

## Collaboration as Innovation Strategic of Business Resilience Handicraft Industry in Central Java Indonesia

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### ABSTRACT

**Goal:** The Covid-19 pandemic has had an impact on the handicraft sector, as efforts to promote it have stalled. Purchase intention is reduced and business is sluggish. This condition provides an idea to be able to innovate in order to maintain the existence of the handicraft business. Practically, the handicraft industry is heavily affected by the declining tourism effect because many of its consumers come from abroad. The traditional nuance is closely related to handicrafts, so many tourists like it. **Findings:** As a strategy for industry resilience, innovation supports these business people. This research examines how industry players collaborate with many parties and what innovation are being made to deal with the Covid-19 widespread in the business people in the handicraft industry in 2021 in the Central Java region of Indonesia. **Results:** The results show that innovation with collaboration has an impact on business resilience and gives management strength to be able to make recovery. Supported by government policies, the recovery better. **Suggested:** the innovation can be deeply focusing on the process and also management to ensure the resilience.

**Keywords:** innovation, business strategy, business resilience, handicraft industry.

**JEL:** M2, O3.

## **INTRODUCTION**

The Covid-19 pandemic become one of the moments that causes global condition to experience a slump. Like many other industries in the handicraft business sector, it is also very shaken by this pandemic. Many handicraft entrepreneurs were forced to close their businesses or not operate due to declining demand and purchasing power. In addition, under the same circumstances, efforts for distribution outside the region are also hampered due to the prevailing policies. Even when the standards imposed by the government are slowly loosened, this industry still cannot recover because related industries such as tourism have not been stable. The handicraft industry sector does need several sectors to be assembled and involved considering that consumers are not only from domestic but also from abroad.

The current study analyzes how against the backdrop of the pandemic, the handicraft industry can play a role in the recovery of economic conditions. Therefore, this study analyzes business resilience and innovation. Adjusted from Barasa et al. (2018), the resilience of an industry alludes to the capacity companies to resist shocks. The unused experiences of this investigate will contribute to the writing by giving emergency administration models and making a difference industry specialist to recognize methodologies to extend commerce strength.

According to Wang & Ahmed (2004) organizational innovation as the overall innovative ability of the organization to introduce new products to the market, or open new markets, through combining strategic orientation with innovative behavior and processes. According to Damanpour, et al. (2009) Innovation as new to the adopting organization." The definition of innovation according to Baregheh, et al. (2009) innovation is the multi stage process whereby organizations transform ideas into new/improved products, services or processes, in order to advance, compete and differentiate themselves successfully in their marketplace.

From the definitions above, they have something in common, that innovation is creating something new or an improvement from what already exists, the difference is in terms of emphasis. However, innovation is aimed at achieving organizational goals.

Consequently, this study was designed to answer the following research questions.

- (1) How does innovation affect the resilience of the handicraft industry?
- (2) What is the management strategy model used by the handicraft industry in dealing with Covid-19?

## **LITERATURE REVIEW**

### **Business Resilience**

Business resilience is characterized as the capacity to reply beneficially to significant changes and to manage with unanticipated hazards" (Ritter & Pedersen, 2020). Chaos and complexity hypothesis states that the business commerce environment is intrinsically complex, dubious, and energetic (Ribeiro & Cherobim, 2017). Emergencies and disasters can complicate the environment indeed more by presenting stuns and consequent swell impacts that persuasively destabilize the industry and debilitate the practicality of person businesses (Prideaux et al., 2003). Business resilience not as it were having the capacity to overcome short-term misfortune, but too has the capacity to recoup from savage unsettling influences, but too the long-term adaptive and innovative capabilities that can result in major changes to their commerce models after emergencies and disasters. Dahles and Suilowaiti (2015) resilience as the capacity to survive, adjust,

