

Innovativeness Development among MSME Owners In Digital Era: The Case of Woman Entrepreneurs in Surabaya

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Abstract: The objective of this study is to explore and analyze the innovativeness of a group of women entrepreneur (micro small medium entrepreneurs/ MSME owners) living in a rented simple apartment belonging to the local government. There are thirty two MSME owners, who are housewives, mostly produce and sell food and drinks. This attractive to observe since they emerge to the industry during the Covid-19 pandemic and has been being challenged with digital presence. This research is qualitative case study with the research approach is exploratory and descriptive using primary data obtained by semi-structured interviews with ten MSME owners and observations thirty two MSMEs both on the business locations, products and MSMEs' online social media especially WhatsApp Business. In observing the MSMEs, it was used measurements that were derived from innovativeness-performance study developed by Octasylya *et al.*, (2022), then a judgmental rate on each measurement was generated to perform the whole picture of innovativeness aspects and performance of MSME. The result showed that MSMEs have developed their innovativeness in term of internal ideas, modification and external adaptation, while in term of Market development was still weak. The performance, in term of the number or quantity of orders are getting better. They have tried to get used to the marketing digital, but perhaps need to be more consistent.

Keywords: Innovativeness, woman entrepreneur, marketing capability, adaptive capability, performance.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the economy of a country. Their contribution is beneficial and impactful across various dimensions such as employment generation, inclusivity and social impact which explains that MSMEs empower a diverse range of entrepreneurs, including women, minorities, and marginalized groups. This inclusivity can lead to greater social equity and economic resilience; job skills development (Sharma and Rai, 2023). Anyhow, since the Covid-19 pandemy, another beneficial aspect of MSME having been significantly growing is innovation and entrepreneurship (Sahoo and Ashwani, 2020). It means that MSMEs often relate of innovation and entrepreneurship. Their relatively smaller size allows for flexibility, quick decision-making, and leading to the development of new products and services. Innovativeness of MSME owners was triggered by the difficult situation people experienced due to the pandemy, so people who usually did not involve in running business then considered of running small one to support and sustain their family economy. Since the rationale was that way, so the emerging SMSE during Covid-19 pandemic were mostly women (housewives). Another fact was that, most businesses were on foods and drinks since they

prepared this kind of product every day for the need of the family they save some for being offered to neighbors or friends. This business patterns strongly leverage the number of MSME significantly. This phenomena were also supported by (Absah *et al.*, 2023; Sharma & Rai, 2023) explaining that Covid -19 -has negatively affected many sectors. One of the sectors most affected by the Covid-19 pandemic is micro, small and medium enterprises (MSMEs) (Absah *et al.*, 2023). However, the Covid-19 pandemic has also caused to the emerge of new MSMEs (Sharma and Rai, 2023). This is due to tough economic conditions but supported by online media that has led to small business creativity from homes. The role of housewives is very large because most of the emerging MSMEs are engaged in the food and beverage business which is the field that housewives work on every day. Home businesses in the food and beverage sector have emerged and are growing very rapidly because the scale they work on can be small but runs every day (Chang & Meyerhoefer, 2020).

One of the women community groups that run small and medium enterprises on an ongoing basis online and depart from small-scale businesses between houses in the neighborhood groups are

women who are members of the MSME group in a simple rent flats located in *Rungkut District*, Surabaya. In this flat, there are thirty two MSMEs, most of which (87.5%) are engaged in food and drinks, while the remaining 12.5% are in the handicrafts and fashion sectors. Data on the percentage of this business sector shows that the food and beverage business is an area that is easy for small businesses to work on, which incidentally are housewives. Because they live in flats and physically the relationship is built closely so that what is done by one business owner is easily followed by others (Resmi *et al.*, 2020; Sahoo and Ashwani, 2020). On the other hand, if several business owners have both domestic and work activities so they do not have time to cook, then they really need food products for their daily consumption.

Consumer behavior that developed during to the period of social activity restrictions during the Covid-19 pandemic was to stay at home and carry out activities from home including online shopping. When entering the new normal period when people were protected with vaccines and conditions has been under control, online shopping behavior does not decrease, but even increases (Chang and Meyerhoefer, 2020; Wu *et al.*, 2020). This is because online shopping offers

convenience to customers because they stay at home, place orders, pay via e-payment, and wait for what is ordered to be delivered to their home (Chang & Meyerhoefer, 2020).

