

## INNOVATION AS COMPETITIVENESS IN FACING COMPETITION AND DEVELOPING THE SONGKET WOVEN FABRIC BUSINESS IN PANDAI SIKEK CREATIVE INDUSTRY

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### Abstract

*Songket woven fabric is one of creative industry product as well as traditional handicrafts in Pandai Sikek, Sepuluh Koto Regency, Tanah Datar, West Sumatera Province. Within a few decades, Songket woven fabric products have faced various problems such as competition with factory-made woven products, the number of craftsmen declining because the job unstable and low wages, and weakening consumer buying power. The purpose of this study to examine various factors that cause decrease of competitiveness Songket woven fabric in Pandai Sikek and efforts to improve competitiveness. This study used qualitative approach with descriptive method, which explains facts and real conditions of production of Songket woven fabric in the center of the creative industry in Pandai Sikek. The type of Songket woven fabric business is home industry that uses Non-Machine Weaving Equipment (ATBM) so that the production is limited. In the face of dynamic and unstable market competition and declining consumer buying power, it is necessary to apply innovation which creates product diversification to be more varied, reduce production costs, and more affordable prices. The Songket woven fabric prices around Rp.1.000.000 – Rp.10.000.000. Therefore, the creative and innovative process of Songket woven fabric is important in order to be able to compete and develop its business. This study aims to examine the right innovation process so that Songket woven fabric product can compete and create new market segments, create attractive design, low prices, and good quality.*

**Keywords:** Business, Competitiveness, Creative industry, Innovation, Woven fabric

### 1. INTRODUCTION

*Songket woven fabric is one of the creative industrial product or handicraft product. One of Songket woven fabric centers is located in Pandai Sikek, Sepuluh Koto Regency, Tanah Datar, West Sumatra Province. Songket woven fabric is used for traditional ceremonies or as a tando and also displayed during batagak (building house). As such, Songket woven fabric has both a commercial and cultural function. It has good quality and the prices are relatively expensive so the market segment is limited. Songket woven products, among others, gloves, scarves,*

women's clothing called “*Baju Kurung*”, and handicrafts such as women's bags, skullcap, women's sandals. Its superior products are sarong and scarves.

Based on research that the center of the creative industry in *Pandai Sikek* faced various factors such as a decrease in sales volume, as a result of weakening consumer buying power, number of craftsmen declined due to unstable weaving jobs, and low wages. The last factor, namely the lack of weavers, is a major problem in *Pandai Sikek* and similar creative industries such as Batik. Most weavers are elderly women who have difficulty finding formal employment or housewives who make the most of their free time. While young women choose to work outside the village as an office or company employee. The type of business is Small and Medium Enterprises (hereinafter SMEs) or home industry.

The purpose of this study is to describe the existing conditions of the *Songket* woven fabric business, process of innovation, and the business model implemented by SMEs in *Pandai Sikek*. An innovation will create an innovative business model as well. However, *Songket* woven products must make various innovative breakthroughs in order to be able to compete with other woven products or fabrics produced by large companies. Porter suggested ability to achieve superior performance relative to other competitors in the same industry, or by industry averages is referred to as competitive advantage (as cited in Qiu et al, 2017); Chan and Thomas (2013) stated greater commercial competitiveness is created by innovation (cited in Cropley and Cropley, 2017). Competitiveness related to the ability business to compete and performance of the company. This involves one company trying to find a way to take market share from another company. Although, the competitive aspect is very important in business but in the creative industry business, in general, is difficult to apply. The reason is that the majority of creative industry products are not genuine, the results imitate each other by means of modification. This creative process is called creative imitation.

Therefore, design innovation is a way for companies to gain and maintain competitive advantage, communicate the quality of their products, and differentiate them from their competitors (Qiu et al, 2017). Various innovation functions in economic growth, namely as capital deepening, growth in labor force and human capital, firm productivity growth, and transformation of economic structures (Breakthrough Innovation and Economic Growth, 2015). Thus, innovation is a “keyword” in many global businesses that are used by large and small companies.

