

CREATIVITY INNOVATION COLLABORATION AND KNOWLEDGE BASED ECONOMY AS STRATEGIC MANAGEMENT TO ENHANCE CREATIVE INDUSTRY IN INDONESIA

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ABSTRACT

Keywords:

creative industry,
strategic alliance,
value innovation,
knowledge-based
economy

Indonesia has a rich cultural diversity which provides profuse resources for its creative industry. The purpose of this paper is to find solutions for how to minimize the lack of capital and investment in Indonesia's creative industry. The primary objective is to find solutions to support and maintain the growth of our varied creative industry and minimize lack of capital and investment. This research focuses on the creative industry in Indonesia, SME and startups which are limited and related to only creative industry. The research methodology used is qualitative by observation and interviews. The results of the study show from observation and interviews, this study found that there are 7 components that can be implemented as a strategic solution to the current condition problem. Using PESTEL, Porter's Five Forces, Fishbone diagrams to find root causes, and Stakeholder analysis to identify key players to develop a sustainable competitive advantage (SCA) activity map. From PESTEL's analysis, we can see that the Indonesian government already has a policy to support the creative industry under the Creative Economy Fund/Creative Industry Fund for pre-startups.

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INTRODUCTION

Creative economy in a new economic era refers to information and creativity from idea and knowledge of human resources (Marlinah, 2017). These ideas and knowledge are the main factors of production or services. With its rich cultural diversity, Indonesia, has a resources and opportunities to develop its creative industries. Initially, the Indonesian creative industry was a programme of the Ministry for Tourism and Creative Economy in Indonesia, but now it is under Badan Ekonomi Kreatif (Bekraf) / Creative Economy Agency and Badan Koordinasi Penanaman Modal (BKPM)/ Investment Coordinating Board of the Republic of Indonesia (Utoyo, 2016). It was designed as an implementation of the economic development launched in 2008. The development of the creative economy is believed to face and challenges the problems such as unemployment, low competitiveness of the industry, and economic growth (Amsari et al., 2023). Base on BPS data in 2011, the output of this industry generated was 7% of the country's GDP. There are 16 sector in creative industry (2015-2019): (1) Culinary (2) Fashion (3) Crafts (4) Film, Animation and video (5) Music (6) Application and game developers (7) Architecture (8) Interior design (9) Visual communication design (10) Product design (11) Photography (12) Publishing (13) Advertising (14) Performing Arts (15) Visual Arts (16) Television and radio (Hendrawan, 2022). 3 Sectors of creative economy that give biggest contributors to Indonesia GDP are culinary, fashion, crafts (Kariada et al., 2019). Six focus creative industry sector in Indonesia are culinary, fashion, craft, film, animation and video, music, application and game developers (Saputra et al., 2020). These rich cultural diversity can be function as resources to create sustainable competitive advantage (SCA) in creative industry (Mardatillah et al., 2022).

The assets in creative industries sector are intangible not tangible. Because of this reason, creative industry is facing many problems that need to be solved, such as lack of capital which is usually a high risk investment sector and low banking credibility. Government policy and intervention are really needed to support

and develop these sectors. Creative industry is one of the sector that has high income from export and low import supply material. This sector also can reduce unemployment and help economic growth in Indonesia. Growth of these creative industries can bring many benefits, such as a significant contribution to Indonesia's GDP, creation of a positive business climate, utilization of renewable resources, and a stronger international presence (Asmini et al., 2024). The objective of this paper is to find a solutions for the following question:

1. How to minimize lack of capital and investment in Indonesia creative industry
2. How to have demand of establishment, sustain growth, and create sustainable competitive advantage (SCA) of the Indonesian creative industry

Parameters that are to be used to determine whether this research can claim success or not, can be determined by trends which will highlight an increase and growth in the creative industry in Indonesia towards a better and optimal point to reach its sustainable competitive advantage through implementing its strategy solution through research findings. Minimal gap between strategy solution and implementation plan with the actual condition of creative industry is what will be an indicator to determine whether the research is feasible to provide a benefit and optimal contribution to creative industry in Indonesia or not. The results will be used as research tools to solve real business problem for practical purposes. Regarding the lack of capital, tangible asset, and investment; the creative industry needs an effective strategy to optimize growth and potential opportunities in the future.