The era of Covid-19 pandemic became the start of the booming of innovativeness among MSME going inline with the support of digital technology (Duarte *et al.*, 2018; Rita *et al.*, 2019). Although MSME were small business that mostly start from domestic area run by house wives, the performance can support the economy. At this scale, referring to the study conducted by Octasyilva *et al.*, (2022) explaining that to achieve the good performance then MSME must be aware of marketing capability and adaptive capability. Both aspect are triggered by the innovativeness. So, looking into the business activities of the group of women MSME owners which are also housewives might be leading to further curiosity of how innovativeness they have developed especially in coping with the digital presence.

Theoretical Framework

Innovativeness-Performance Model

One of some studies conducted post Covid-19 on the performance of micro small medium entrepreneur (MSME) was that by Octasyilva *et al.*, (2022). This research offered the model of the performance of MSME as pictured below.

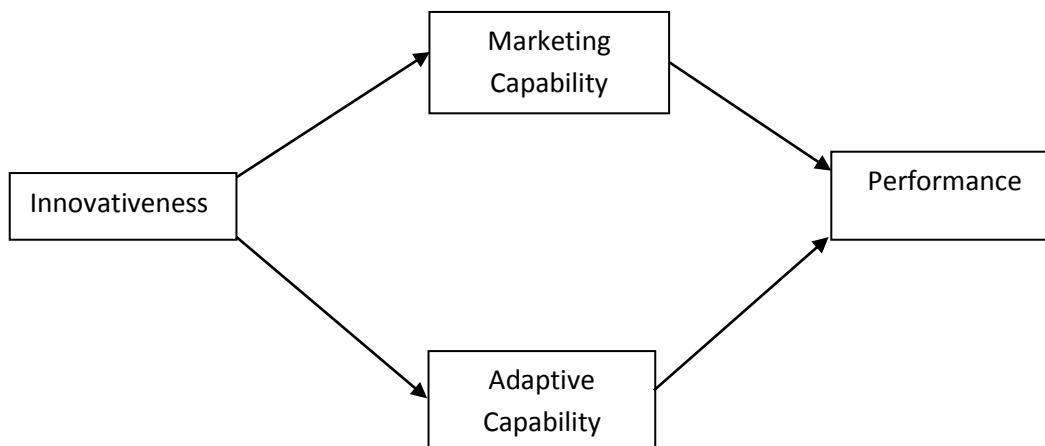


Figure 1. Innovativeness-Performance Model on SMSE Developed by Octasyilva *et al.*, (2022)

One of the orientations of MSME owners is innovativeness orientation. It refers to the tendency of companies to innovate, accept new ideas, encourage experimentation, and support

change Octasyilva *et al.*, (2022). It also refers to the ability and willingness of entrepreneurs to introduce new ideas, products, services, processes, or technologies to the market. It's a key aspect of

entrepreneurship that drives business growth (Sahoo & Ashwani, 2020).

Innovativeness influences the dynamic capability which is a company's particular ability in utilizing resources to create good performance. These abilities, based on the result of the study of Octasyva *et al.*, (2022) falls into marketing capability and adaptive capability, while absorptive capability although it was modelled but was not significantly supported by the data statistically processed.

Performance of MSMEs involves assessing their success and effectiveness in achieving their goals and objectives. It involves key dimensions and indicators to consider the MSME's performance. Theoretically, performance can be divided into two parts: survival and development (number of employees, profits, and assets). Evaluating MSME performance involves assessing multi-dimensions of MSME's goals, industry, and market context. Performance indicators can vary based on the nature of the business, its growth stage, and its strategic priorities. Regular measurement and analysis of performance metrics enable MSMEs to identify areas for improvement and make informed decisions to enhance their overall success. One dimension of the performance is digital presence (Yanto *et al.*, 2022) which is online engagement. It refers to the MSME's online visibility and engagement through websites, social media, and other digital channels (Rahayu *et al.*, 2023).

Referring to those four aspects within the innovativeness-performance model, (Octasyva *et*

al., 2022) further develop the measurement as follows: innovativeness is measured by internal ideas, modify, activities adjustment, external adaptation, market development; marketing capability is measured by management, resources, marketing skills, ownership excellence, and added value; adaptive capability is measure by change, trend, situation, development; while performance is measured by sales and quality of product or service.