## 2. LITERATURE REVIEW

### 2.1 Innovation

Innovation is a central driver of economic growth and development. Firms rely on innovation and related investments to improve their competitive edge in a globalizing world with shorter product life cycles (The Changing Face of Innovation, 2011); Innovation is becoming a central plan in national economic policy – for example, the UK office of Science and Innovation sees it as ‘the motor of the modern economy, turning ideas and knowledge into product and services (Bessant and Tidd, 2013); According to Christensen and Raynor (2003) that one of the main solutions for sustainable growth is innovation and this is very important for global companies (Paula and da Silva, 2017); Peter Drucker defines innovation as a special tool for entrepreneurs, as the media exploits change and a different business or service opportunity (cited in Bessant, 2011). Tidd stated that innovation is a core business process (2014: 59). One part of the company's strategy is innovation which is proven to be the key to its success (Enev and Liao, 2014). Rogers (1998) stated that innovation can be defined as ideas, practices, or objects that are considered novels by individuals or other adoption units (Furkan and Oduke, 2015); However, innovation is the main driver of economic growth and development. The competitiveness of companies in a globalized world with shorter product life cycles has relied on innovation (The Changing Face of Innovation, 2011); It is undeniable that organizations are currently under pressure to innovate. Furthermore, Cohen (2010) argues that competitive

advantage and increased income can be done through innovation (cited in Cropley and Cropley, 2017); Based on The Oslo Manual there are four types of innovation: 1) Product innovation (new goods or services or significant improvements to existing ones), 2) Process

innovation (changes in production or delivery methods), 3) Organizational innovation (changes in business practices, workplace organizations or external relations companies), and 4) Marketing innovation (changes in product design, packaging, placement, promotion or price) (The Changing Face of Innovation, 2011); Acklin stated that many SMEs still do not realize that design is a strategic force due to various types of obstacles and problems. Masa and Testa (2008) noted that SMEs play an important role in developing radical innovations. While Fueglistaller (2004) stated that there is no innovation process or no product development due to limited and less formal human and financial resources (Mesa et al, 2013); Christensen and Raynor (2003) argued that innovation is one of the main solutions for sustainable growth and for global companies innovation is very important (cited in Paula and da Silva, 2017); There are two types of innovations namely imitative based and independent innovation. Most small and medium enterprises (SMEs) in China currently intend to improve the ability of technological innovation through an imitative innovation process rather than an independent innovation process (Si et al, 2018); In fact, imitation can also create new things and be considered smart strategies because imitators can learn from innovators in improving certain products or services (Si et al, 2018); Kim (1977) argued that barriers to imitative innovation are regarding literature, including lack of technical ability and lack of resources (Si et al, 2018); Shenker (2010) explained that imitating innovative imitators is expanding existing models and differentiating by creating new values (Huang et al, 2014); The fact that so-called innovation among craftsmen in general is a form of creative imitation, which is an application of innovation that is used or sold better than the original (Principles of Entrepreneurship: 5); They imitate the results of other craftsman's creativity or innovation, especially products that sell well in the market. In addition, an important effect of company productivity can be caused by product innovation (Breakthrough Innovation and Economic Growth, 2015).

## *2.2 Business Model Innovation and Value*

As a result of business competition pressure, the principle of the business model is not static but must be developed; maintained and optimized on an ongoing basis with the intention that companies can meet the demands of competition (Nielsen and Lund, 2013); Business models pay attention to the unique combination of attributes that give a particular value proposition is a characteristic of the business model (Nielsen and Lund, 2013:14); Teece (2010) argues that operating different business models can outperform their competitors (Rumble and Minto, 2017); During periods of rapid economic growth as well as at the time of turmoil can become important opportunities for business model innovation (Giesen et al, 2010). How an organization proposes, creates, and captures value is a picture of a business model (Gebauer et al, 2017); Developing partnerships and business models that are aligned with each phase and each customer category that has different stimuli is a business strategy (Nicolai and Fauchoux, 2009); How a value is created and produces meaningful consumption is a value proposition instrument that must be achieved by a company (Muller, 2012); Value proposition is the value created for customers and explain how the value is conveyed through products and services (Muller, 2012) Realizing new sources of revenue by increasing the value of products and how products are delivered to customers is the main goal of the business model innovation <https://searchcio.techtarget.com/definition/business-model-innovation>; Osterwalder and Pigneur (2010) argue that improving products or services is a common way for companies to innovate and stay competitive in the market. In addition, this is a way to create additional value for its customers (Enev and Liao, 2014).

