

## Small Business Innovation Management of Export Products and Local Government Facilitation Support

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### Abstract

*This study aims to identify Micro Small and Medium Enterprises (MSMEs) for export products in Banyuwangi Regency, finding a management model for small business export products, identify government innovation facilities needed by MSMEs for export products, and identify policies that facilitate MSMEs innovation for Export Products. This study used descriptive qualitative method. This research attempts to dig deep into the subject matter by conducting in-depth interviews with export MSMEs actors in Banyuwangi, as well as with the Government of Banyuwangi Regency. This research found that the highest prospects for export-oriented MSMEs were in three business sectors, namely: food and beverages, handicrafts, agricultural and plantation products. The MSMEs control model starts off evolved with the constraints faced throughout exports, after which innovation benchmarking is finished. Product forte, exceptional manage and transport accuracy are also assisting elements on this model, so that there's continuity of innovation. Small groups usually innovate primarily based on their own initiative and in step with market call for simultaneously, so it has an effect on income turnover. maximum of small corporations have used social media as a promotional media, however they not often used the promotions platform that is provided with the aid of the neighborhood authorities. The authorities has a function in strategic guidelines and the use of technology, strategic policies within the banking area, and strategic policies on export processes. What nearby governments can do is optimizing the banyuwangimall.com platform, in addition to provides promotional help through innovating media and promotional content, ensuing in innovation management.*

**Keywords:** *Small Business Innovation, MSMEs Export Potential, Local Government Facilitation*

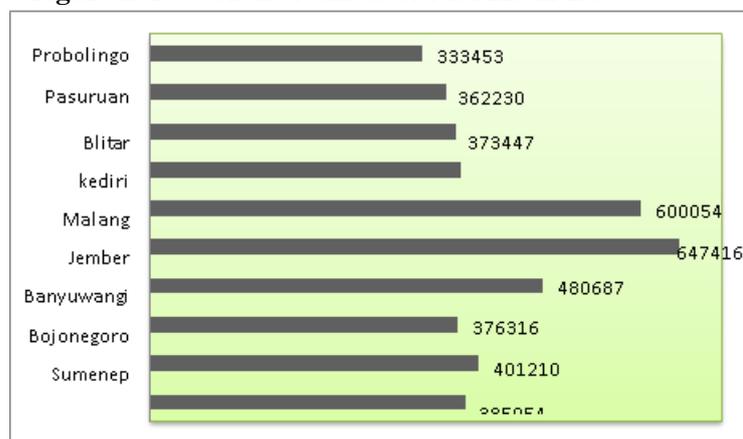
### INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have a very important role in the economy of East Java people. The Government gives attention to MSMEs as a form of supporting the economy of poor people; moreover, the existence of MSMEs has a direct impact on people's lives in the lower sector. There are three important roles for MSMEs in the economy, namely 1) Means of alleviating people from poverty, 2) Distributing the economic level of poor people, and 3) Providing input for the country's foreign exchange. The existence of MSMEs should not be underestimated by both the central government and the local government. MSMEs have been

proven to have opened opportunities for high employment; so that, MSMEs are also able to increase people's income. In other words, MSMEs have a strategic role in fighting poverty and unemployment in Indonesia. The biggest contribution of MSME businesses is the creative economy industry. Even though MSMEs also have an important role and make a big contribution to the country, the constraints faced by MSMEs can hinder the existence of MSMEs. In this case, the support of the central government and the local government is very much needed, so MSMEs can remain exist and have a role in the economy.

East Java has a high number of MSMEs. Based on the 2018 Economic Census and SUTAS data, there are 9,782,262 MSMEs spread across regencies/cities in East Java. Based on the distribution of the number of MSMEs in East Java, there are several regencies/cities having a large number of MSMEs shown in Figure 1 below. Jember Regency, Malang Regency, Banyuwangi Regency are three regencies having a higher number of MSMEs comparing to other regencies/cities in East Java. The existence of MSMEs greatly supports the economy in the regions, and also contributes to regional revenues.

