

# *The Role of Low - End Disruptive Innovation In The Face of Small Medium Industries Market Competition. A Case Study of Tasikmalaya Embroidery Product*

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**Abstract** - One of the potential Small Medium Industries (hereinafter, SMIs) in the province West Java Province is the embroidery center in Tasikmalaya City. The development of the global economy, for example, the establishment of AEC free markets and ACFTA trade agreement, has led to an increasingly competitive market. As a result of the free market, many embroidery products made in China are marketed in the local market and become the main competitor of Tasikmalaya embroidery products. The general problem faced by SMIs embroidery Tasikmalaya is innovation. Most embroidery entrepreneurs of SMIs do imitation or modification because it is considered more profitable and less risky. Rapid technological developments have led to drastic changes in many sectors, including disruptive innovation that causes old technology to be replaced by new and better ones, including lower prices than incumbent products. Therefore, in the face of the global market, Tasikmalaya embroidery business need to apply disruptive innovation. The primary goal is to compete with competitor products, create a new market and new consumer.

**Keywords:** Disruptive, Embroidery, Innovation, Small and Medium Industries.

## I. INTRODUCTION

The establishment of the ASEAN Economic Community (AEC) free market has caused the market in ASEAN region more competitive. As it is known that most ASEAN countries rely on small and medium-sized enterprises (SMEs) which is 97% supports Indonesia's national economic sector. It means that the role of SMEs is very strategic and dominant. Moreover, in Indonesia SMEs are the backbone of the national economy and contribute significantly to the people's economy as well as to informal sector employment. According to the Deputy of Production and Marketing of the Ministry of Cooperatives and Small and Medium Enterprises (Kementerian Koperasi dan Usaha Kecil dan Menengah Indonesia) that Micro Small and Medium Enterprises (MSMEs) have become the catalyst of Indonesia's economic recovery. Throughout the year 2016, the recorded contribution of MSMEs reached 61, 41 percent. This

achievement becomes the largest compared to other countries in the ASEAN region. Despite the high participation of GDP but from the Policy Development Index, Indonesia is still losing. Indonesia is ranked third among ASEAN countries with a value of 4.1. While Singapore is at the top level with the index value of 5.4 and Malaysia 4.7 (Diawati, 2017). Besides, SMEs can absorb large numbers of informal workers because the informal sector runs most SMEs. Therefore, the role of SMEs in Indonesia is very strategic that it needs to be developed, primarily by the government.

There are many competitors in the free market including significant competitors, namely China. The country can produce a variety of good quality products and low prices. This competition is the result of the trade agreement between China and ASEAN. They have signed the ASEAN China Free Trade Area (ACFTA). Indonesia with a population of about 250 million and has the most extensive area among ASEAN members is a potential market for both China and ASEAN products as well. To face the expansion of China and ASEAN market, Indonesia needs to take concrete steps, for example by doing product and process innovation.

In addition to SMEs there are also Small and Medium Industry (hereinafter, SMIs). According to Regulation of the Ministry of Industry Number 6 the Year 2016, the small industry is an industry which has employees maximum 19 people, have investment value less than 1 billion rupiahs, excluding land and building place of business ([https://id.wikipedia.org/wiki/Industri\\_Kecil\\_Menengah](https://id.wikipedia.org/wiki/Industri_Kecil_Menengah)). One of the potential and the largest SMIs embroidery in West Java province is embroidery center in Tasikmalaya City. Tasikmalaya embroidery spread in Tasikmalaya City spread in 12 District or 24 Village/District. The rest is in Tasikmalaya Regency (hereinafter, Tasikmalaya). In 2016 there are 1315 SMIs craftsmen with the number of workers as many as 13,360 people and the production value of Rp.1.251 billion. Embroidery products consist of various kinds, for example, the Muslim man's shirt called Koko and a Muslim woman's shirt called Gamis. Its product market share is local and export which reaches 60%. These products belong to fashion products. Based

on the data of the Creative Economy Agency (BEKRAF) that the fashion sub-sector contributes Rp. 182 Trillion or 23.3 percent of Gross Domestic Product (GDP) in 2016. It means that the embroidery business is a potential business that needs to develop and improved quality. In recent years, SMIs embroidery face competition from various products, both locally and abroad, especially the invasion of Chinese-made embroidery products. Therefore, it is necessary to make some efforts so that SMIs Tasikmalaya embroidery can compete with its competitors, especially with Chinese products. Including efforts to develop its market abroad. So far, Tasikmalaya embroidery products are marketed abroad, for example in the Middle East by Malaysian businessmen. There are even Malaysian businessmen who order, often called makloon, Tasikmalaya embroidery products but use their company's brand. Consequently, consumers assume that the embroidery products come from Malaysia but not from Tasikmalaya. Only a few embroidery entrepreneurs who can market directly to foreign countries, among others to Africa. In short that Tasikmalaya embroidery business prospects are bright but face competition from Chinese products. Thus, it is necessary to make various efforts to compete with the competitors.