### 2.3 Creative Economy and Creative Industry

The formation of the concept of "Creative Industries" is closely related to "Creative Economy" which is used to describe the economic system. The interface between creativity, culture, economics, and technology in the contemporary world which is dominated by images, sounds, texts, and symbols is UNCTAD's concept of Creative Economy. In short, creative industries are the heart of creative economy (Bilan et al. 2019); New sources of economic growth in Indonesia - one of which - is the creative economy. In Indonesia the creative economy is measured and determined by 16 creative industries (Lestariningsih et al, 2018). As a new pillar in Indonesia the role of creative and cultural industries has contributed greatly to the country's economy and social work as well as driving the new economy in Indonesia (<https://www.cekindobusinesscenter.com/en/blog/creative-industries-indonesia>); Lifestyle changes, especially among millennials, are one of the factors driving the growth of the creative economy sector in Indonesia ([http://www.gbgindonesia.com/en/manufacturing/article/2018/indonesia\\_s\\_creative\\_industry\\_set\\_to\\_become\\_the\\_next\\_economic\\_powerhouse\\_11835.php](http://www.gbgindonesia.com/en/manufacturing/article/2018/indonesia_s_creative_industry_set_to_become_the_next_economic_powerhouse_11835.php)); Creative economy is the transaction of creative products or economic services that are created from creativity and have economic value. Creative industry is as the essence of the economy (Suhendra, 2017); The basic strengths of superior creative workforce or creative industry resources are skilled, creative and productive human resources. Highly qualified workers in their fields and have the potential to be supporters of the creative industry sector (Subagja, 2017); The scope, potential and absorption of the creative industries can be expanded with the fast moving global, technological and social changes. In addition, change, and building a more inclusive, connected and collaborative society can be driven by the creative economy (UNCTAD, 2018).

### 3. RESEARCH METHODS

This study employed qualitative approach with descriptive method, which explains facts and real conditions of production of Songket woven fabric in the creative industry center in *Pandai Sikek*. The primary goals of this study were to examine whether SMEs in *Pandai Sikek* do innovation, how innovation is done, and how to practice innovation in their business. According to Yin (2011) qualitative research can be used to examine topics such as social, institutional, and environmental contextual conditions (Yin, 2011); Qualitative research is an inductive process that builds concepts, hypotheses, or theories rather than testing hypotheses (Sharon, 2009); Qualitative research focuses on the emergence of situations (Tracy, 2013); Qualitative researchers are more concerned with the process, rather than results or products, qualitative researchers are the main instruments for data collection and analysis (Atieno, 2009); Qualitative research is often classified as an inductive exploration of a problem or problem rather than deductive testing of a hypothesis. For a qualitative researcher it is usually important to be able to adapt and even spontaneously 'in the field' (Macfarlane: 2010); A very common procedure for conducting many research disciplines in science, education, psychology, and social sciences is qualitative and descriptive research methods. Describing a phenomenon and its characteristics is the purpose of descriptive research (Nassaji, 2015); Hallmark of descriptive studies is an attempt to determine, describe or identify what is there. The aim is to highlight current problems or problems through a data collection process that allow them to describe the situation more fully. Describing various aspects of the phenomenon is the essence of descriptive research. Descriptive studies have the aim to describe, explain and validate research findings. Sampling used purposive sampling which is the most cost-effective and time-effective. Purposive samples are commonly used in qualitative research in that participants are chosen because they tend to produce data useful for research (Bricki and Green, 2007). Besides, the only method that is right if there are only a number of primary data sources that can contribute to this research. The samples are weaving business owners, shop owners, and craftsmen. The study used primary and secondary data. Primary data was collected through interviews with several respondents.

