

Innovation as a Key Solution for MSES' Survival in the COVID-19 Pandemic: A Case Study of MSES in Bogo Village – Bojonegoro Regency – East Java

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ABSTRACT

The Covid-19 pandemic has a significant impact on the economic growth of many countries. Bogo village-Bojonegoro Regency is one of the centers for moringa plants produced by MSE. Moringa plant is a herbal plant that is beneficial for health. During the pandemic, MSEs have been experiencing difficulties producing and marketing products on an offline basis. This paper aims to explore the innovations made by MSEs in the Bogo village to survive the pandemic. This study used a qualitative paradigm with a field research approach. Direct conversations and observations on 34 informants were ways to obtain data. This study used narrative inquiry for analysis and triangulation for data validity. The results show that the innovations carried out in various fields, including products, marketing, facilities, management, and human resources, made MEs in Bogo Village survive and begin to experience business recovery during this pandemic.

Keywords: *innovation, moringa plant, MSE.*

1 INTRODUCTION

MSEs play a significant role for a country because they contribute to economic growth, employment and reduce poverty (Ayyagari et al. 2007 instead of Mahmutaj 2014). One of the reasons is innovation activities that can increase competition and productivity. MSEs are also very flexible and easy to adapt to market changes. However, apart from the high growth rate of MSEs, the bankruptcy rate for MSEs is also high (Tambunan 2009).

The Covid-19 pandemic hurts all businesses, including micro and small enterprises (MSEs). Most MSEs have stopped their business operations due to a sharp decline in sales and increased operating costs. Many try to survive. Almost all MSEs experience this condition in various countries. Innovation is one of the solutions to overcome it. This research focuses on (1) exploring the problems experienced by MSEs in the Moringa Center in the Bogo village-

Bojonegoro-East Java; and (2) exploring innovations made to survive during the Covid 19 pandemic.

Each country has its criteria in defining entrepreneurship, and there is no consensus in the definition. There are many definitions of entrepreneurship. (Fillis & Rentschler 2010) define entrepreneurship as the process of creating value for the business and social community by bringing together unique combinations of public and private resources to exploit economic, social, and cultural opportunities in a changing environment. (Robbins & Coulter 2012) state that "entrepreneurship is the process of starting a new business, generally in response to existing opportunities." (Schermerhorn & Bachrach 2015) describe entrepreneurship as "strategic thinking and risk-taking behavior that results in the creation of new opportunities." From the various definitions above, it can be concluded that entrepreneurship is a process and opportunities that are done by exploiting existing resources for earning profit.

Entrepreneurs can see opportunities to earn profit by creating businesses, managing and utilizing their resources, and taking risks.

Three (3) main dimensions underlie the concept of entrepreneurship: innovation, risk-taking, and proactiveness. Innovation is a way for entrepreneurs to look for new opportunities or ways to realize ideas into something profitable (Fillis & Rentschler 2010). The success of innovation lies in its success in the market, not in the novelty it produces. Various authors define innovation from different perspectives and classify it differently. (Urabe 1988) states that innovation consists of new ideas and their implementation into new products, processes, or services, leading to dynamic national economic growth, employment, and profit creation for innovative businesses. (Twiss 1989) defines innovation as a process that combines science, technology, economics, and management, to achieve novelty and expansion from emerging ideas to commercialization in the form of production, exchange, and consumption. Even the ability to innovate (create products/services) is a new requirement for an entrepreneur.

There are three (3) general classifications of innovation (Afuah 1998): (1) Technological that includes products, processes, and services; (2) Market that includes products, prices, places, and promotions; and (3) Administrative that includes strategy, structure, systems, and human resources.

2 RESEARCH METHODS

The method used in this research is field research that aims to examine certain phenomena in society that are carried out in-depth to study the background, circumstances, and interactions (Sugiyono 2011). This research used a qualitative approach that intends to understand the phenomena experienced by research subjects such as behavior, perception, motivation, and action holistically and employing descriptions in the form of words and language in a particular natural context, furthermore, by utilizing various natural

methods (Moleong 2010). Data were obtained from various sources using depth interview techniques, field notes, and observation results. (Neuman 2014). The MSEs are the owners who are managing the business, totaling 34 informants. Triangulation was used to support data validity and reliability. Narrative inquiry techniques were used for data analysis. The theory development and sampling time, situation, type of event, location, type of person, or context of interest guide the field research method.

This research focuses on exploring behavior, thinking, interacting, culture, and entrepreneurial business (MSE) in Bogo village, Bojonegoro Regency. The researchers' 2.5 years of involvement with the Bogo village community allows accurate and definite results to be obtained. Field research allows researchers to explore social conditions, subcultures, and broader aspects of social life. The steps in field research follow the stages suggested by (Neuman 2014).