Disruptive innovation is one business model that developed in 1997 by Clay Christensen. Rapid technological developments influence the business model; new technology has replaced the previous technology. As a result, many equipment or technology products become obsolete and unused because they are replaced by new equipment or products. For example, personal computer (PC) is replaced by laptop and then replaced with gadget. Christensen says disruption has happened over and over again in the computer business such as the mini-computer disrupted the mainframe (Denning, 2016:14). However, SMIs Tasikmalaya embroidery needs to innovate as the demands of the market and consumers have changed due to demand for more quality embroidery products and more attractive designs. Disruptive innovation is one way of dealing with market competition because by applying the model, it can create process and product innovation through new technology.

The use of modern embroidery machines with computers has created more attractive Tasikmalaya embroidery products, more precise design and fast production process. The method of these new embroidery machines at the same time causing old model machine is rarely used anymore, such as manual embroidery machine called as *kejek* which operated by using the foot. The change of manual embroidery machine into computer embroidery machine (hereinafter, CEM) can classify as a disruption process. There are several types of embroidery machines used by entrepreneurs in Tasikmalaya embroidery center, namely: 1) manual embroidery machine called as *kejek* machine; 2) semi-automatic machine called as *Juki* machine (an embroidery machine brand); and (3) computer embroidery machine (CEM). The last type of embroidery machine is a kind of advanced devices that can produce embroidery in large quantities, precise design and fast process. This machine is suitable for mass production as well as low price products.

The general problem faced by SMIs embroidery is low innovation. Though innovation is an essential aspect in facing a competitive global market. Thus, it is necessary to apply disruptive innovation model so that Tasikmalaya embroidery

center can compete, survive and develop. The reason is that this model is based on new technology, such as using the computer in its production process. Two factors that become significant obstacles of SMEs is lack of financial and technological resources. It can lead to problems in their industrial capabilities (Thomas et al., 2011: 10). Therefore, business needs by embroidery business people and the government in the face of low innovation. Though innovation is an essential aspect in facing global business competition. Although innovation is not a panacea.

## II. LITERATURE REVIEW

### 2.1 Innovation

The role of innovation in various sectors is very crucial especially in the creative economy sector. However, innovation is a central driver of economic growth. In today's complex and turbulent environment the need for innovation in products and processes is widely recognized (Massa and Testa, 2004:610). Most firms rely on innovation as essential investments to improve their competitive edge in a globalizing world (World Intellectual Property Report, 2011: 23); Innovation can have a powerful effect on the firm's growth. Equally if not more important, new technologies are often at the root of profound structural transformation (The World Intellectual Property Report, 2015: 30); Mellor (2005) defined innovation as 'creativity plus application' or 'innovation plus application' (Thomas et al., 2011: 18); Baregheh et al state that innovation is a multi-stage process whereby organizations transform ideas into new improved products, services or processes (Thomas et al., 2011: 10); Tidd and Bessant stated that innovation is a very strategic position, not only at the level of individual companies but also as a source of national economic growth (2014:5). Tidd and Bessant stated that innovation is a very strategic position, not only at the level of individual companies but also as a source of national economic growth (2014:5). According to them, innovation is essentially about learning and change and is often disruptive, risky and costly (Tidd and Bessant, 2014:109). Drucker defines innovation is the specific tool of entrepreneurs (Bessant and Tidd, 2011). Three types of innovation: 1) Market-creating innovations; 2) Sustaining innovations, and; 3) Efficiency innovation. These three types of innovation play very important roles in an economy (Denning, 2016:12); Most innovation occur in the resources category such as developing new products and technologies. These are innovations that enable a business to profitably sell products or services to customers who never before could afford them (Knight, 2005:14). Robertson classifies innovation in three types: 1) Continuous innovation; 2) Continuous innovation dynamically; and 3) Innovation is disconnected (Hisrich et al., 2016); Rogers (1998) says an innovation can be define as "an idea, practice, or object that is perceived as novel by an individual or other units of an adoption" (Furkan and Odake, 2015:725). Solomon et al. (2010) describe innovation as "any product or service that is perceived to be new by consumers" (Rozsnyai, 2016: 570); Kakkuri describes innovation is "the multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace (2016:547). Generally, innovation has been argued to be both the production of creative ideas as the first stage and their

implementation as the second stage (Anderson et al., 2014, 1298).