### 4. RESULTS AND DISCUSSION

#### 4.1 Pandai Sikek Creative Industry Centers: As Potential of Creative Economy and Economic Empowerment of Local Communities

Over the past several decades the Indonesian government has seriously developed the creative industry sector for a variety of reasons, mainly utilizing the many available potentials such as raw materials and craftsmen. The creative economy sector continues to develop rapidly in Indonesia. In 2017 this sector contributed around IDR 990 trillion and absorbed 17.4

percent of the workforce and in 2012 is projected to contribute GDP of IDR 1,041 trillion and absorbed labor as much as 18.2 percent (Lingga, 2019). Creative industries can function as regional economic growth engines normally associated with the quality of human capital (Furkan and Odake, 2015). One of the weaknesses of Indonesia's creative industry is the reduction in the number of skilled craftsmen due to various factors, among others, moving to better jobs and no regeneration process.

Regional autonomy has encouraged each region to explore their respective economic potential, including, developing the creative industry sector. During this time, the role of the creative industry is very large in developing the economy in the local community and absorbing many informal workers. In addition, the most important factor is that this sector contributes a lot to the national economy, regional own-source revenue (PAD) and community income. A common phenomenon in many local creative industries in facing global market competition, for example, is facing handicraft products made by ASEAN country craftsmen especially since the enactment of the single market of the ASEAN Economic Community (AEC). As it is known that most of the creative industry sectors in Indonesia - even in several ASEAN countries - are run as home industry or SMEs. Handmade products are the main product of most Indonesian handicraft industries which result of good craftsman skills, local values, and local wisdom. Most products are produced by a large number of craftsmen through feelings and artistic achievements and use simple tools (Furkan and Odake, 2013). Many Indonesian creative industry products are the same or similar to the creative industry products produced by ASEAN countries in their use of materials or designs. But some quality of their products have better quality and lower prices. So the export market of Indonesia's creative industry products faces serious challenges. One of the competitors is a handicraft product from Vietnam because the wages of artisans in Vietnam are cheaper than in Indonesia. For example, some handicraft products made by the *Hmong* are the same as handicraft products produced by Indonesian craftsmen.

The centers of the creative weaving industry are widely spread in various regions in Indonesia, for example, in Palembang, Makassar and Timor. The traditional Timorese woven product called *Tais* which made of silk and cotton yarn produced by traditional weavers in North Central Timor. Each has a characteristic that functions as a unique selling point. This potential needs to be developed in order to be able to compete in a global economy that provides cheaper products or materials. Most of the traditional weavers replace the raw material of silk or gold thread with raw materials for factory production that is cheaper. The main goal is to be able to sell cheap products and high production volumes.

*Songket* woven products in *Pandai Sikek* consist of a variety of prices, for example, the price of sarong and scarf products or "*Baju Kurung*" around Rp. 4 million to Rp. 10 million/pair. The price depends on the type of woven material which silk is the most expensive material. In addition, raw materials for silk yarn made in China are purchased in Bandung City, thus requiring additional costs because the location is far away. Usually, they purchase of yarn material in large quantities for inventory or resale to other craftsmen. The problem of raw materials is also faced by weavers in Palembang and Makassar because local silk yarn are limited in production.

*Songket* woven products are produced manually using Non-Machine Weaving Equipment which is often called ATBM. Although the process is manual but most buyers are more interested in the technique because the results are more smoother, neat and original. The process of making manual *Songket* woven cloth is about a month or more because it depends on the level of difficulty. Scarf measures two meters long and fifty centimeters wide. An average weaver can

produce as much as 4-5 scarfs in one month. While complicated motifs made of silk yarn materials require about 1.5 to 2 months. There are several motifs favored by buyers, namely the areca nut stem (areca nut tree), the spinach “*Bijo*” motif (spinach seeds), and “*Saluak Laka*” motif. These motifs are characteristic of the *Pandai Sikek* woven fabric.

