islamic rule
4	Raproject Clothes	Antik Bintari / 2008	Muslim Fashion	Make beautiful and stylish Muslim & non-Muslim fashion with affordable price
5	Kineruku	Ariani Darmawan / 2000	Indie-Movie	Produce anti-mainstream movie with new digital technology, good quality, good script

Here some accessories designed by Thres :



Fig. 2. Accessories design at "Grandi Flora"

Irmin own "Mine Jewelery" store. She lived in Bandung. She is around 40 years old. With some working experience in plant business and design teaching, Mrs Irmin started her business in 2006. She was helped by two employees. Irmin chose the business because she likes collecting jewelry and also because of the hobby. Segment of the target market is women who work so they have their own income. The initial capital is Rp 200,000.00 and further capital supported from family. This effort has developed fluctuate. To make sales in this business she also made souvenirs for wedding. To market the products Irmin try to sell through exhibition organized by government, sponsor relations, brochures, and word of mouth.

Leny Puspadewi has started her business since 2005, but only began to seriously run the Muslim fashion business in 2007. Leny inspired on Muslim clothing when she was having trouble finding clothes that fit aerobic exercise. Never get what she want, Leny then create her own style aerobic Muslim women cloth, with her own design. Leny search for a tailor to make the leotard. The tailor then attracted to market the aerobic Muslim clothing designed by Leny. Several people offered and interested in wearing them. Start from that time Leny design clothing/fashion and market the products among friends and family. Here several Muslim fashion design at “Rumah Lentik” :



Fig. 3. Muslim fashion design by Leny [10]

*“I’m a working mom with an amazing child “Racinta”, interest in fashion and have a small business with a huge dream....I think what sets the collection apart is that we offer something cute, stylish, modest and classic at a price point that’s accessible to a lot of women....”* (www.raprojectclothes.blogspot.com) It is said by Antik Bintari, a young mother with one daughter who start a family business in 2006. Together with her sister, they started to make a pastries business at home. Orders came pretty much, especially ahead of the Eid. However, since the Antik feel more attracted to the world of fashion especially clothing design, she removed the pastries business --now done by her sister-- and start a new creative business in the clothing for women.

Starting in 2008, Antik opened a clothing business for Muslim and non-Muslim. The concept that she offers is “Urban Minimalist” by mixing-matching. Antik trying to still look stylish clothing at affordable price. After 6 months of work, Antik began to pursue her own creative business and her own vision of introducing Muslim clothing that is stylish and affordable for all. With the market segment of women aged 20-40 years, and the initial capital of Rp 5,000,000, Antik designs and sewing clothes to her custom tailor. In the first year, she had suffered losses due to ill-fitting seams, it should be reformed again. Antik try to minimize the losses by selling these products at various bazaars and exhibitions. After changing tailor for 4 times, finally Antik have 2 fixed tailors now. Antik offers clothes to friends and family through online business: facebook, and her website: www.raprojectclothes.blogspot.com. After a long search for the right location, Antik began selling her clothes in one of the displays at the “Aamani” store at Riau street in Bandung.

Several fashion design by Antik Bintari display as follows :



Fig. 4. Fashion design by Antik Bintari [11]

Ariani Darmawan is a film/movie-maker who lives and works in Bandung, Indonesia. She studied Fine Arts at the School of the Art Institute of Chicago after finishing her bachelor degree in Architecture at the Parahyangan Catholic University, Bandung. The architecture's programmatic versus fine art's impressionistic methods of thinking had brought her to a world of writing and moving image. Ariani has participated in numerous film festivals and art exhibitions in Europe, North America, Australia and Asia with works ranging from short films, documentary to video installations and collaborative theatrical works. Her latest film, Sugiharti Halim won both Best Film award and Audience's Award in Indonesia's foremost short film festival, Konfiden. Her work also competed in the prestigious Clermont-Ferrand International Short Film Festival 2009.

Besides working for her own film production company “Kineruku Productions”, Ariani is involved in VideoBabes, an artist initiative group that she established with Prilla Tania in 2004. Ariani said that for the first short film she borrowed the school camera and computer editing from school facilities. Initial capital for her is almost zero, only the bus ticket to the visit the location of movie. Ariani keep making movies in Indonesia, she use her own camera and computer. The budget for her next movie only cost Rp 300.000 for the purpose of transportation to the shooting place. “Kineruku” got job to make a video and/or installation sometimes. The fee from that job were used to buy stock or equipment tools. So far movie production is a nature hobby for Ariani, she didn't make it for living. She has several cameras, computer for editing, and lighting now. Employees are not necessary because every movie done by project, so if there is a new project Ariani will looking for a crew that will pay per project.

#### B. The Interpretation

Based on transcripts of interviews with informants (the entrepreneurs), and focused group discussion, several meaning and interpretation founded as following:

##### *“Uniqueness or Differentiation”*

Creative Business is a business that requires creativity as an original idea, but not quit up there. Creative business also requires a connection between the creativity of the creator (entrepreneur) on one side with a positive response from consumers on the other. In this small-medium businesses by women, they built their respective creative fields (fashion, crafts, and movies) to be unique and interesting. For

instance, Antik and Lenny made a new fashion design for moslem that had never happened before, a stylish moslem fashion. Ariani is brave to make some indie movies about reality with unique packaging that most of other movie-players would not do.