## 2.2 Disruptive Innovation

Disruptive innovation is the most discussed business concept today, especially in the technology business. Indeed, disruptive innovation occurs a lot in the technology sector, namely the emergence of new technology products that do disruptive to the previous technology products. Causing old products to become obsolete and useless, for example, computer technology is rapidly evolving. According to Clay Christensen as the creator of the business concept, that in its development disruptive innovation covers various types. Christensen himself recognizes multiple patterns of disruption in the marketplace of today (Denning, 2016: 11). He pointed out that iPhone products market segment increased to premium. Whereas most disruptive product target new lower market segment or cheap product. Paetz defines there are two types of disruptive innovations; low-end disruptions that are low-quality or inferior product types, often do not have the essential features required by existing users. But the advantages of this type of product is that it can offer low prices caused by different production methods or benefits of the patent. Low-end disruption products can attract consumers who can not afford to buy an existing product for a variety of reasons, such as high prices or does not require tools that have many features.

Low-end disruption products are market in new markets, i.e market segments that are not sought by the incumbent for various reasons, such as the price of an incumbent product is more expensive than that market segment. Clayton Christensen created disruptive innovation in the 1990s. He defines disruptive innovation is a theory of competitive response. If it's disruptive innovation, they are likely to ignore me or flee rather than fight (Denning, 2016: 11). According to Madjdi and Hüsigg (2011), the concept of "disruptive technology" or "disruptive innovation" refers to the critical issues in industry and company structure, business processes and resource allocation that restrain companies when it comes to dealing with technologies that do not fit to their already established business model. Christensen (1997) refers to this phenomenon extensively and describes five fundamental principles explaining why disruptive innovation is so difficult to identify: 1) Resource allocation; 2) Market size; 3) Market intelligence; 4) Organization capability; 5) Speed of improvement (Madjdi and Hüsigg, 2011:16). According to Clay Christensen's view, the essence of disruptive innovation is innovation that creates new markets by discovering violation categories. Including developing new business models and exploring old technologies in new ways.

Disruptive innovation should see as a process whereby small companies can challenge established firms, often at a lower price – to overlooked customer segments (Lourdes et al., 2017:98); Raynor defines disruption theory [..] Firstly, it can be used to shape existing innovation ideas in ways consistent with the theory's prescriptions. Second, disruption theory can be used to create a more-nearly balanced portfolio of innovative initiatives (Raynor, 2011:29-30); For Scott Anthony, President of Innosight, disruptive innovations create new markets or transform existing ones by offering simplicity, accessibility and affordability (Leavy and Sterling, 2010:7); Knight states that a

disruptive innovation brings a simpler, affordable, more convenient product to market. The disrupter usually beats the market leader. Disruptive innovations often involve new business models (Knight, 2005:17); As Cowden and Alhorr (2013) have argued the existing literature on innovation suggests that innovation lies on a spectrum, disruptive innovation and sustaining innovations. Disruptive innovations are simple adaptations to existing technologies that appeal to customers who were not attracted to previous products (Cowden and Alhorr, 2013:359); Disruptive innovation is about finding new business models which typically combine a disruptive idea with a technology that can propel the innovation forward, into ever-greater capabilities (Eggers et al., 2012:21); Disruptive innovators stealthily invaded unattractive market segments. Christensen defines it is a theory of competitive response (Denning, 2016: 10-11). The concept of "disruptive technology" or "disruptive innovation" dealing with technologies that do not fit to their already established business model (Madjdi and Hüsigg, 2011: 15-16). There are at least three types of actors involved in disruption, the entrants, the incumbents and the customers (Habtay and Holmen:4). Disruptive innovations are innovations that are inferior to, or which underperform, available market solutions. There are two sub-types of disruptive innovations: low-end disruptions and new-market disruptions (Paetz, 2014:6-7).