and improve within the confront of a turbulent environment. This definition suggests three diverse business points of view of flexibility. To begin with, flexibility is seen as a business's capacity to recuperate operations and pre-crisis capacity is considered ordinary; Be that as it may, it is additionally recognized that a new "normal" is likely to create after natural stuns (Prideaux et al., 2003). In this manner, the moment see of flexibility is caught on as the capacity of a trade to continuously present changes and unused trade concepts that normally rise through changes to existing items, methods and operations. All three flexibility viewpoints are based on the transformative impacts of emergencies or catastrophe. Businesses are empowered to lock in in critical, spontaneous, and drastically diverse changes from existing commerce models, coming about in totally unused markets, items, administrations, operations, and systems of organizations or authority (Dahles & Susilowati, 2015).

In common, specialists contend that strength requires businesses to have versatile considering, to be specific the mentality that businesses are willing and able to shape their behavior and work out adaptability concurring to changes within the outside environment. Amid this handle, businesses can go through adapting and periods of learning, fathoming, and reorganizing. Innovation is an important means for businesses to outlive and stay flexible within the confront of external disturbances (Wang et al., 2019). A few specialists refer to development as the method of utilizing imaginative considering and acting to attain victory through the investigation of unused thoughts (Adams et al., 2006), such as unused shapes of products, processes, promoting, innovation, administrations, and trade operations that did not exist some time recently. However, others argue that development does not get to be totally modern and imaginative. The moderate improvement of the existing system might be a fundamental parcel and arrange of progression since progression does not arrive within the industry in idealize frame (Ribeiro & Cherobim, 2017). Based on this considering, Ribeiro and Cherobim (2017) watch that the writing on advancement recognizes between radical and incremental advancement, whereas Wang et al. (2019) outlines that accomplishing troublesome advancement requires a handle: improvement advancement jumps stem from numerous quick emphases of micro innovation. Zmud (1984) demands that thrust and pull conditions are fundamental to drive trade development. In other words, businesses have to be had both the require and the implies for development to happen. Emergencies and fiascos display a fast-changing and complex environment for businesses to explore through, and they can regularly serve as a capable driving drive for commerce innovation.

### **Innovation**

Innovation is frequently depicted the backbone of an organization and the unequivocal one inside a company. The genuine esteem of development is communicated in an result (result) such as a exchanged item. A company's capacity to exchange advancement can offer assistance rule current markets or create unused markets, contributing to proceeded industry authority. Thus, success in commercializing innovation is an important strategy for companies (Datta, et al., 2013).

Regarding what drives innovation, the literature tends to divide into two thoughts, namely (Hoecht, 2006):

1. Market-based view, assumes that market conditions provide in the context of facilitating or inhibiting the level of innovation activity of the company. The key issue here, of course, is the company's ability to recognize opportunities in the marketplace. Some companies have the ability to effectively scan and search their environment.

2. Resources-based view, considers that a market-driven orientation does not provide a safe basis for formulating innovation strategies in a dynamic and stable market, compared to the company's own resources which provide a much more stable context for developing its own innovation activities and market forms. According to his own point of view. The innovation resources-based view focuses on the firm and its resources, capabilities and skills. Proponents of this school of thought argue that when a company has valuable, scarce and non-replicable resources, it can achieve a sustainable competitive advantage.

Varis & Littunen (2010) in their research divides two types of innovation:

1. Based on the object of change, innovation consists of product innovation, process innovation, market innovation and organizational innovation
2. Based on the level of change, namely complete novelty (radical) and significant improvement.

According to Massa and Testa (2008), academics and entrepreneurs interpret innovation in different ways, innovation for academics usually emphasizes scientific novelty, while for entrepreneurs, innovation is something that becomes money.

