

The Implementation of Product Innovation, Survival Strategy and Intangible Assets on Micro Enterprise in the New Normal Era

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ABSTRACT

The biggest impact of the Covid-19 Pandemic apart from the health index, this really affects the economy of a country. In this difficult time, the scale of the micro business is considered to be a business scale that is quite possible to recover. The object of research in this paper is a special Micro-scale UMKM that is engaged in the creative industry. Respondents in this research were 46 Owners of micro scale businesses. This research uses technical PLS analysis with software using Smart PLS 3.0. It was found that the Product Innovation no significant effect on Business Continuity Management: Relationships are not significant can be interpreted with no influence exerted by each variable. Furthermore, Survival Strategy has a significant effect on Business Continuity Management. Furthermore, Intangible Assets have a significant effect on Business Continuity Management, it can be interpreted that the higher the ownership of intangible assets in the form of goodwill, patent rights, copyrights, monopoly rights and brand rights in this micro-scale business, has an impact on the better business continuity management. In principle, business continuity management is a continuous process used to ensure that the company's operational activities continue, all products and services can still be perceived and accepted by consumers and the brands that make up the company's value are protected and the company's reputation is maintained. So that on the next opportunity this micro business can continue to grow and become a medium-scale business and even become the owner of the largest market share in its field.

Keywords

Product innovation, survival strategy, intangible assets, company sustainability

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Introduction

Currently, the Indonesian economy is in a critical period, this was conveyed by the Director General of Taxes, Ministry of Finance. Not only has an impact on Indonesia, the Covid-19 Pandemic has an impact on the global economy. The IMF noted that the global economy has fallen into the brink of crisis after about 95 percent of countries in the world are projected to experience contraction or suffer negative economic growth. The IMF noted that the corona virus pandemic has also caused global economic losses of US \$ 12 trillion or around Rp. 168,000 trillion (exchange rate of Rp. 14 thousand).

This condition will have three major impacts for Indonesia, the first impact, namely household consumption or purchasing power which is a 60 percent support for the economy, falling quite significantly. This is evidenced by data from BPS which notes that household consumption fell from 5.02 percent in the first quarter of 2019 to 2.84 percent in the first quarter of 2020. The second

impact is that the pandemic causes prolonged uncertainty so that investment weakens and implications for the cessation of efforts. The third impact is that the entire world is experiencing a weakening economy, which causes commodity prices to fall and Indonesia's exports to several countries also stop (Zuraya, 2020).

As an effort to recover the economy, the Government has provided stimulus to micro, small and medium enterprises. Based on the results of a BMSI survey in November, it was noted that 58.2 percent of micro-entrepreneurs had a significant impact on the stimulus for loan interest subsidies to keep their business running normally. On the other hand, there are 11.8 percent of micro and small business operators whose business operations can increase after receiving interest subsidies from the Government.

In this condition, it is considered easier for micro businesses to get up and recover. In line with the statement of Carter and Evans, that role of the small and medium enterprises (MSMEs) is believed to be

able to move the economy of a country (Audretsch et al., 2005).

Based on data from the Indonesian Ministry of Cooperatives and SMEs, it reports that in terms of number of units in 2017, MSMEs have a share of around 99.99% (62.9 million units) of the total business actors in Indonesia, while large businesses only amount to 0.01% or around 5400 unit. Micro Enterprises absorb around 107.2 million workers (89.2%), Small Enterprises 5.7 million (4.74%), and Medium Enterprises 3.73 million (3.11%); while Big Enterprises absorbs around 3.58 million people. This means that collectively, MSMEs absorb around 97% of the national workforce, while large enterprises only absorb about 3% of the total national workforce. The number of MSMEs is always increasing every year. Hal indicates SMEs is one of the main drivers for Indonesian economy.

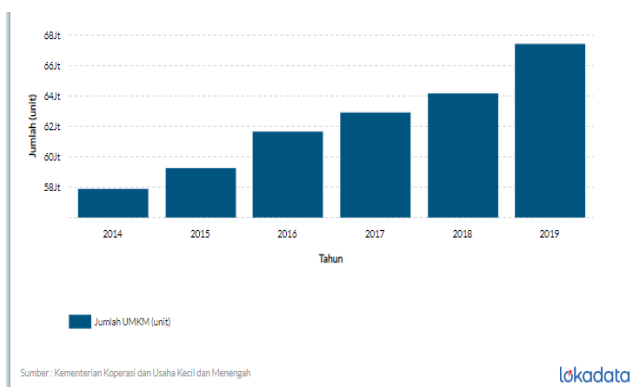


Figure 1. Number of micro, small and medium enterprises 2014-2019

Based on the above conditions, the authors argue that the sustainability of micro businesses in the midst of the Covid-19 Pandemic is very important. There are many factors that can affect the sustainability of a company. Tjipto (2008) states that companies need to innovate in products, in order to maintain survival and gain company profits. Innovations that are carried out must be sustainably designed by the company, currently innovation is a fundamental requirement in order to be able to create product advantages so that they can compete. Innovation will be a tool to ensure the survival of the company, not only growth but also in increasingly fierce competition and environmental uncertainty (Wahyono, 2002).

In addition to product innovation, the sustainability of a company depends on the survival strategy

implemented in the company. In their research, Susilo and Handoko (2002) suggested three interesting things related to the survival strategy of micro-scale enterprises, namely: (1) micro-small enterprises are relatively more able to withstand changes in the economic environment, such as economic crises, than medium-large enterprises. (2) Micro-small enterprises are relatively dynamic and adaptive to changes in the economic environment that occur. (3) Micro-small enterprises are able to absorb labor, especially unskilled labor.