## III. RESEARCH METHODS

The research method used a qualitative approach which concerned with developing explanations of social phenomena. That is to say, it aims to help us to understand the social world in which we live and why things are the way they are (Hancock et al. 2009:7). Qualitative research is character by generating words, rather than numbers, as data for analysis (Bricki and Green, 2007:2). The reason for choosing the method is: (a) when there is rarely any information available about the topic; (b) when the researcher's variables are unclear and unknown; and (c) when a relevant theory base is missing in any sense (Tavallaei and Talib, 2010:571). In qualitative research, the role of researchers is as a research instrument and data interpreted by the researchers. The type of research is a case study, a research strategy where researchers carefully investigate a program, event, activity, process or group of individuals (Creswell, 2014: 20). A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context (Woodside and Wilson, 2003: 493).

The object of research is embroidery Tasikmalaya located in District Kawalu, namely Tanjung Village, Kersamenak Village, Karikil Village and District Cibereum located in Mulyasari Village. In Talagasari Village, Kuwalu District, there is large scale embroidery IKM companies, Some respondents of SMIs embroideries, namely: Khazanah, Turatex, Purnama, Ciwulan, Haryati and Bunga Tanjung. They were chosen as respondents for consideration as pioneers, has been producing embroidery for a long time, and their business is well established. Primary data was obtained through direct survey to the location and conducted interviews with several SMIs entrepreneurs, officials of Cooperatives and SME's (Dinas Koperasi dan UKM) and the Industry and Trade Office (Dinas Perindustrian dan Perdagangan), Chairman of the Indonesian Chamber of Commerce (KADIN) Tasikmalaya branch, Chairman of

Association of Embroidery Entrepreneurs of Tanah Abang (GAPEBTA), craftsmen and others.

Secondary data were obtained from literature review, research, journal, and others. The type of interview is semi-structured interviews which involve a number of open-ended questions based on the topic areas that the researcher want to cover. The open-ended nature of question posed defines the topic under investigation but provides opportunities for both reviewer and interviewee to discuss some topic in more detail (Hancock et al., 2009 :16). The goal is that participants freely answer questions and decide on essential aspects that need to explain to the interviewee. Although the interview focuses on the needs of the researcher to get the data interview is like the everyday conversation (Bricki and Green, 2007:11). They also differ from the everyday conversation because we are concerned to conduct them in the most rigorous way we can to ensure reliability and validity (i.e. 'trustworthiness') (Bricki and Green, 2007:11). Type of sampling used purposive sampling to illustrate the characteristics of particular subgroups of interest; to facilitate comparisons (Bricki and Green, 2007:10). The purposive sampling includes non-random sample types.

#### IV. RESULTS AND DISCUSSION

##### 4.1 Small and Medium Industries (SMIs) Embroidery Center in Tasikmalaya

SMIs embroidery center in Tasikmalaya is the largest in Indonesia which established since the 1990s. Embroidery business spread in some places, but the most of it located in District Kawalu, namely Tanjung Village, Talagasari Village, Kersamenak Village and District Cibereum in Mulyasari Village. Currently, there are about 610 SMIs embroidery in Tasikmalaya. In 2013 the value of production reached Rp. 502,98 Million. Industrial embroidery in Tasikmalaya able to absorb as many as 7,573 workers. It shows the position of Tasikmalaya embroidery center is very strategic in the national economy and local government revenue (Pendapatan Asli Daerah) Tasikmalaya City. It includes benefits in the provision of employment in the informal sector. Embroidery products are market in both local and export markets, but higher export volume is 60%. To name a few of large embroidery company that produces export products as follows Tjiwulan Embroidery, Flamboyan Embroidery, Haryati Collection Embroidery, Bunga Tanjung Embroidery, and Nurlela Bordir. They have a market segment of export and upper middle segment. Most of the lower middle segment products are sell in traditional markets or stores in various cities in Indonesia such as Pasar Baru, Bandung, and Pasar Tanah Abang, Jakarta. Pasar Tanah Abang, Jakarta, as the main center of distribution of embroidery products to serve markets in various cities in Java and outside as well as overseas markets.

##### 4.2 Some Innovation Process of Tasikmalaya Embroidery

How important and strategic the role of innovation in the face of the market. Innovation is a way to survive or run a business. There is a lot of understanding about innovation or an innovative product. Some societies and entrepreneurs argue that innovation is that it always has to involve something new in the world (Tidd and Bessant, 2014: 259). Though innovation is not necessarily new or great. Besides, the rare invasive process is

genuinely original or creates novelty. But as a process of interplay or develop a pre-existing.

