

Business Model Innovation Through MSME Sister Busines

Alhidayatullah¹, Muhammad Khairul Amal², Tina Kartini³, Ade Sudarma⁴

^{1,2,3,4} Economic of Faculty, University Muhammadiyah Sukabumi, Indonesia

Email: ¹alhidayatulah@ummi.ac.id, ²khairulamal@ummi.ac.id, ³tinakartini386@ummi.ac.id,

⁴adesudarma@ummi.ac.id

ARTICLE INFO

Research Paper

Article history:

Received: 4 October 2022

Revised: 07 December 2022

Accepted: 16 December 2022

Keywords: Business Model, Innovation, MSME, Sister Busines

ABSTRACT

Purpose – This paper seeks to examine the efficacy of predicting turnover for employees and entrepreneurs from Estonia, Latvia, and Lithuania using attitudes towards benefits, pay satisfaction, pay, gender, and age across a four-year time frame.

Methodology/approach – A survey that included information on attitudes towards benefits and pay satisfaction was used to collect data from 153 Estonian, 157 Latvian, and 146 Lithuanian employees and 243 Latvian, 103 Estonian, and 109 Lithuanian entrepreneurs.

Findings – It was found that . Attitudes towards benefits were generally significant predictors of turnover for employees and entrepreneurs over a four-year time period while satisfaction with pay was typically significant for employees but not for entrepreneurs.

Novelty/value – As employee retention has been an important factor in the Baltic region over the last two decades it is vital to understand how to retain employees. Keywords Employee turnover, Entrepreneurs, Pay, Estonia, Latvia, Lithuania.

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INTRODUCTION

The industrial revolution 4.0 or the technological revolution has brought changes to the world of business and industry, including micro, small and medium enterprises (MSMEs). The existence of the Covid-19 outbreak at the beginning of 2020 has had a major impact on various life activities, especially global economic activity (Eggers, 2020). In the macro sector, many companies experienced losses and some went bankrupt. Likewise in the micro sector, especially micro, small and medium enterprises (MSMEs), many whose incomes have decreased drastically and some have even gone out of business. (Nalini, 2021). Various policies have been made by the government to revive the national economy, especially the micro sector. The decline in cases of the spread of Covid-19 at the beginning of 2022 made the economy which was initially sluggish have started to be active again and had a huge impact on micro, small and medium enterprises (MSMEs). Through the Ministry of Cooperatives and SMEs, the central government created a Future SMEs Village business model introduced at the G20 event in Bali Indonesia, and SMEs graduated. Meanwhile, the Regional Government of West Java introduced the Jabar Champion MSME business

model. However, these business models have not been able to provide solutions to MSME actors, so the problems that have been faced so far cannot be resolved.

There are several main problems faced by MSMEs, namely financial aspects, production management, product quality, and innovation. The financial aspect is the limited funds owned by MSME players to produce continuously. The production management aspect is related to the consistency of MSME players in meeting market needs. The quality aspect, namely the low quality of the products produced is caused by the absence of a quality control system. While the aspect of product innovation is the lack of innovation by SMEs. This problem must be overcome by the Central Government and Regional Governments by establishing a business model that can support MSME activities or describe, and classify business opportunities and strategies to meet market needs (Brillinger et al., 2020; Cosenza & Bivona, 2021; Palmié et al., 2021) namely a model that can support MSME activities or business model innovation (Ayu, 2021; Cao et al., 2018; Siebold, 2021; Solihah et al., 2016).

Much literature discusses the innovation of MSME business models, such as the construction of family SME business models (Gamble et al., 2021; Luo, 2019), SME business model innovation with a dynamic business model approach (Cosenza & Bivona, 2021), business model innovation with a social exchange perspective (Chen et al., 2021), business model innovation with a strategic posture perspective (Ammar, Oussama; Cherie, Philippe; Svensson, Goran; Ind, 2016) and innovation of the canvas model (Pratami & Wijaya, 2016; Sukarno & Ahsan, 2021; Trenggono et al., 2018; Wit & Pylak, 2020). From several innovations in the MSME business model, of course, the aim is to advance MSMEs to an international level. One of the business model innovations in this study is the MSME sister business model, which is coaching carried out by established MSMEs (Pioneer MSMEs) to small MSMEs (Foster MSMEs) regarding production, marketing, and quality control with similar products. This study aims to determine the effectiveness of the MSME sister business model in Sukabumi Regency.