Scope Of The Research

This research focuses purely on the creative industry in Indonesia. There are 16 sectors in the creative industry in Indonesia. Small medium enterprise (SME) and start up in this research are limited and related to creative industry only.

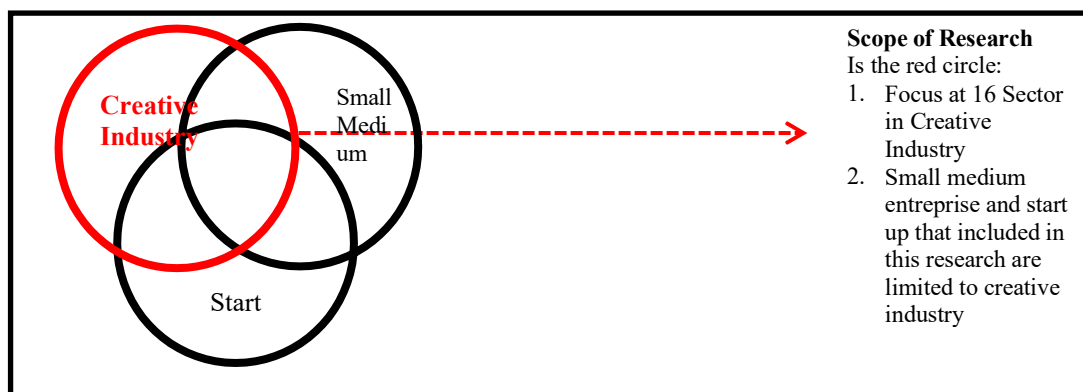


Figure 1 Scope of Research

Literature Review

Mapping Activity System

An activity map is a diagnostic tool to identify your organisations competitive advantage. It connects your organisation's value proposition to the activities of your organisation that enable you to deliver this value proposition better than any competitors (Febriana, 2023).

Sustainable Competitive Advantage

A sustainable competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors (Lie, 2021; Sudarni et al., 2023). These attributes can include access to natural resources or access to highly trained and skilled personnel human resources. Creativity is identified by many business around the globe as an important source of Sustainable competitive advantage because in a knowledge based economy the barriers to reproduction of ideas, products and concepts have been dramatically reduced (Istanto et al., 2020).

Blue Ocean Strategy

(1) Changes the competitive landscape (2) Opens up new areas of competition (3) Requires the firm to reconcile tradeoff (increasing value, lowering production costs) and pursue both business strategies simultaneously. Value innovation accomplished through the simultaneously pursuing differentiation (V ↑) and low cost (C ↓).

Blue Ocean Space

(1) Unknown market space (2) Industries not in existence (3) Demand is created rather than fought over (4) Opportunity for both profit and growth (5) Two ways to create: completely new or from within existing red ocean (Abra, 2024).

Strategic Positioning

"Strategy should reflect a distinctive value chain that configures all key business processes and operations (operations, HRM, marketing, service delivery, etc.) in a unique way that is difficult for competitors to imitate."

Strategic positioning is concerned with the way in which a business as a whole distinguishes itself in a valuable way from its competitors and delivers value to specific customer segments (Suwatno, 2021).

Strategic Alliance and Collaboration

Greater integration in creative industry can be achieved using Strategic Alliance. These alliances arrangement involves sharing of knowledge, resources and capabilities with the intent of developing processes, industries, or services (Rossidis et al., 2020). Collaboration helps in creating spaces where connections can be made, ideas sharing are cross fertilized and collective knowledge is developed (Abdurokhim, Rahayu, et al., 2023). Collaboration can help to generate rich opportunities for innovation.



