




# Innovation Capability Strategy: How Does the Culinary Industry Deal with Business Sustainability Case Study on Culinary SMEs in Padang

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**Abstract.** The purpose of this research is to analyze the implementation of the innovation capability strategy in small and medium-sized enterprises (SMEs)-based culinary businesses in Padang. Many SMEs-based business actors have a short operational life, and one of the factors triggering this phenomenon is the weakness of strategic innovation capabilities in carrying out these business activities. This research was conducted on the management of cafe culinary SMEs which are spread in almost all areas of Padang. Data analysis was carried out through clear and accurate descriptive narratives. This study used qualitative methods in analyzing problems, which were conducted through deep interviews with several owners and managers of culinary SMEs in Padang. The observations in Culinary SMEs in Padang have identified that there are very few ideas about the importance of innovation strategies to maintain business continuity, where many culinary businesses in Padang just rely on the location and place and do not pay attention to innovation and quality in food. Thus, most culinary businesses in Padang only have a short operational period.

**Keywords:** Business Sustainability · Innovation Capability · Small and Medium Enterprises (SMEs)

## 1 Introduction

The existence of the culinary industry can save the national economy from a slump. The culinary industry can create dynamic economic mobility [1]. The Covid-19 pandemic period, which began at the end of 2019, has become a momentum for business development. According to [2] creative businesses in Indonesia can be categorized into several types of businesses ranging from culinary, handicrafts, services, and tourism to technology-based business units. Of the many business categories, the creative industry in the culinary field is one of the types of businesses that are most developed by the community especially SMEs [3].

The development of the creative industry engaged in the culinary sector is very rapid [4]. The development of the creative industry in Padang is quite promising to continue to advance and develop even better [5]. The increasing number of creative industries in Indonesia in general and in Padang, in particular, does create a good economic climate, but the main problem for almost all types of creative industries is related to business sustainability.

Based on the data observations taken from the Central Statistics Agency of West Sumatra, the decrease in the number of culinary SMEs in Padang from 2016 to 2021. From data recorded in 2016, the number of culinary SMEs in Padang was 6041 units, the number was corrected to 4091 in 2018, in 2020 when the Covid pandemic 19 have spread, culinary SMEs have actually increased, due to the emergence of community creativity to be more productive during the pandemic, the great support from the local government, as well as the growing use of e-money in transactions. However, in 2021 the number of culinary SMEs in Padang decreased once more to 3041 business units.

The decline in the number of culinary SMEs in Padang in 2021 shows the low ability of culinary SMEs to survive. One of the problems that drives the low ability of culinary SMEs in Padang to survive is due to low innovation in creating competitive advantage, while providing a lot of convenience to people who shop culinary SMEs products in Padang.

The phenomenon that occurs in Padang in particular, there are many culinary industries with a short operational life. The average culinary business in Padang only lasts six months to one year. These problems must certainly be addressed, and the best way out must be found. The shortage of creative business in Padang is due to the sensitivity of market tastes so that, consumers are very selective to determine which best product they will consume. When a creative business unit is considered for not having high taste quality, of course, they will be eliminated, so they have a short business life [6].

Based on research [7] "Achieving Sustainable Development by Collaborating in Green Product Innovation", the existence of business evaluation on innovation performance can help managers effectively use the potential of innovation in business success.

The opinion [7] in maintaining the sustainability of a business is very important for business managers to use innovation strategies. Through innovation, a business manager will experiment so that the products they develop become more perfect and meet consumer tastes. Innovation is an action to try to improve product quality so that it has higher competitiveness. This is also in line with research [8] that the relationship between innovation and business sustainability carried out can be from the content of processed materials used, shape, size, packaging, and other attributes of the product.

Helping managers make decisions can also be necessary [9]. Innovation is one of the ways that is carried out to reduce boredom in consumers while extending the life of the business units developed [10]. The innovation process is characterized by the existence of a process of observing changes in market tastes, the ability to read opportunities, and the presence of creative ideas. In addition, innovation also shows the courage of business managers to take risks, considering that innovation certainly requires relatively large costs [11]. In terms of innovation, it is also needed related to understanding and special character in understanding innovation for SMEs [11].

SMEs must have the capability to create innovation and make valuable contributions to the nation's competitiveness [12]. Considering that the innovation strategy arises from the courage of business managers, the innovations carried out are certainly adjusted to changes in market behavior. The innovation carried out certainly requires a high process, cost, and patience. Creativity and innovation capability significantly affect the competitive advantage and performance [13]. Innovation is the embodiment of ideas that were originally abstract to become a real thing so that with the innovation strategy of products and services that become business units developed by a person will be able to become more perfect, attract a wider consumer market, and maintain the sustainability of business units in the long term. Innovation is considered an important stage in the process of competitiveness of companies [14].