The results of the literature review Baregheh et al. (2009) on the definition of innovation from several journals, there are key attributes of innovation:

1. The nature of innovation, alludes to the shape of advancement as something unused or moved forward, comprising of new, changed, improve.
2. Type of innovation, alludes to the sort of development as within the sort of yield or result of advancement, for illustration items or administrations, comprising of items, administrations, forms, techniques.
3. The stage of innovation, alludes to all the steps taken amid the development prepare which ordinarily begins from the era of thoughts and closes with commercialization, comprising of appropriation, advancement, creation, execution and commercialization.
4. Social context, alludes to social substances, frameworks or groups of individuals included within the advancement handle or natural variables that impact it, comprising of organizations, companies, clients, bunches. Units, designers, representatives, outside environment, social framework, workforce, and consumers.
5. The implies of advancement, alludes to the fundamental assets (eg specialized, creative, financial) that need to be in place for innovation, consisting of ideas, innovations, innovation, markets and creativity.
6. The innovation objective is the by and large result that the organization needs to attain through development, comprising of competition, victory, economy, prevalence, separation, brilliance, and value.

## **Innovation Dimension**

### **Product Innovation**

Product innovation is the introduction of completely new goods or services or significant improvements from existing ones with regard to functional characteristics or their use, improvements in technical specifications, components and materials, friendliness in use or other functional characteristics (OECD Oslo Manual, 2005).

Product innovation is one of the key factors for organizational success and is an important strategy for increasing market share and business performance (Al-Hakim, 2013).

### **Process Innovation**

Process innovation is the implementation of completely new or significantly improved production or delivery methods. Significant changes in technique, equipment and/or software. Conveyance strategy in terms of company coordination's and incorporates gear, computer program and methods for sourcing inputs, distributing supply inside the company, or shipping last items (OECD Oslo Manual, 2005). Handle advancement is valuable for diminishing generation costs conjointly for fulfilling clients (Al-Hakim, 2013).

### **Marketing Innovation**

Marketing Development is the execution of a modern showcasing strategy in terms of bundling, plan, item situation and advancement as well as estimating. In terms of item plan, what has changed in terms of form and appearance isn't changing its work and characteristics. The goal of this development is to extend deals, advertise share and open unused markets (OECD Oslo Manual, 2005).

### **Organizational Innovation**

Organizational Development is the execution of modern organizational strategies within the company's trade hones, work environment organizations or outside relations. Organizational development can make strides company execution through diminishing regulatory costs or exchange costs, expanding work fulfillment, lessening supply costs (OECD Oslo Manual, 2005).

Hypothesis:

H1: Product innovation affects business toughness.

H2: Process innovation affects business resilience.

H3: Marketing innovation affects business resilience.

H4: Organizational innovation affects business resilience.

## **RESEARCH METHOD**

The study used 30 respondents from handicraft entrepreneurs in the Central Java region of Indonesia. Data processing was carried out using regression analysis to test the hypothesis. The research period is the end of 2021 or for 6 months.

## **RESULTS**

Research respondents include handicraft entrepreneurs using stamped and eco print fabrics as well as making woven bags in the Central Java region. A total of thirty respondents were used in this study. For innovation, it is divided into four: product innovation (X1), process innovation (X2), marketing innovation (X3) and organizational innovation (X4) with Y namely business toughness. The analysis was carried out by regressing the variables. The results for data processing analysis are presented as follows:

Table 1. Output Results

Model		Coefficients <sup>a</sup>		Standardized Coefficients Beta	t	Sig.
		Unstandardized Coefficients B	Std. Error			
1	(Constant)	5.500	.482		11.400	.000
	X1	-.077	.028	-.164	-2.789	.010
	X2	-.013	.194	-.014	-.066	.948
	X3	.153	.100	.183	1.532	.138
	X4	.540	.117	.821	4.607	.000

a. Dependent Variable: Y

The results show that the variables X1 and X4 are significant to Y. But X2 and X3 are not significant to Y. These results imply that X1 for product innovation, has a strong enough influence on business toughness. X4 for collaboration or innovation in organization is strengthen the resilience. In addition, the results for the analysis are presented as follows:

**Table 2. Analysis Results**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.962 <sup>a</sup>	.926	.914	.23208

a. Predictors: (Constant), X4, X1, X3, X2

These results have an R square of 92,6% where the influence of innovation is quite large on business resilience. Thus, Hypotheses H1 and H4 are accepted. Innovation is important because economic conditions are basically not only measured by an increase in production. Therefore, supporting economic aspects such as the development of technology, infrastructure and skills can support success.