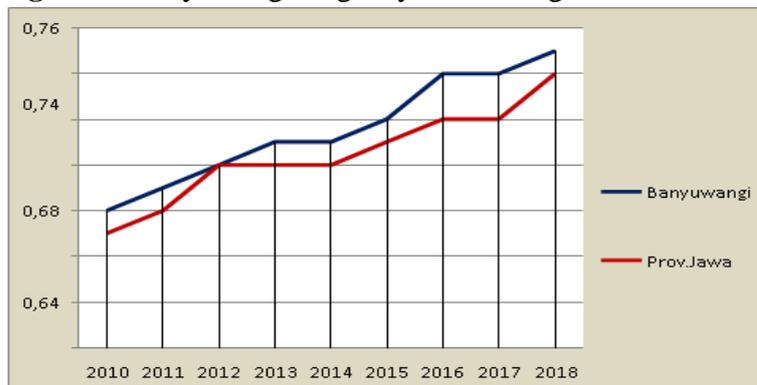
**Figure 1.** Data on the Number of MSMEs in East Java



Source : East Java Office of Cooperatives and MSMEs (2018)

Banyuwangi Regency is currently promoting the tourism sector. The existence of new tourist destinations in Banyuwangi certainly also has an impact on the number of tourist visits both domestic and foreign tourists. This also contributes to the development of MSMEs in Banyuwangi Regency. The economy in Banyuwangi shows a positive trend every year. This is because Banyuwangi Regency has made many innovations in the economic sector, especially the creative economy. Many creative economy actors also have a positive impact on economic growth in Banyuwangi Regency. Banyuwangi Regency's economic growth exceeds national economic growth and East Java's economic growth. In 2018, Banyuwangi Regency's economic growth was 5.84 higher than national economic growth which only reached 5.17 and East Java's economic growth which reached 5.65. One indicator of economic growth is people's purchasing power, which can be seen in Figure 1.2 below. It shows the purchasing power of people in Banyuwangi Regency comparing to the East Java purchasing power index. It indicates that the purchasing power of people in Banyuwangi Regency is higher comparing to the purchasing power of people in East Java. Along with the increasing economic growth of Banyuwangi Regency, spending per capita in Banyuwangi Regency in 2018 was 11,828,000 rupiahs with a purchasing power index of 0.75 higher than that of East Java Province which was 0.74 (Banyuwangi Regency Central Bureau of Statistics, 2018)

**Figure 2.** Banyuwangi Regency Purchasing Power Index



Source: Banyuwangi Regency Central Bureau of Statistics (2018)

Growing humans's shopping energy additionally has an impact at the life of UMKM in Banyuwangi Regency. UMKM stands for Micro, Small and Medium establishments that is regulated based on regulation number 20 of 2008 regarding Micro, Small and Medium enterprises, and MSMEs are described as effective enterprise bureaucracy owned via people and/or individual commercial enterprise entities that meet the criteria for Micro firms; however, MSMEs are nevertheless faced with the problem of susceptible competitiveness in opposition to imported merchandise. the ones problems can impede the big capacity of MSMEs. in keeping with Tambunan (2008), relatively competitive MSMEs are characterized with the aid of: (1) an growing tendency of the rate of growth in manufacturing quantity, (2) an growing section of the domestic marketplace and/or export market, (three) the home marketplace serves no longer best the nearby market however also national scale, and (4) the export market serves now not most effective in a single usa but also in many nations. MSMEs must be able to emphasize the paradigm of market orientation and competitiveness. For this reason, there are a number of basic principles that must be met, including the following (Tambunan, 2010): (1) Business is still business, if someone opens their own MSMEs, but it is forced to close because they are unable to compete, it does not need help to turn it back on; (2) Only MSMEs that have market potential and have comparative and competitive advantages need assistance from the government, so the principle that applies is "picking the winners"; (3) The focus of assistance provided to MSMEs must be on technology development and innovation; (4) Credit Granting to MSMEs is not the most important component. Experience shows that MSMEs that start and or develop by themselves will be visited by banks; and (5) Assistance to MSMEs is not protective. In this context, it is in line with the principle that MSMEs can progress freely in non-discriminatory market condition.

Innovation is the important thing to success in increasing business competitiveness (Shapiro, 2002). It way that small agencies want to innovate so one can be able to layout their organization more flexibly which allows them to adapt to adjustments in market orientation. Small companies can adapt easily by responding to adjustments within the client preference, the distribution channel, and the capacity to innovate (Feigenbaum and Karnani, 1991). Banyuwangi Regency has MSME export merchandise. some of the goods produced are sold at the export marketplace, inclusive of: Batik cloth, convection, coffee, processed food, add-ons, and woven bamboo. parent 1.3 describes that Batik cloth are still the concern of MSMEs for export. around fifty four% of MSMEs on an export scale produce batik handicraft, and it is directly followed by using

handicrafts which can be in demand through different nations to turn out to be export priorities, at the same time as processed meals produced by Banyuwangi Regency is likewise a priority MSMEs export. It turns into its very own venture for the authorities of Banyuwangi regency to make those MSMEs exist increasingly. moreover, the mission for the actors of MSMEs is how their merchandise are always familiar inside the market, and the diverse varieties of innovation are wanted in the existence of these MSMEs in advertising, production, and supply of uncooked substances.

