

Enhancing MSMEs in Advancing High-Value Product Innovation

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) provide a crucial economic foundation in Indonesia, although they frequently encounter obstacles in creating products with substantial and lasting added value. Product innovation is essential for MSMEs to thrive in a progressively competitive global marketplace. This article examines techniques for empowering MSMEs to enhance high-value product creation. This project aims to identify the barriers to innovation encountered by MSMEs, develop effective mentorship models, and assess the effects of interventions on enhancing innovation capacity and producing high-value goods. The employed research methodology is a qualitative case study, incorporating in-depth interviews, participatory observations, and document analysis of MSMEs that have either innovated or are attempting to innovate. The study's results indicate that access to product design training, prototype development, the utilisation of basic technologies, and collaboration with specialists and research institutes can substantially motivate MSMEs to develop high-value goods. This article aids in the formulation of more focused empowerment policies and initiatives to promote sustainable innovation within the MSME sector.

Keywords: High-Value Products; MSMEs; Innovation

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in economic development, employment generation, and equitable income distribution in Indonesia. Notwithstanding their considerable scale and prevalence, numerous MSMEs remain confined to the manufacture of low-value-added commodity products, rendering them susceptible to price volatility and intense competition. Amid evolving market dynamics and different consumer tastes, product innovation is essential for MSMEs to maintain relevance and

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sustainability. High-value products encompass not only elevated selling prices but also exceptional quality, distinctive design, sustainability, and solutions to particular consumer challenges (Hurre, 2024).

Even though many MSMEs understand that innovation is important, they still face various problems when trying to implement it, such as a lack of knowledge and skills among their members due to not fully understanding the innovation process, market research, product design, and the necessary production technology (Sieo, 2024). Restricted Financial Resources Research and development (R&D), machinery acquisition, and premium raw materials receive insufficient investment. Restricted access to technology and information results from the challenges faced by MSMEs in obtaining the latest technological advancements, market intelligence, or consumer trend data essential for innovation (Iki, 2024). Absence of networking and collaboration results in insufficient links with research institutes, universities, designers, or other MSMEs, hindering the emergence of innovative ideas and partnerships. Risk aversion and reluctance to innovate, stemming from fear of failure, unforeseen expenses, or inadequate market acceptance, render MSMEs hesitant to embrace innovation (Seropi, 2023). The internal environment of MSMEs lacks a culture of innovation that adequately supports and fosters the generation of new ideas.

This research encompasses multiple facets of modernity. Initially, concentrate not merely on product innovation broadly, but specifically on high-value items that possess the potential for significant economic impact. This study investigates a comprehensive innovation mentorship model that encompasses both technical (design, production) and non-technical elements (market mapping, intellectual property rights protection, product narrative) (Lopitf, 2023). Thirdly, we will conduct a thorough analysis of how business incubators and research centres contribute to the advancement of MSME innovation. This study aims to identify strategies for mitigating innovation risks that MSMEs with limited resources can employ. Fifth, focus on community-orientated and peer-learning methodologies among MSMEs as a strategy for innovation empowerment

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RESEARCH ELABORATIONS

This research employs a qualitative methodology, utilising a multi-site case study framework. We used this method to gain a comprehensive understanding of the innovation process and the influencing factors within MSMEs in a practical setting. The case study involved the selection of two to three MSMEs. The selection criteria encompass MSMEs that have successfully developed or are currently developing high-value products. We selected MSMEs from diverse industries such as culinary, handicrafts, and fashion to gather a range of perspectives (Sieo, 2024). MSMEs that are amenable to being the focus of research and granting access to pertinent data. Purposive sampling is employed as a sampling method.

Data Acquisition via Comprehensive interview We conducted interviews with MSME proprietors/managers, product designers (if applicable), essential personnel involved in production, and external entities facilitating MSME innovation, such as incubator representatives, academics, and consultants (Thiyagarajana et al., 2023). The interview emphasises the innovation process, obstacles encountered, tactics employed, and results attained.

Participatory Observation The researcher conducts direct observations at MSME sites to understand the production process, team dynamics, and work culture related to innovation (Ismanu et al., 2021).

Analysis of the document: Gather and examine pertinent papers, including innovation project proposals, production reports, customer feedback, sales data, product certifications, and promotional materials that demonstrate the product's high value.

Focus Group Discussion (FGD) FGD is undertaken with MSME groups possessing analogous innovation objectives to explore ideas, exchange experiences, and ascertain mutual needs (Sutikno et al., 2023).