LITERATURE REVIEWS

Literature on the MSME business model in Indonesia is still small and tends to only focus on one type of innovation. This research is an innovative MSME business model that aims to improve MSME performance in meeting market needs.

Business Models and Business Model Innovations

vis a design or architecture mechanism for creating, delivering, and capturing value from an organization. The business model refers to how the company implements its strategy effectively by operating, creating, and capturing market value (Ammar, Oussama; Cherie, Philippe; Svensson, Goran; Ind, 2016). Well-established MSMEs innovate new business models to diversify from fading business

models (Priyono et al., 2020). Business model innovation is a system of activities to propose, create and capture the value that includes content, structure, and transaction governance in response to industry transformation (Chen et al., 2021). Business model innovation according to Foss and Saebi (2017) in (Müller et al., 2018) namely changes that are designed, new and nontrivial to the key elements of the company's business model that connect between elements.

Sister Business Model

The sister business model is innovative and aims to improve the community's economy through

MSME activities. This sister business model is a form of partnership between MSMEs that are already well established in production, marketing, and quality control (Pioneer SMEs) and MSMEs that need coaching (Foster SMEs), where the two MSMEs have the same commodities. Pioneer MSMEs will directly become the locomotive (driver) of their MSME business activities. The sister business model can be seen in the following figure:



Figure 1. The MSME Sister Business Model

To overcome production problems and disconnection of the marketing network, it is necessary to carry out a matching business practice between Pioneering MSMEs and Fostered MSMEs. The following are the matching business practices in the MSME sister business model:

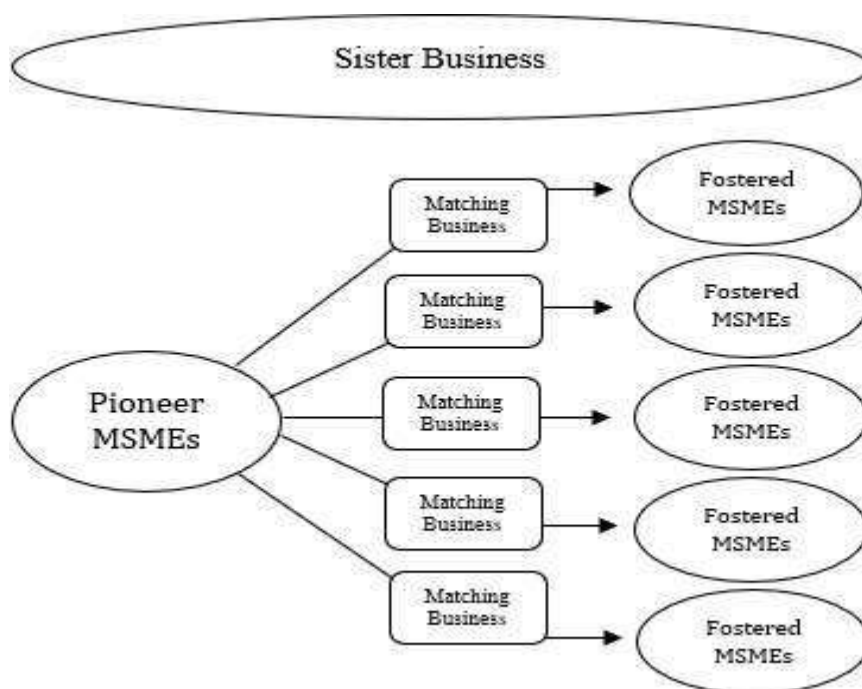


Figure 2. Matching Business

The figure above explains that the practice of matching business is a cooperation agreement between Pioneering MSMEs and Fostered MSMEs regarding production, marketing, and quality control, as a strategy to meet related market needs.