## **DISCUSSION**

In the handicraft industry sector, the emergence of new innovative ideas greatly supports the development of the industry. Especially during a pandemic. Existing conditions require a high creativity in order to increase competitiveness. This is because entrepreneurs need to survive. Short and long-term business resilience really needs attention, where the handicraft industry market comes from foreign consumers. This is of course related to many other sectors such as the tourism sector.

Business resilience that can give strength to business is of course very important considering the dynamics of the business industry. However, with the characteristics of the handicraft industry, innovation is needed to survive the conditions. The results obtained indicate that the influence of process innovation will be able to provide energy for this industry. In this case, it means that there is a process that makes a product more flexible to accept in certain circumstances, such as the COVID-19 pandemic. An innovating process will produce a new touch from handicrafts such as different coloring, different raw materials or with different functional objects, more useful, more flexible. So, process innovation provides direction that if you want to be tough, you must be ready to process.

In addition, a strategy needs to be done to survive. Innovation is one of the best strategies for the handicraft industry. With product innovation and the ability to collaborate, this industry will be more resilient.

The strategy used is the stages of the innovation and cooperation model.

### **1. Cooperation with the government, the community, and third parties**

Another party is very important for the ongoing crisis recovery from both the government and the community. For example, governments. They can stimulate policies, such as credit extensions, and funding support for national tourism businesses to stimulate the domestic tourism market when facing a shortage of international arrivals (De Sausmarez, 2004). Unconditional management has identified that inter organizational collaboration can play a role in increasing crisis resilience (Phelan, 2013). To encourage business, cooperation with other parties is needed which is sufficient to make the hand craft industry more well known.

2. Marketing and service innovation  
Promoting this business will keep marketing going even when market conditions are not good. The use of photos and videos accompanied by health content will be easily accepted by the public. Online marketing strategies, such as providing e-vouchers, teaching customers how to cook at home, sharing new products, and updating their news on social media.
3. Organizational or management innovation  
Product line customization strategies are applied to the hardest hit businesses to meet customer needs. Among other things, a very innovative division of labor scheme was implemented to reduce pressure on labor costs. Firms with a labor shortage, such as supermarkets and manufacturing firms, and firms with temporary labor surpluses.
4. Product innovation  
Several unused items have been propelled in unused shapes. This is often to supply development since clients are getting sluggish.
5. Imaginative promoting strategy  
The industry has confronted a few challenges beside the fast pace of alter driven by customer brain research and client behavior. Concerns over the security and wellbeing of nourishment choices, rapidly advancing innovation, and the online deals showcase rising customer desires, and a furiously competitive environment are driving the industry to reply rapidly to these patterns. Bunch nourishment deals are executed to grow the deals share. Some industries have exchanged to depending more on community-based deals amid their promoting techniques, since community-based showcasing channels can construct a steady client base and keep up higher client devotion than other channels (McKenzie-Mohr, 2000).

## **CONCLUSION**

As a strategy for industry resilience, innovation supports these business people. This research examines how industry players collaborate with many parties and what innovations are being made to deal with the Covid-19 pandemic. The results show that innovation with collaboration has an impact on business resilience and gives management strength to be able to make recovery. Supported by government policies, the recovery is better. Results: The result shows that innovation through process effects the resilience in handcraft industry. Suggested: the innovation can be deeply focusing on the process and also management to ensure the resilience

## **DECLARATION OF CONFLICTING INTERESTS**

No potential conflicts of interest were reported by the authors.

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