#### 4.2 The Creative Process of Songket Woven Fabric in Pandai Sikek: Creative Imitation

In the face of competitive creative industry markets and increasingly smaller niches, innovative solutions to problems are needed. Product innovation can also have an important effect on firm productivity, especially if it takes the form of powerful new or improved intermediate inputs (Breakthrough Innovation and Economic Growth, 2015). New products can be classified two categories: incrementally new product (INP) and really new product (RNP). The first type of product is the result of upgrading or modification of an existing model. While the second is a radical new change. Both of the new product categories are equally important for a company (Kim and Choi, 2016); Booz, Allen and Hamilton (1982) set new standards with six different categories to classify new products according to market newness and company novelty (cited in Kim et al, 2016). Most of the innovation processes carried out by craftsman in *Pandai Sikek* are INP types as a result of modifying an existing product. The process has created diversification of products such as skullcap, purses, handbags and the like. These products were decorated with *Songket* woven fabric. The aim is to meet the desires of heterogeneous buyers, including affordable prices. The price of souvenir products around Rp. 100,000-Rp. 700,000.

Therefore, *Songket* woven fabric products require design innovations in order to compete with its competitors. Actually, weaving products are widely distributed in West Sumatra, but the most famous is the product from Pandai Sikek. Understanding the design of handicraft products is different from other product designs, for example, cars or watches that are designed by designers and have a special aesthetic. Different from the design of handicraft products that are mass, designed by imitating, and do not have a special aesthetic. The process is called creative imitation which is a strategy followed by some craftsmen that imitate something that already existed but adds new value such as new motif or new material. Often, the imitator has the ability to foresee which better than the original creator. Drucker stated creative imitation satisfies a demand that already exists rather than creating one. By the time creative imitators go to work, the market has already been identified and the demand has already been created. To increase the aesthetic and symbolic value of the product and enhance the user experience is a function of a design (Qiu et al, 2017). However, design is very vital in product development efforts so that the product can compete with competing products. So far, most of the weavers or workshop owners in Pandai Sikek develop their products with the INP innovation model because the process is easier, namely by imitating or modifying existing products. This INP innovation process can be classified as a creative imitation.

In addition, SMEs must respond to external developments such as markets and technology through innovation. Small firms usually lack the awareness of value transfer technology, are diffident to enabling services, and therefore rely on co-operations with others (Thomas, 2011). Generally, technology awareness in small companies is minimal so much depends on cooperation with others (Thomas, 2011). The use of production machines is considered to be more economical and efficient, for example, computer embroidery machines that can produce products in large quantities, fast processes, and accurate shapes. Embroidery techniques consist of two types, namely hand-stitched and machine-made embroidery. Most buyers like hand-stitched products because they are more efficient and unique. In Padang City, there are *Tasik* embroidery products - the production of the Tasikmalaya City craftsman - which are cheap and are sold in the market. In response to the above developments, several woven products produced by weaver in *Pandai Sikek* have combined with embroidery techniques. This product innovation aims to respond to market demand for products at lower prices and new motifs.

However, craftsmen and entrepreneurs must respond to market needs so that their business can survive.

## CONCLUSION

Innovation is one important aspect of modern business competition that functions as a competitive element. The type of innovation used by weavers and owners of Songket woven cloth workshops in Pandai Sikek is the type of INP because it is considered more practical and inexpensive by modifying existing products. In addition, combining with embroidery techniques. Whereas RNP type innovations are rarely carried out because it is more difficult, namely having to make new patterns. Likewise, process innovation was not implemented because the Songket fabric production process still uses ATBM. Although the Songket woven fabric production process is done manually, it is much in demand by buyers. The existence of product innovation has also encouraged innovative business models by utilizing technological devices, such as online sales, to make it more practical and economical.

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