Figure 2 Agriculture to Knowledge Based Economy Transition

Characteristic of Knowledge Based Economy:

- (1) Open Innovation
- (2) Education
- (3) Knowledge Management
- (4) Creativity

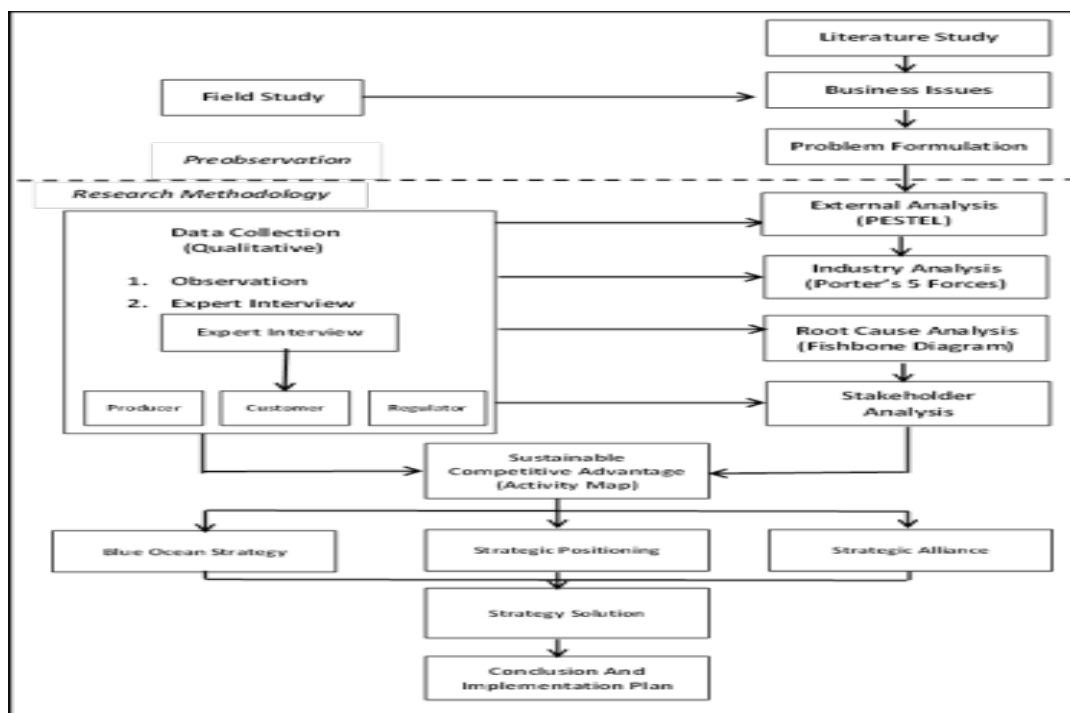


Figure 3 Conceptual Framework

Knowledge Based Economy

The knowledge based economyll is an expression coined to describe trends in advanced economies towards greater dependence on knowledge, information and high skill levels, and the increasing

need for ready access to all of these by the business and public sectors (Hermawanto & Anggraini, 2020). ERIA research project report states that creating high industry standard will be a good technique to protect sustained economic growth in the knowledge-driven economy. As the economy becomes more knowledge-intensive, infrastructure generates new opportunities for innovation.

METHOD

The research method proposed in this paper uses a qualitative approach to data collection. Expert interviews were conducted with key actors or creative industry actors from 16 sectors, the government as regulators, educational institutions, and communities or clubs related to 16 sectors in the creative industry. They have in-depth experience and knowledge in the sector. In conducting this research, it generally consists of four main processes, namely:

1. Observation of business processes in 16 creative industry sectors in Indonesia.
2. Observation of the current conditions and main sectors of the creative industry in Indonesia.
3. Observation and assessment of existing strategies in current conditions.
4. Design strategic management and problem-solving of research questions through interviews with creative industry stakeholders, such as key actors and actors in the industry, customers, regulators, institutions, and communities.
5. Providing recommendations and implementing strategic solutions for the creative industry sector in Indonesia.