In accordance with the description of the phenomenon, the purpose of this research is to analyze the literature relating to the relationship between strategic innovation and the survival of culinary SMEs in Padang.

## 2 Methods

The method of analysis used to solve the problems discussed was descriptive analysis. According to [13] descriptive analysis is aimed at providing a concrete narrative of the problems faced by many objects observed in a certain period. Observations were made on culinary-based creative business units spread across every corner of Padang. The results showed that most of the business managers were millennials between the ages of 20 years to 35 years [15].

The object is the creative business unit in Padang, especially the business unit engaged in the culinary sector. The choice of the culinary business unit is because of the proliferation of these business units in Padang, where some business actors are millennials [14]. In addition, the main problem that encourages culinary needs to become an interesting object is due to the low sustainability of the culinary business unit in Padang.

The study discussed the ability of innovation strategies observed from product and service attributes to product sales systems to attract consumer attention. The data collection process was carried out by unstructured interviews with several culinary-based creative business actors in Padang. The research was conducted in early July 2021 and was completed around Padang. The selection of culinary business units was carried out randomly.

This study uses qualitative methods in analyzing problems, this is done by conducting deep interviews with several owners and managers of culinary SMEs in Padang. Which can be useful for Culinary SMEs in Padang.

## 3 Results and Discussion

The problem that can be seen from the observations is that millennials who manage businesses do not have a strong entrepreneurial spirit, in general, they give up easily and do not have the experience to read changes in market tastes [18]. From the observation results, the nature of the business units developed is that the business units were not carried out in the long term but only for a while to fill their spare time, or as alternative

business units before getting a job in many agencies both government and private. From the capital structure, only 25% of culinary business managers interviewed used their capital or loans, while the rest were culinary entrepreneurs whose capital was assisted by parents. This phenomenon shows a lack of sense of belonging and responsibility from business managers to maintain business sustainability.

From the observation results, it was obtained that many business managers were aware of the importance of innovation strategies. The most important innovation that was carried out was in the products they sell and the place of business [19]. Innovation in products is related to the content or mixture of products, and innovations are also carried out on the shape and size of the product to release new product variants [20]. Other innovations developed were related to the place of business. In order to attract the attention of consumers, business managers always renovated and repaired the business place to make it look good and clean.

In addition, to attract the attention of consumers as an effort to get potential new consumers, innovations in the field of promotion were also carried out by developing pricing strategies and sales packages that were psychologically beneficial for consumers [6]. This is in line with the research conducted by [10] on small and medium enterprises (SMEs) in Europe entitled “The relationship between innovation ability and performance”, in which the results of the study obtained a positive and significant influence between innovation capabilities on performance.

In carrying out business innovation, a large process and costs are needed, but an innovation strategy is very important to reduce consumer boredom. In addition, the innovation carried out can also attract new consumers from different segments, so that it plays a role in maintaining business continuity. The results of [17] courage and creative ideas in innovating businesses become tools to encourage business sustainability.

The same idea was also expressed by [18] who revealed that the capability innovation strategy based on observing changes in consumer behavior was an important reference that would maintain business sustainability. Furthermore, [19] stated that innovation with a life cycle approach and paying attention to changes in consumer tastes was an important instrument that could extend the life of the business unit developed, while [2] stated that service attribute innovation was the main tool to maintain the sustainability of the SMEs business in Surabaya.

According to [19] innovation is considered a one-dimensional phenomenon including actions that can be implemented to improve the performance of SMEs. In line with the description of the theory and a number of research results, it further shows the importance of innovation strategies to maintain business sustainability and the importance of the role of institutions and the innovation capabilities of SMEs in China [20].

## 4 Conclusion

Most of the entrepreneurs of culinary-based creative business units in Padang were millennial young people, where they were not equipped with good entrepreneurship knowledge, so they were less aware of the importance of innovation strategies to encourage business sustainability. Some culinary managers got the capital from their parents, and run a business for a while. This also hints at a small number of creative business managers in Padang who realize the importance of innovation strategies. In general, they

were serious about being involved in the world of creative businesses in the culinary sector, and were intended for long-term business. Innovation was carried out after one year of business running or two years since the beginning of the business. The drivers of successful innovation in sustainable business [24].

Innovations were carried out on products and places of business. Innovation in products was related to the content or mixture of products, and also on the shape and size of the product so as to release new product variances [25]. Other innovations developed were related to the place of business. To attract the attention of consumers, business managers always renovated and repaired the business place to make it look good and clean. In addition, as an effort to get potential new consumers, innovations in the field of promotion were also carried out by developing pricing strategies and sales packages that were psychologically beneficial for consumers. With the innovation strategy, it is hoped that creative business units on a small and medium scale in Indonesia in general and in Padang in particular can maintain their existence in the long term.

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