3 RESULTS AND DISCUSSIONS

The results of in-depth interviews, observations, and involvement in MSE activities reveal various problems faced by Moringa center MSE in Bogo village before the Covid-19 pandemic, and these problems increase in intensity during the pandemic period.

From early January 2020 until March 2020, the sales rate decreased by 70% due to the Covid 19 pandemic. To overcome this, the MSEs carried out various innovations above for approximately 1.5 years. As a result, at the end of 2020, sales increased by 200% compared to previous monthly sales (source: internal production house "kelorita"). In conclusion, innovation in various aspects (technology, market, and administration) is crucial to surviving the Covid-19 pandemic. It is in line with research (Fillis & Rentschler 2010) that in the current economic downturn in various parts of the world, innovation from entrepreneurs is the best way to stimulate business and improve performance.

Based on an in-depth interview and observation, the problems faced by MSE Moringa center-Bogo village are as follows:

3.1 *Problem*

Production: It is still relatively simple, using traditional equipment, no working SOP, no quality control, no planning of raw materials, the source of raw materials only relies on people's land, and is not hygienic in the production process. Consequently, MSEs produce a reasonably high unit cost, the continuity of raw materials is not guaranteed, and the product quality does not meet standards (quality and hygienic).

Products: It is still limited to the production of Moringa leaf tea, the packing is still simple using ordinary plastics, the product design is not attractive, and does not meet good packing standards (no information on the product). Consequently, consumers are not interested in buying products and cannot compete with similar products in the market.

Marketing: It is still limited to the Bogo village, and all products are sold offline. Consequently, sales turnover is low, and during the pandemic, MSEs cannot sell products outside Bogo village.

Management: It is still straightforward and has not been managed professionally. Still using simple notes to do bookkeeping, no clear job description in the job, and time management is unorganized. Consequently, the management of household and business finances is mixed, making it difficult to know the actual profits of the business is managed and work that overlaps with chaotic work time.

Human resources: Most workers only have high school education with minimal skills and competencies that have not yet been developed. The consequence is that innovation is minimal.

3.2 *Solution – innovations in technological*

Products: Some innovations have been carried out by adding new machines for smoothing the production process, such as

using a drying machine and moringa leaf grinder to make it easier and hygienic.

Process: Process innovation has been carried out by creating production SOPs so that the production process is carried out with the proper procedures and well standardized. All workers use work equipment (clothes, masks, and gloves) while carrying out production activities to guarantee product hygiene. For the continuity of raw materials, residents must plant Moringa trees in the house yard, and village officials cooperate with the government forestry agency to plant on the forestry's official land. Collaboration with other villages that produce Moringa leaves has also been carried out.

3.3 *Solution – innovations in market*

Products: Product innovation is done by making more product variants. For beverage products, the initial product is only moringa leaf tea, then processed into powder tea, moringa tea - tamarind turmeric, food products made of various moringa leaf-based food menus such as moringa martabak, moringa nuggets, moringa sour vegetables, moringa soup, and various snacks, like moringa sticks. The MSEs made better packaging to protect products, provide product information on packing, and attractive packing color designs for packaging innovation. **Pricing:** More competitive pricing compared to similar products. **Place:** It creates facilities in physical form by building a Moringa hut as a culinary place with a rustic feel. In the future, educational tourism sites for Moringa and traditional game arenas will be built. **Promotion -** Marketing innovations that were initially only offline have started using m-commerce and e-commerce such as WhatsApp, Facebook, and Instagram. Videos and other applications have been used to introduce the products to the broader community. Online sales have begun to be encouraged, and shipments outside Bogo village have begun. The affiliate program started with Shopeee.

3.4 Solution – innovations in administration

Management: Innovation in management is carried out using computer-based applications, namely the Apik application, a simple bookkeeping application to find out what their profit level is and monitor the costs incurred. In addition, job descriptions for each position are also made to have no overlapping of jobs and places of responsibility. **Human Resources:** Innovation in the HR sector is carried out to improve HR competencies, especially the knowledge and skills of businesspeople in the form of various training and mentoring. For example, cooking skills, computers, and the use of android

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4. CONCLUSION

Overall, it can be concluded that Moringa center MSE in Bogo village - Bojonegoro-East Java experienced a significant impact of the Covid-19 pandemic. It can be seen from the level of sales that fell sharply at the start of the pandemic. However, with innovations in various aspects, they can survive and begin to thrive in this pandemic. Various future innovation plans require cooperation with various partners such as related agencies, universities, and other institutions such as banking.

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