This research will be analyzed from an external perspective using PESTEL (Politics, Economy, Social, Technology, Environment, Law) and from an industry perspective using Porter's Five Forces Analysis. To find the root causes to sustain growth and create a sustainable competitive advantage, Fishbone Analytics is used. After data collection, the analysis process will use Stakeholder Analysis to identify key actors related to the current situation. A map of SCA activities will be drawn to analyze data using Blue Ocean Strategy, Strategy Determination, and Strategic Alliances or collaborations to shape demand, sustain growth, and create a sustainable competitive advantage.

RESULTS AND DISCUSSION

From observation and interviewing 20 stakeholders in the creative industry, such as creative industry producer, government, education institution, and customer, this research finds that the key player in this sector should collaborate with all the stakeholders to minimize lack of capital and investment problems, to have demand establishment, sustain growth, and create sustainable competitive advantage with these solutions:

1. Create new market, such as local market, national market, export, or niche market to have demand establishment.
2. Create positioning, brand excellence, service excellence, and design excellence to develop demand establishment.
3. Develop and implement lean production and operation excellence to have value innovation.
4. Create and develop knowledge based economy with open innovation, education, knowledge management, and creativity.
5. Improved capacity to maximum capacity or at least as regular lean production requirement which is 80% from total capacity.
6. Create a collaboration with establish brand, service or product and create a new product or services as collaboration.
7. Create and manage online and offline distribution channel strategy.
8. Promotion support from community, word of mouth, joint promo or cross promotion from media partner, community, association, company's Customer Social Responsibility (CSR), and government.
9. Develop mobile application (*android* and *iOS* compatible) and web-based integrated system to enhance creative industry growth and SCA in Indonesian with 2 main functions:
 - a. Demand establishment with selling activity for 16 sector of Indonesia creative industry with 3 to 6 major sector as focus.
 - b. Knowledge based economy using blue ocean strategy, strategic positioning, and strategic alliance as business strategy and management for 16 sector creative industry in Indonesia.

These mobile application are useful to have lean production and distinctive value chain. If 16 of creative industry sector can have distinctive value chain and lean production, they can deliver value

innovation to customer. Demand establishment can be achieved and also the growth and SCA in these industry. Besides that, key player or actors in these 16 sectors and all stakeholders in this industry should have a knowledge and a networking about disintermediation channel value chain. Both, online and offline channels are also important. When identifying possible causes for the problems, fishbone diagrams are developed. There are six root causes that affected Indonesia film distribution channels using fishbone analysis, they are:

(1) Resource (2) Government or authorities policies (3) Innovation (4) Production (5) Promotion and (6) Customer, as stated in the figure 5.