## **METHOD**

This studies used descriptive qualitative technique. Creswell (2012) states that qualitative means the manner of exploring and knowledge the that means of individual and group behavior. moreover, Sugiyono (2012) suggests that qualitative research as a studies method based on the philosophy of postpositivism, is used to observe the circumstance of a natural item, where the researcher is the key instrument. data were accrued with the aid of using triangulation. records evaluation became inductive or qualitative, and the results of qualitative studies emphasize that means in place of generalization. based on the facts from some of the specialists above, it can be concluded that qualitative descriptive studies is a series of activities to achieve facts this is as it's miles with out being in certain situations where the outcomes emphasize meaning. This research was conducted within the scope of the Banyuwangi Regency area, especially those related to export-oriented small business actors. The research participants were export-oriented small business actors in Banyuwangi, Head of Banyuwangi Regency Regional Planning and Development Agency, and Head of the Banyuwangi Regency Cooperative and MSME Office. In-depth open interview was conducted to provide a more objective assessment regarding the management of small business exports and the support for innovation facilitation by the government of Banyuwangi Regency.

## **RESULTS AND DISCUSSION**

There are at least 25 MSMEs with export potential in Banyuwangi Regency. The highest prospects for export-oriented MSMEs are in three business fields, namely: food and beverages, handicrafts, and agricultural and plantation products. There are three challenges for MSMEs in Banyuwangi Regency, among others: the first is a product problem, namely how to add value with packaging design and matters relating to products produced by MSMEs; the second is competency issues, especially in human resource competence and in financial management; the third is the problem of market access, namely access within the reach of national and international markets. The government of Banyuwangi Regency is much more progressive in developing MSMEs rather than some other regencies. One of them is by holding the MSME festival event which is carried out by the government of Banyuwangi Regency regularly. This is expected to be able to open a new market or target market; so that, Banyuwangi MSMEs continue to grow evenly.

The government of Banyuwangi Regency has also established a Creative House to assist MSMEs actors. The Creative House not only improves product quality but also brings MSMEs actors into the world of marketplace. Since 2015, there have also been innovation in the development of the MSME sector with a marketplace known as banyuwangi mall ([www.banyuwangi-mall.com](http://www.banyuwangi-mall.com)). The marketplace is directly controlled by the creative house team. There are public education services that can be used directly to support the growth in sales turnover of MSMEs in Banyuwangi Regency, including packaging design, product branding, product

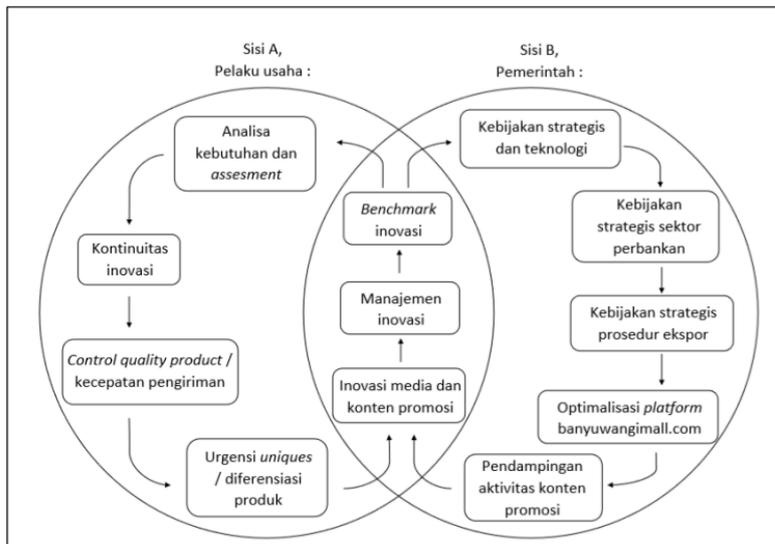
photos, online marketing, and many others. Food and beverage MSMEs occupy the highest position, namely 9 MSMEs (36%). It is followed by handicrafts occupying the second position, namely 6 MSMEs (24%). Furthermore, there are 4 agricultural and plantation MSMEs (16%). Meanwhile, for MSMEs in the wood, coffee, and spices and sugar industries, there are 2 MSMEs each (8%). Based on these data, it can be concluded that the highest prospects for export-oriented MSMEs in Banyuwangi Regency are found in three business fields, namely: food and beverages, handicrafts, as well as agricultural and plantation products. The sustainability of export-oriented business actors is largely determined by products that have a high degree of differentiation. Based on a survey conducted, most business actors state that their products are unique in only a few aspects. This means that even though they dare to compete with products that are not unique, this is quite vulnerable. Because substitute products or competitor products abound in the market. It is very vulnerable for customers to switch to products from other companies. What needs to be emphasized is the company's ability to produce and export products that have high differentiation and high uniqueness, so the potential for bargaining becomes higher position. The implication is that the price does not always have to play at a cheap level, but instead, you can play at a premium level.