There are many innovation models and some of them have similarities. Andrew Haigadon named 'recombinant innovation' and Roberto Veganti cited 'design-driven Innovation'. While Joseph Prie called it 'experience economy'. (Tidd and Bessant, 2014: 259-261). Hirsch-Kreinsen et al., (2005) describes the primary source of innovation in the same strategy, suppliers and customers (Thomas, 2011: 35). ). The fact that the innovation process in SMIs embroidery Tasikmalaya much due to the interaction with customers, follow market trendsetters, and mutually imitate products that sell or popular in the market (Diawati:2017). Generally, SMIs craftsmen, including Tasikmalaya embroidery craftsmen, perform these practices.

Embroidery craftsmen who innovate the number are very little. Among them is done by a businessman who doubles as Secretary of Industrial Chamber of Commerce (KADIN) Tasikmalaya branch office. He produces embroidery with various motifs by semi-manual machine "Juki". The goal of innovation is in the face of tough competition with products that are produced by CEM. The market segment of manual embroidery products is the upper middle class because the production is limited and the process is long. Verganti introduced this kind of innovation as 'design-driven innovation' (Tidd and Bessant, 2014: 261). Meanwhile, other SMIs embroidery entrepreneur HAZ (acronym) who innovated by creating a new model or a modified model. The process of his product innovation is done with CEM, so the process is faster than using a semi-manual machine. In general, SMIs embroidery entrepreneur Tasikmalaya innovates based on market or consumer/customer demand, especially consumers/customers of Pasar Tanah Abang, Jakarta. The Pasar Tanah Abang is a marketing and sales center of Tasikmalaya embroidery products in markets outside Java or export. Embroidery entrepreneurs in Pasar Tanah Abang established Association of Embroidery Entrepreneur of Pasar Tanah Abang (GAPEBTA) as an effort to strengthen their business. There are various types of actors that may be involved in the innovation process. These can be informal contacts (friends and relatives), direct business contact (customers, competitors, suppliers, bank and accountants) or more remote actors such as consultants and engineers, universities and government organizations who are not necessarily part of small firms' everyday work environment (de Jong and Hulsink, 2012:282). In general, the innovation process at the Tasikmalaya embroidery center is influence by the outside environment rather than the entrepreneurs as the owner of the company.

##### 4.3 Low -End Disruptive Innovation Process at Embroidery Tasikmalaya

In the 1960s most of the embroidery products in Tasikmalaya were Kebaya and traditional Chinese clothes. Most buyers or buyers are Chinese. Later in the 1970s developed producing interior products such as bed sheets, curtains, tablecloths. Diversification of this product is caused by the turn of manual machine into electric embroidery machine. In the 1980s its production grown in Muslim clothing products such as

women's clothing for prayers called "Mukena", hijab, Muslim men's shirts called as "Koko" and others.

This product diversification driven by technological developments as well as market demand since 2002 some SMIs embroidery entrepreneurs use CEM that can make embroidery as much as 12 to 24 fabric at a time. The price of the embroidery Tasikmalaya product varies depending on the quality of the material and the motive, for example, the price of the "Mukena" produced by Haryati Batik Embroidery ranges from Rp 150,000 to Rp 1,500,000 / pcs, women's Gamis clothes cost around Rp 100.000-Rp 500.000 / pcs and "Koko" shirts cost around Rp 100.000-Rp 300.000 / pcs. The price above depends on the quality of the material and process.

In general, SMIs embroidery Tasikmalaya facing some obstacles as follows: 1) Minimum capital; 2) Access to financial institutions is difficult; 3) Low technology and limited production equipment; 4) Craftmanship is low (Diawati:2017). These factors led to the development of SMIs Tasikmalaya embroidery monotonous. Another obstacle that most of SMIs embroidery difficult to get good quality raw materials. Besides, the price of raw material is expensive so that embroidery products challenging to compete with competitor products, especially Chinese embroidery products. This competition is one of the impact of ASEAN China Free Trade Area (ACFTA). Their products are cheaper than embroidery products made of SMIs Tasikmalaya.