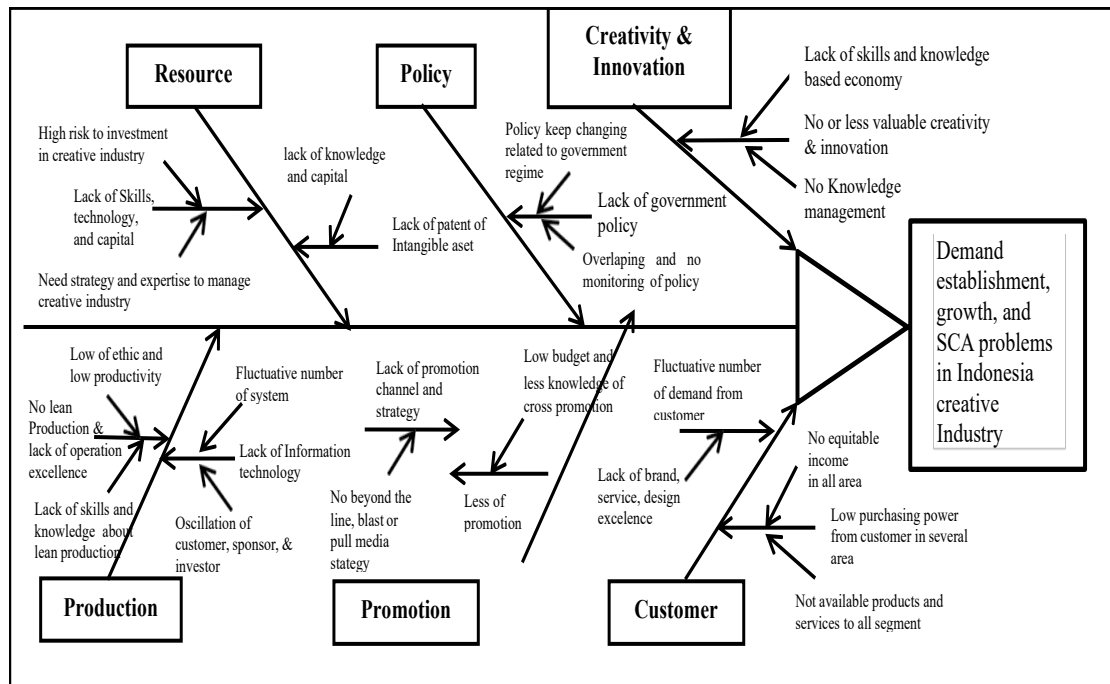


Figure 5 The Root Cause Analysis using Fishbone Diagram

From observation, interview, and stakeholder analysis with interest and power matrix grid, the Key Players group has been identified (Appendix 1). The Key Player has high power to take charge and control Indonesia's creative industry. This group has high interest in the industry compared to the other groups. Producers, management team, distributors channel, third party agencies, target customer, are the category of this group. To implement all the required solutions, this group should work together with all the stakeholders. Player group should work together and motivate other groups to have more power and interest to improve and make the creative industry fuelled and buoyed with more economic growth, thus giving the industry a sustainable competitive advantage. After finding and interviewing the Key Player, three best creative industry sectors with the highest contribution to Indonesia GDP from 2004—2016 show that exponential growth and contribution patterns are to be found in the sectors of culinary, fashion, and crafts. Behavior over time patterns of the creative industry sector depends on the value of a variable such as market size, local or foreign investment in these industries, source of supply, copyright, inventory, quality, government policy and intervention.

CONCLUSION

From observation and interview this research finds that there are 7 components that can be implemented as strategy solutions for current condition problems. Using PESTEL, Porter's Five Forces, Fishbone diagram to find root cause, and Stakeholder analysis to find key player to develop sustainable competitive advantage (SCA) activity map (Appendix 2). From PESTEL analysis we can see that Indonesian government already has the policy to support creative industry under Dana Ekonomi Kreatif/ Creative Industry Funds for pre startup. Blue ocean strategy, strategic positioning, and strategic alliance are used to analyse the data and create strategy solutions for the problems. This strategic management approach can then be linked to the strategy for the sharing of resources, big data analytics, structure disruption, new business model, and new cost structure.

Mobile application and web-based integrated system can be worked in accordance with two functions as (1). Demand establishment with selling activity for 16 sector of Indonesia creative industry and (2). Business strategy and management to maintain knowledge based economy and knowledge management using blue ocean strategy, strategic positioning, and strategic alliance for 16 sector creative industry in Indonesia are the recommendation. The strategy solution interrelationship between components of this system are explained in Appendix 4.

From research findings, key player in Indonesian creative industry such as producer, main actor, creator, or content developer should create these mobile application and a web-based integrated system. These mobile application (android and iphone compatible) and web-based integrated system will establish the demand, sustain growth, and create sustainable competitive advantage of the Indonesian creative industry from intangible and tangible resources to all stakeholders in the long term.

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