The current role of the local government can be carried out by revitalizing the existing Banyuwangimall platform, so it can show that the local government seriously present as a provider of market access for business actors. This also has the potential to reduce the role of brokers because we can develop our own market access. Brokers are still considered important at this time because they make it easier for many business actors who do not want a complicated process for direct export. However, the role of the government can reduce the role of brokers, by providing training and mentoring to maximize the banyuwangimall.com platform, so the platform is truly useful. However, there is still freedom for business actors to be able to use other platforms for doing business.

It is very critical for enterprise actors to perform innovation management. The potential of business actors to regulate their potential to innovate, so their stamina and thoughts for innovation may be maintained. companies or small enterprise actors frequently innovate at very frequent interval at one time, however they do no longer innovate afterwards. It makes market opposition defeat due to the fact competition are capable of innovate continuously. consumer conduct leads to functional and innovative merchandise at low priced prices and appropriate product sturdiness. Product innovation that results in these three matters can have high competitiveness. This confirms that if business actors only focus on low fees, but they're susceptible at the ability to innovate, customers will be left at the back of. enterprise actors who only emphasize product sturdiness, however they outdated product fashions, they'll also be abandoned by their clients, so those 3 matters should be paid close attention by means of organizations.

The continuity of the ability to innovate is a competitive benefit for small export enterprise actors. that is a sort of enterprise stamina or persistence in going through competition and adjustments in patron preferences. innovative and innovative ideas are decisive on this system. Innovation may be finished in numerous contexts. businesses can innovate merchandise, system innovations, design improvements, packaging, extent, size, and price. This needs extraordinary attention and resilience due to international competition in export markets. A easy example, if Instagram is used as a digital advertising and marketing device, then as a minimum agencies need to modify the rhythm of innovation and how often business actors publish new products. that is vital for retaining the continuity of latest merchandise, and for keeping the photograph and patron self belief inside the company's innovation capabilities

**Figure 1.1** MSME Innovation Management Model for Export Products



Banyuwangi already has a great on-line enterprise platform, however its skills want to be progressed. The local authorities desires benchmark to countrywide and global structures. Benchmark as a parameter for the achievement of a product is wanted with the aid of the government with the aid of paying attention to what content is to be had. How the platform is managed, a way to handle court cases and what functions are there become the parameters which might be urgently wished for a business platform with the intention to compete. neighborhood platforms that presently exist should still pay attention to the rotation of local MSME merchandise because the government's platform have to be orientated in the direction of empowering local MSMEs, no longer simply income-oriented groups. local content with nearby context is the platform competitiveness of the Banyuwangi Regency government, and if it is controlled nicely, it is able to grow to be a function model for virtual platform development in different regencies. Banking help is an important quarter that the authorities ought to pay attention to. The authorities can provide information and law to the bank; in order that, they pay more interest to small business actors / SMEs. support for clean credit with clean situations ought to be guarded due to the fact small business actors often feel that it's far very tough to access credit at banks due to the fact the requirements are difficult to satisfy.

The authorities wishes to help in promoting content activities due to the fact the private sector has been doing this for a long term. assisting in content sports desires to herald IT experts who are used to filling in marketing content for a product. now not all business actors recognize the way to market their merchandise. Media innovation and promotional content are urgently wished for small export commercial enterprise actors to be more advanced. the freedom to pick out advertising and marketing channels is now extra open with the presence of diverse programs or virtual platforms that accommodate start-up agencies to similarly expand with a large advertising network

## CONCLUSION

This research resulted in the finding that there are at least 25 MSMEs with export potential in Banyuwangi Regency. The highest prospects for export-oriented MSMEs are found in three business sectors, namely: food and beverages, handicrafts, as well as

agricultural and plantation products. The MSME management model starts off evolved with the restrictions faced all through exports, then innovation benchmarking is achieved. Product area of expertise, fine manipulate, and transport accuracy come to be helping factors on this model, so there's continuity of innovation. Small agencies generally innovate primarily based on their very own initiative and in line with marketplace call for simultaneously; consequently, it has an impact on income turnover. most small groups have used social media as a promotional medium, but they not often use promotions through platforms provided through the neighborhood authorities.

The government has a function in strategic regulations on the use of technology, within the banking region, and on export tactics. The nearby governments can optimize the banyuwangimall.com platform, as well because it affords promotional help with the aid of innovating media and promotional content; consequently, it outcomes in innovation management.

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