The ability of a women entrepreneurial in finding ideas on the creation of a product, and then communicate their ideas with suppliers, support team (crew), until the product is successfully created and eventually well received (positive response) from the customer, that what was called "creative business". Not all entrepreneur have this. Some interviews confirmed this, as reflected in some quotes as following:

*"At first I desire to help a friend who is getting married to complement her wedding dress at the wedding, I was excited because my friends are satisfied. Once, when I was in college, I like to make a **small unique corsage** and then sold to friends at campus. They are happy and willing to buy, because of the **unique design**, and the price is not too expensive."* (Thres Tirta, Grandi Flora Store)

*"When I was young and study in college, I need special Muslim cloth for aerobic, then I make my own design ..., it turns out my friend who was tailored it says this: 'well, it's **fun and attractive design**, how do you think if another customer of mine see it and want it?' I said 'yes, it's alright if you make my design to another customer of yours'. I fit with my own design aerobics clothes, and many other participants astonished and asked, 'where to buy your clothes?' I said: 'this is made by myself, my own design...' they were interested and several want to have as well. Haha..."* (Leny Puspawati, "ButikLentik")

#### *"Cost Advantage"*

The small-medium creative businesses have also get their cost advantage as explained below:

*"...They are happy and willing to buy, because of the unique design, and the price is not too expensive."* (Thres Tirta, Grandi Flora Store)

*"A good film should combine idealism and good distribution. For eq. I play my films in my house, or let the student watch it at their campus. It will be useless if we want to convey the audience without **good marketing and distribution**."* (Ariani Darmawan, Kineruku)

#### *"Passion"*

Most of the informants stated that a sense of love and passion direct them to do the business. They never run out of ideas, and they do not despair quickly if the business has not yet profitable. It is not the matter of pursuing profit, but the more important thing is happiness and satisfaction. Here are some quotes of interviews :

*"I don't know why I always have energy to deal with Muslim-fashion business... maybe like you do something that you like, it's different if we did not like what we do, then we definitely tired or our body will reject ... if I am going to Jakarta to meet partners or fashion designer friends, the enthusiasm suddenly arise... my illness suddenly disappear... I'm fresh-fit in Jakarta..."* (Leny Puspawati, Butik Lentik)

*"I love the world of art-craft and enjoy producing accessories and jewelry for women, if my customers satisfied I'm happy ... everything is a gift from God."* (Thres,

Grandi Flora)

*"Sometimes we see someone's diary is so touching because the person writing with passion. The film is also supposed to be. I believe that the movie was made with all the determination and heart, the result will be good, and a film could mean for other people..."* (Ariani Darmawan, Kineruku)

#### *"Cultural Capital & Sustainability"*

For some women entrepreneur, the cultural capital such as ideas, creativity, and passion, will contribute more to the continuity of their business than economic capital. At the beginning of creative business operation, there is not always a need for financing (economic capital), with enough creativity and courage a business could done. Some quotes from interviews are as following :

*"I still remember, the first capital is only Rp 50,000, - I used to buy a few meters of chiffon material to make fifteen pieces of cloth ... I used the money to buy material again and it keep going around until now"* (Leny Puspawati, Butik Lentik)

*"For the first movie-making I borrow the school camera and computer editing also from school facilities. So to say initial capital is almost zero. Only bus ticket to the location. The next movie that I made in Indonesia use my own camera and computer. It costs at least Rp 300.000 for the purpose of transportation to the place shooting."* (Ariani Darmawan, Kineruku)

*"The Importance of Networking – lower cost for distribution"*

Most of women entrepreneur who were interviewed, explicitly mention the importance of networking for the development of their businesses. Leny and Antik were started online business which is basically a business networking in cyberspace, while Mrs. Irmin often attend the exhibition in collaboration with the provincial government or the Chamber of Commerce. Ariani often join and become a participant of indie movie festivals abroad, which then produces new network. They all do direct sales to consumers that turns to cut distribution and transportation expense, and make their price more competitive than others.

## IV. CONCLUSION

### *A. Differentiation Advantage*

Using Porter's matrix as guideline, the research of five entrepreneurs result some key findings which indicate innovation process by women entrepreneurs to build and create some new products or service, some uniqueness that others never did. Antik and Lenny for instance, made a new fashion design for moslem that still stylish. Ariani was brave to make some indie movies about reality with unique packaging that most of other movie-players would not do. While Thres and Irmin making fashion and jewelery that unique and interesting.

### *B. Cost Advantage*

All informant (entrepreneurs) admitted that they did direct sales to customers –through online and offline store. These in turn will give mutual benefit for both sides, buyer and seller, which is lower cost, or lower price. In other word,

the distribution cut into shorter way.

### *C. Value Creation*

The fashion entrepreneurs have been successful in learning and conveying their novelty values to the customers, that their products and services are still fashionable, more stylish, at affordable price. While in case of indie-movie, the movie maker succeed delivered her message to the audience and often got appreciation in festivals abroad.

New technologies occurred which are information technology in online marketing by Rumah Lentik and Raproject Clothes (Muslim fashion businesses), and digital technology in movie making by Ariani.

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