METHODS

The object of this research is the innovation of the MSME sister business model. This study uses a purposive sampling technique to achieve the goal. This research was conducted on 4 (four) established MSMEs with 50 (fifty) guided MSMEs or a sampling of 54 MSMEs in Sukabumi Regency, West Java. The types of MSMEs that were sampled were as follows:

Table. 1 Pioneer and Fostered MSMEs

Types of MSMEs	Business Owner	Product	Brand	Fostered MSMEs
Food	Mr. Uday	Crackers Enye	Enye Mang Uday	5
Mushroom cultivation	Mother Vina	Mold		5
Bamboo Handcrafts	Mr. Yadi Mulyadi	Bamboo Craft Handcraft	Bamboo Champion Muara Dua (BMJ)	20
Wooden Handcrafts	Mr. Fadil	Wood Craft Handcraft		20

Source: Processed data (2022)

The type of research used in this research is descriptive qualitative. According to (Sugiyono,

2020), descriptive research is a method used to determine the existence of the value of an independent variable, either one variable or more (independent) without making comparisons or connecting with other variables. While the qualitative approach according to Bogdan and Taylor is cited (Kusumastuti, Adhi; Khoiron, 2019), is a research procedure that produces descriptive data in the form of written or spoken words from people and observed behavior. Qualitative research focuses on social phenomena, giving voice to the feelings and perceptions of participants. Data collection methods used in this study are interviews and field observations. Interviews in qualitative research according to (Rachmawati, 2007) It is a conversation with a purpose and is preceded by some informal questions. And according to field observations (Arikunto, 2016) to collect data by making direct observation efforts to the place to be studied. The stages carried out in the MSME sister business model research are as follows:

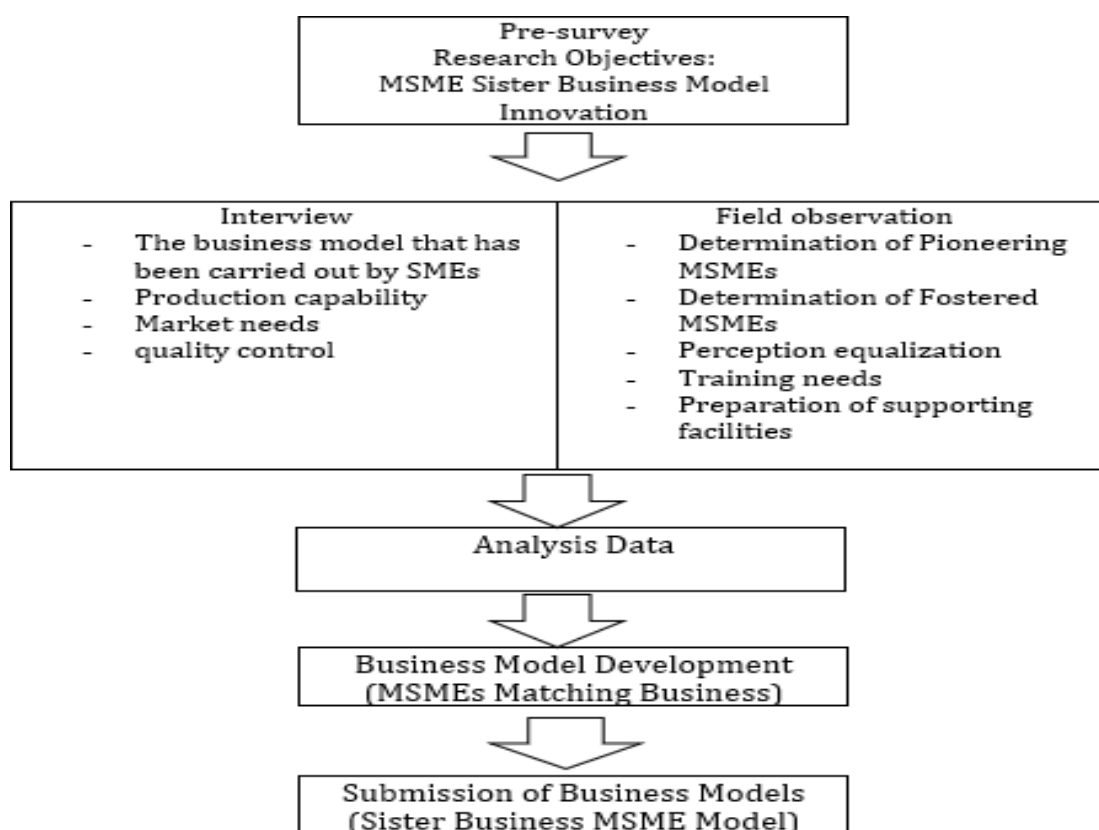


Figure 3. Research Steps (Source: Researchers, 2022)

RESULTS AND DISCUSSION

The sister business model can increase production

One of the problems faced by MSMEs is production capacity, which is caused by a lack of capital and human resources. Increased production in the sister business model, namely collaboration between Pioneering MSMEs and Fostered MSMEs. Where the production of Pioneer MSMEs continues, the Fostered MSMEs produce what Pioneer MSMEs cannot do. Production capabilities and market needs are as follows:

Table 2. Market Needs and Production Capacity of MSMEs

Types of MSMEs	Business Owner	Product	Brand	Fostered MSMEs	Market Needs	Production capability	Production of Fostered MSMEs
Food	Mr. Uday	Crackers Rye	Enye Mang Uday	5	500 Kg/Week	120 kg/week	380 kg/week
Mushroom cultivation	Mother Vina	Mold		5	20 tons/month	10 tons/month	10 tons/month
Bamboo Handcrafts	Mr. Yadi Mulyadi	Bamboo Craft Handcraft	Bamboo Champion Muara Dua (BMJ)	20	10,000 Pcs/Month	3,000 Pcs/Month	7,000 Pcs/Month
Wooden Handcrafts	Mr. Fadil	Wood Craft Handcraft		20	10,000 Pcs/Month	2,000 Pcs/Month	8,000 Pcs/Month

Source: Processed data (2022)

The table above explains that the production capacity of each Pioneer MSME is food MSME as much as 120 kg per week, Mushroom UMKM as much as 10 tons per month, Bamboo handcraft MSME as much as 3,000 pcs per month, and Wood handcraft UMKM as much as 2,000 pcs per month. Meanwhile, the market needs that could not be met by Pioneer MSMEs were 380 kg of food MSMEs per week, 10 tons of mushroom MSMEs per month, 7,000 bamboo handcraft MSMEs per month, and 8,000 wood handcraft MSMEs per month. To meet these market needs, production is carried out by the assisted MSME from each Pioneer MSME.

The sister business model can expand marketing

The second problem faced by MSMEs, especially small MSMEs, is related to marketing. With the innovation of business models through sister businesses,

assisted MSMEs no longer need to look for markets to market their products and fostered MSMEs only focus on production according to standards set by Pioneer MSMEs. The products made by Fostered MSMEs will be fully accommodated by Pioneer MSMEs. Likewise, the price and product distribution have all been determined by Pioneer MSMEs.

The sister business model can maintain and improve product quality control

The problem that is often faced by MSMEs is product quality, this is caused by the low-quality control that is carried out. In the sister business model, Pioneer MSMEs carry out supervision regarding product quality from production carried out by Fostered MSMEs. With this quality control, the quality of MSME products will be maintained.

CONCLUSION

Based on the results of business innovation research through the MSME sister business model, there are three aspects of MSME problems that can be overcome: production, marketing, and quality control. From the production aspect, Pioneer MSMEs collaborate with Fostered

MSMEs to increase production output to meet market needs. From the marketing aspect, the assisted MSMEs do not bother with the market for the products they produce, because the market is the pioneering MSMEs and the fostered MSMEs only focus on production. In terms of quality control, pioneering MSMEs provide training and workshops to assist MSMEs regarding product quality.

With the innovation of the business model through the MSME sister business model, it is hoped that it can be used as an example for established MSMEs and developing MSMEs to collaborate in business. It is hoped that the results of this research can become a reference for future research and involve many pioneering MSMEs and other assisted MSMEs as well as adding a questionnaire method to strengthen the data.

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