Examination We will examine qualitative data from interviews, observations, and documents using thematic analysis techniques. The analytical procedures encompass the transcription of interview data and observations. Reiterate the reading to obtain a comprehensive understanding. We use data coding to identify key concepts and themes, such as "HR limitations", "technology accessibility", and "design collaboration". The process involves categorising the themes and identifying the connections between them. We will analyse and synthesise the information to create a case study narrative. Triangulating data sources (interviews, observations, and documents) and conducting member checks with respondents will enhance the validity of the data (Kharub & Sharma, 2017).

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RESULTS AND DISCUSSIONS

Identification of Obstacles to Innovation in Micro, Small, and Medium Enterprises Interviews and observations of MSME case studies revealed three primary impediments to high-value product creation, specifically: Constraints on Professional Design Access Micro, Small, and Medium Enterprises sometimes encounter limitations in accessing funding to employ experienced product designers capable of developing goods with enhanced aesthetics and functionality. Product design often adheres to market trends without comprehensive analysis. Insufficient Internal Research and Development (R&D) Micro, Small, and Medium Enterprises seldom possess a dedicated Research and Development division. Innovation frequently manifests as reactive (emulating a competitor's product) rather than proactive (driven by market needs analysis or the advancement of new materials).

Limitations on Raw Materials and Manufacturing Technology Restricted access to superior raw materials or contemporary production technologies hinders MSMEs' capacity to manufacture diverse and value-added products. Handicraft MSMEs employing manual techniques may struggle to attain the size and precision required for high-value items. Insufficient Comprehension of Safeguarding Numerous MSMEs lack awareness regarding the significance of safeguarding intellectual property rights for their original product designs or formulations, rendering them susceptible to imitation. "Immediate Profit" mindset: Certain MSMEs remain focused on short-term earnings, rendering them hesitant to allocate time and resources to innovation processes that necessitate patience and long-term planning.

Empowerment Framework for High-Value Product Innovation According to empirical data and literature analysis, a successful empowerment approach to promote high-value product creation in MSMEs should encompass the following components: Training in Design and Prototyping: Deliver practical instruction on product design principles, narrative tactics in design, and fundamental prototyping methods (e.g., utilising basic design tools or 3D printing for small-scale applications). Enhancement of Access to Technological and Consulting Services: We facilitate the linkage between MSMEs and technology providers, research institutions, or specialised consultants who can assist in product creation, material evaluation, or enhancing production efficiency. Such collaboration may occur via an incubation programme or a co-working space equipped with specific amenities. Assistance with Market

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Research and Value Identification Educates MSMEs on doing basic market research to discern market niches, consumer preferences, and the distinctive value of their products.

Network for Collaboration and Innovation Promote collaboration among MSMEs, designers, academics, students, and other MSMEs to exchange ideas and resources. Creating a network of MSME innovators could be very advantageous. Instruction & Guidance Protection of intellectual property rights Educate on the significance of intellectual property rights and assist in the registration of patents or trademarks for creative items. A business model centred on innovation Canvas Development The program aids MSMEs in crafting a cohesive business model that integrates innovation as the primary component of their strategy, utilising a high-value product marketing approach.

The Influence of Empowerment on High-Value Product Innovation MSMEs that undergo empowerment interventions utilising the aforementioned model exhibit a favourable impact by enhancing the quality and differentiation of their products, enabling them to produce items with superior material quality, more appealing functional designs, and distinctive characteristics that set them apart from competitors. Enhancing Sales Value and Competitiveness Innovative products enable MSMEs to establish elevated pricing and compete on the basis of quality and value, in addition to price. Entering New Markets High-value items frequently create prospects for entry into premium market niches or export markets. Innovative and high-quality products enhance reputation and bolster consumer trust in MSME brands. Enhancing Internal Innovation Capacity: MSMEs are enabled to proactively pursue new ideas, perform tests, and implement changes, thus cultivating a culture of innovation within their organisations.

CONCLUSIONS

Empowering MSMEs to enhance high-value product innovation is essential for their sustainability and competitiveness in a dynamic market. Obstacles include deficiencies in design expertise, research and development, technological access, and networking that can be surmounted via a holistic enablement paradigm. This methodology encompasses design training, facilitation of technology access, market research support, collaboration, intellectual property rights education, and the formulation of creative business models. The execution of this model markedly enhances the quality, market value, competitiveness, and internal

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innovation capabilities of MSMEs, while fostering the welfare of MSMEs stakeholders and promoting national economic progress.

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