RESEARCH METHOD

Research Objectives

The objective of this study is to explore and analyze the innovativeness of a group of women entrepreneur (micro small medium entrepreneurs/ MSME owners) living in a rented simple apartment belonging to the local government. There are thirty two MSME owners mostly produce and sell food and drinks.

Research Design

The type of this research is qualitative case study with the research approach is exploratory and descriptive.

This research was aimed at exploring and analyzing the innovativeness of women entrepreneurs (micro small medium entrepreneurs owners) living in a rented simple flat on how they have been keeping the business start emerging by the Covid-19 pandemic and challenged by the coming of digital presence. The following is the aspect derived from the model developed by Octasyva *et al.*, (2022) that accomodated the phenomena within the MSMEs.

Table 1: Measurements

Category	Aspects
Innovativeness	a. Internal Ideas
	b. Modify
	c. Activities adjustment
	d. External adaptation
	e. Market development
Marketing Capability	a. Management
	b. Resources
	c. Marketing skills
	d. Ownership excellence
	e. Added value
Adaptive Capability	a. Change
	b. Trend

	c. Situation
	d. Development
Performance	a. Sales
	b. Product quality

Source: Octasyilva *et al.*, (2022)

Data Collection

This research uses primary data obtained by semi-structured interviews. The interview was conducted for key selected MSMEs, involving observations on their daily operations, interactions, and innovation processes and spending time along the MSMEs' online social media especially WhatsApp Business to make sure some fact of how MSME has been getting along with their digital contents.

RESULT

Based on the innovativeness-performance model developed by Octasyilva *et al.*, (2022), it was formulated the measurement of the innovativeness leading to marketing capability and adaptive capability which in turn then leads to the performance.

Based on the data observed and processed, MSMEs innovativeness have been using digital marketing especially in getting ideas to develop product variation as well and to modify the variation of the products. Ideas mostly on the variation of food products. They get the ideas from two sources which are 1) customers' suggestion; 2) from you-tube and social media mostly Tik Tok and Instagram. Production falling in developing product variation, marketing involving market development done through Whats Apps. Besides, MSME adapt externally due to the influence of social media. Anyhow if external party such lecturers and students of universities come to share knowledge and practice, these can be a significant adaptation source.

Referring to marketing capability, MSMEs ar still trying to develop it. Management, resources, and marketing skills are still limited. In term of management, they develop no management since the production strongly embeds to the daily family . Only two MSME that run a catering business and simple resto having simple management dealing with stock, financial management and production management. In term of resource, they only focus on raw material. They have not event thought

about building intangible and capability aspects, while on marketing skills, They mostly used word of mouth among neighbor and some supported by social media but limited to WhatsApp. The least aspects are excellence of ownership and added value which are not observed since MSME scale has not been at that level yet.

Market development that leads to the number of orders and omzet can be significantly increase if there are external parties help leverage the orders. This means that the sales happen with the helps of other external parties which are their stakeholders involve. For example, when some universities come to them and help give some workshops or training, they can be the agents to help increase the MSME' orders.

The least scores falling in ownership excellence and added value are the last aspects to consider since these aspect will automatically increase if the sales and omzet increase , too.

Referring to adaptive capability, MSMEs have shown b=quite good efforts in making changes and trends. They start to be more aware of digital marketing such asusing the facility of WA-Business due to some training offered by other parties such universities presence near their area. Trend that they create and follow mostly referred to product variation that refer to Tik Tok contents. Anyhow they are still in the circle of limited situation. As housewives, they are housewives running a business whose product are similar to those they mostly consume. So the development much depends on the product quality and marketing skills to grasp more market.

Referring on performance, MSME learn about simple digital marketing. They try to update content and keep having contact with external parties such personels having give them trainings, the order quantity increase from 2-3 orders a week to 5-7 orders a week. While the product quality has been increased in two areas which are cleanliness and packaging.