Another problem is the good quality of raw materials are expensive and depend on the seller of China. The phenomenon the price of good quality of raw materials is more expensive when compared with Chinese-made embroidery products. As a result, many entrepreneurs in Tasikmalaya are the seller of Chinese embroidery products because it is more profitable and small risk than producing their own. It is due to high embroidery production costs as a common problem among SMIs in Tasikmalaya. In addition to skilled workers are difficult to obtain because they are limited in numbers, and wages are expensive. Many embroidery skilled workers to move to another company for example to Bandung, so most of the workers of SMIs Tasikmalaya come from Java. But the process of innovation is highly dependent on skilled workers. These factors cause the innovation process in Tasikmalaya embroidery is less developed. However, the innovation process requires skilled and creative craftsman or worker. In contrast, market conditions demand quality products and competitive prices. According to Cookes (2001) that the link between innovation and globalization is it appears sensible for small businesses to use support for their own innovation goals (Thomas et al., 2011: 11). In facing these problems, it is necessary to conduct disruptive innovation because the innovation model can face market competition. In fact, innovation among entrepreneurs in Indonesia's SMEs as well as SMIs is still low. It is caused by various factors such as the quality of craftsmanship in accordance with wages. The main job of craftsman or worker at embroidery Tasikmalaya companies is to make the product not to innovate. There are limitations of technology and equipment faced by most SMIs entrepreneur as stated by de Jong. Innovation in small firms is hampered by resource constraints, implying a need to be parsimonious with investments and to engage in networking for missing resources (de Jong and

Hulsink, 2012:280). It is a common phenomenon in most of the SMIs that causes obstacles in conducting disruptive innovation processes. Except for big companies that have abundant capital and can afford more expensive workers (Diawati:2017). Generally, embroidery product creation process is through imitation of products that are sold in the market or imitate the design's customers. In general, the innovation process in Tasikmalaya embroidery center has not been well developed. Though innovation is an important aspect in the face of competitive market competition.

Tasikmalaya embroidery products consist of several types and qualities, namely embroidery products made by manual machine *kejek*, embroidery products made a semi-manual machine called as *Juki*, and embroidery products produced by CEM. The CEM using computer technology have caused embroidery products in the market abundant and the price down and created a new market. This mass and cheap embroidery product is a disruption when the incumbent market is attacked by its entrant product. At this point, the incumbent is displaced from market leadership, or disruptive (Paetz, 2014: 10). The above phenomenon according to Christensen is "asymmetries of innovation" Since incumbent can see the changes happening but are not innovated to fight for low- margin, undesirable niches (Paetz, 2014: 10). Therefore, CEM is the disruptive result of the previous embroidery machine. The reason for not using both embroidery machines are inefficient, old production process and high production cost. While the CEM can produce embroidery products in large quantities and production costs are low, so the price of embroidery products can be lower. The CEM products are categorized as low-end disruption products because their products are inferior to incumbent products whose quality is better and high price. Disruptive innovation is the competition between the incumbent who has established business and implement sustaining innovation with the entrant. Innovation applied by incumbent is sustaining innovation, which is doing simple innovation, for example by doing a modification shape of a motif, color or technique. While the entrant conduct disruptive innovation by changing the design or change the production process in total and completely new. Although the actual difference between sustaining innovation with disruptive innovation is thin. However, the application of low-end disruptive innovation models requires supporting factors, especially modern technology devices such as CEM. As a result, only a few SMIs can apply the model because CEM is expensive.

## V. CONCLUSION

The impact of the global economy in the ASEAN region, for example, the establishment of AEC single market and ACFTA trade agreement, is the implementation of trade liberalization. The establishment of free markets and trade agreements lead to increasingly competitive markets, including markets for SMIs embroidery products in Tasikmalaya. In particular, competition with Chinese-made embroidery products which is cheaper than local embroidery products. Only a small proportion of Tasikmalaya embroidery products can compete with Chinese embroidery products; namely embroidery products are produced manually with *kejek* machine. The market segment of this type of product is very limited because the price is high, most of *kejek* embroidery product sold or ordered by buyers Malaysia. Its

export volume reaches 60 percent while the rest is sell in the domestic market. It illustrates the needs of the domestic market on cheap embroidery products or mass products. At the same time as a market opportunity for entrants products.

The condition of SMIs Tasikmalaya embroidery is monotonous, and its innovation is minimal. Many factors that cause SMIs problems are not develop. Most embroidery SMIs depend on market demand, trendsetter and consumer demand. Whereas in the face of a competitive market required innovation for a company to compete with competitors such as China's embroidery products. One way to deal with embroidery market competition is to use low-end disruptive innovation model. Because the market is wide open and its customers, the market segment of the lower and middle class, quite a lot. Disruptive innovation model can create new products as well as new markets. Disruptive innovation is the cornerstone of a company, including SMIs embroidery, in the face of a competitive global marketplace. The application of this model in Tasikmalaya embroidery SMIs uses CEM so it can produce cheap and bulk products and create new markets. But only a small part of SMIs can apply this model because CEM is expensive.

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