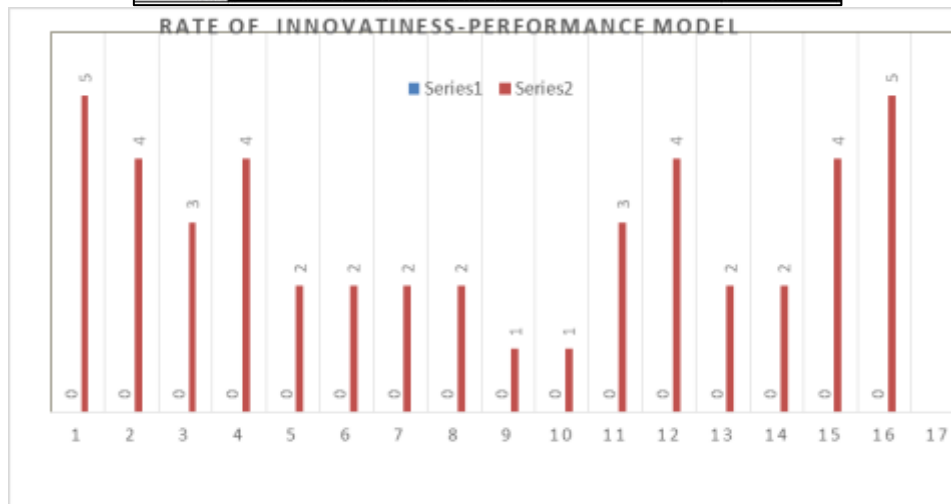
Table 2: The Result of Observation

Category	Aspects	Result of Observation	Adjusted Rate of 1-5 scale
Innovativeness	Internal Ideas	Ideas mostly on the variation of food products. They get the ideas from two sources which are 1) customers' suggestion; 2) from you-tube and social media mostly Tik Tok and Instagram.	5
	Modify	Modification falls on the product variations.	4
	Activities adjustment	Production falling in developing product variation, marketing involving market development done through Whats Apps.	3
	External adaptation	MSME adapt externally due to the influence of social media. Anyhow if external party such lecturers and students of universities come to share knowledge and practice, these can be a significant adaptation source.	4
	Market development	Market doesn't develop much since they have tied up circle of market that are mostly neighbor.	2
Marketing Capability	Management	They develop no management since the production strongly embeds to the daily family . Only two MSME that run a catering business and simple resto having simple management dealing with stock, financial management and production management.	2
	Resources	Almost only focus on raw material. They have not event thought about building intangible and capability aspects.	2
	Marketing skills	They mostly used word of mouth among neighbor and some supported by social media but limited to WhatsApp.	2
	Ownership excellence	Not even observed.	1
	Added value	Limited. Not even observed.	1
Adaptive Capability	Change	They start to be more aware of digital marketing such as using the facility of WA-Business due to some training offered by other parties such universities presence near their area.	3
	Trend	Trend that they create and follow mostly referred to product variation that refer to Tik Tok contents.	4
	Situation	Very limited area to refer. They are housewives running a business whose product are similar to those they mostly consume.	2
	Development	The business development very much depends on the product quality and marketing skills to grasp more market.	2
Performance	Sales	After MSME learn about simple digital marketing, they try to update content and keep having contact with external parties such personels having give them trainings, the order quantity increase from 2-3 orders a week to 5-7 orders a week.	4
	Product quality	Product quality that has been increased is in two areas which are the cleanliness and the packaging.	5

Source: Interview and observation with the group leaders and key MSMEs

Table 3 Aspects Observed

No	Aspects	Rate
1	Internal Ideas (I)	5
2	Modify (I)	4
3	Activities adjustment (I)	3
4	External adaptation (I)	4
5	Market development (I)	2
6	Management (MC)	2
7	Resources (MC)	2
8	Marketing skills (MC)	2
9	Ownership excellence (MC)	1
10	Added value (MC)	1
11	Change (AC)	3
12	Trend (AC)	4
13	Situation (AC)	2
14	Development (AC)	2
15	Sales (P)	4
16	Product quality (P)	5

**Figure 2** Rates of Innovativeness-Performance of Women MSME Owners

CONCLUSION

The conclusion of the result of this research are as follow:

1. Micro, small, medium entrepreneurs (MSMEs) have developed their innovativeness in term of internal ideas, modification and external adaptation. While in term of Market development was still weak.
2. The performance, in term of the number or quantity of orders are getting better.
3. Micro, small, medium entrepreneurs (MSMEs) have used the marketing digital, but perhaps need to be more consistent.

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