Valuable company resources and describing the privileges that the company can use to create future income is the definition of intangible assets (Soraya, 2013). Companies need intangible assets as an effort to create company value in order to increase profits. In some cases, an intangible set has a very large value compared to the capital that the company itself owns.

Based on the existing background presentation, in this research, the writer uses product innovation variables, survival strategy and intangible assets as well as company sustainability management as variables to be studied, measured and described how they affect.

Literature Review

This research consists of several theories that are used to measure and see how the effects are. Product Innovation (Kotler, 2016): New products for the world, improvement of existing products, new product lines, additional to the existing product line.

Defensive strategy (Susilo, 2005): Diversify merchandise, diversify business, maintain good relations with other parties (surrounding communities and suppliers), Adaptive to environmental changes (price changes), Serve buyers or customers well.

Intangible assets consist of Goodwill: intangible assets that cannot be identified specifically, patent rights: intangible assets obtained from purchases, copyright: intangible assets obtained from purchases, Monopoly Rights (Franchise), Trademark Rights (Trisnajuna, 2015).

According to ISO 22301: 2012 standards in Isnaini (2016), Business Continuity Management (BCM) is an ongoing process that used to ensure that operational activities remain sustainable, all products and services can still be felt, and brands that make up the company's values remain protected as well the company's reputation is maintained. This can be achieved by means of identify potential threats, conduct impact analysis that might happen, and take steps to increase firm resilience. Meanwhile, according to Business Continuity Institute (BSI), BCM is a process sustainable management that identifies potential impacts that threatens the organization and provides a framework to shape the company's resilience and ability to responds to threats effectively so as to protect stakeholders, company image, and products. BCM consists of the company's ability to identify potential threats, analyze the impact that might occur, and the ability to take steps to increase the resilience / sustainability of the company.

This study uses product innovation, survival strategy and intangible assets as independent set and the dependent variable is the *Business Continuity Management*, are shown in the conceptual framework below:

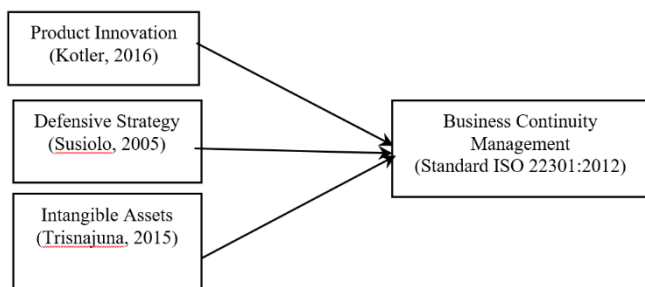


Figure 2. Conceptual framework

Methodology

Quantitative analysis in this study using analysis Partial *Least-Square (PLS)* which is capable of explaining the relationship between several variables (including latent variables) and the ability to perform factor analysis, regression analysis, and path analysis in one test. What is meant by latent variable is that the type of variable cannot be measured directly, but must be constructed with dimensions or indicators arranged. PLS is an analysis of structural equations lined up with variants that can simultaneously test the

measurement model as well as test the structural model. PLS uses the method *principle component analysis* in the measurement model, which is the variant extraction block to see the relationship between the indicator and its latent construct by calculating the total variant consisting of *common variance*, *specific variance*, and *error variance*. So that, the total variance is high (Abdillah et al., 2015).

The sample in this study were 46 micro-scale business owners, with dominations spread throughout Indonesia. The technique of distributing questionnaires using snowball sampling and on this occasion we use online questionnaires.

Results and Discussion

The Description of the results of data analysis in this study begins with the profile of the respondents, testing the research instruments, then continues with the results of processing and analyzing data with *PLS Algorithm* and *Bootstrapping (Model)* using *SmartPLS 3.0*.

SURVEY ANALIS DAMPA PENERAPAN INOVASI PRODUK			
Pelaku Usaha Pada Subsektor	Omzet pertahun Yg Dihasilkan	Jumlah	Persentase
Kuliner	300,000,000	5	0.29
Kuliner	150,000,000	3	0.18
Kuliner	100,000,000	3	0.18
Kuliner	50,000,000	6	0.35
Arsitektur	300,000,000	1	0.50
Arsitektur	100,000,000	1	0.50
Musik	50,000,000	1	1.00
Fashion	300,000,000	4	0.44
Fashion	50,000,000	5	0.56
Desain Komunikasi Visual	50,000,000	1	0.50
Desain Komunikasi Visual	50,000,000	1	0.50
Desain Interior	150,000,000	1	0.50
Desain Interior	50,000,000	1	0.50
Desain Produk	300,000,000	1	0.25
Desain Produk	50,000,000	3	0.75
Aplikasi Kreatif	50,000,000	2	1.00

Figure 3. Profile of respondents

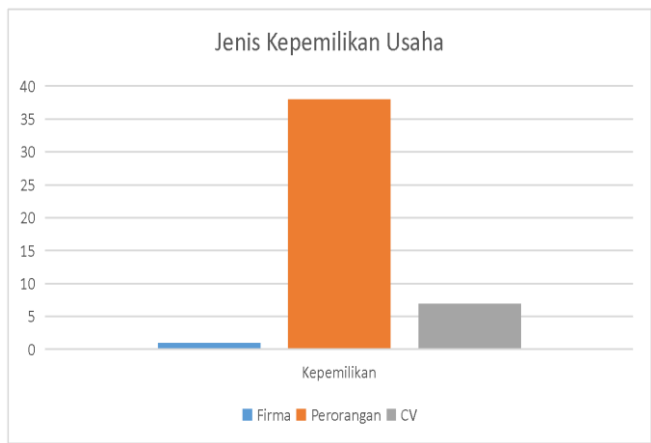


Figure 4. Types of business ownership

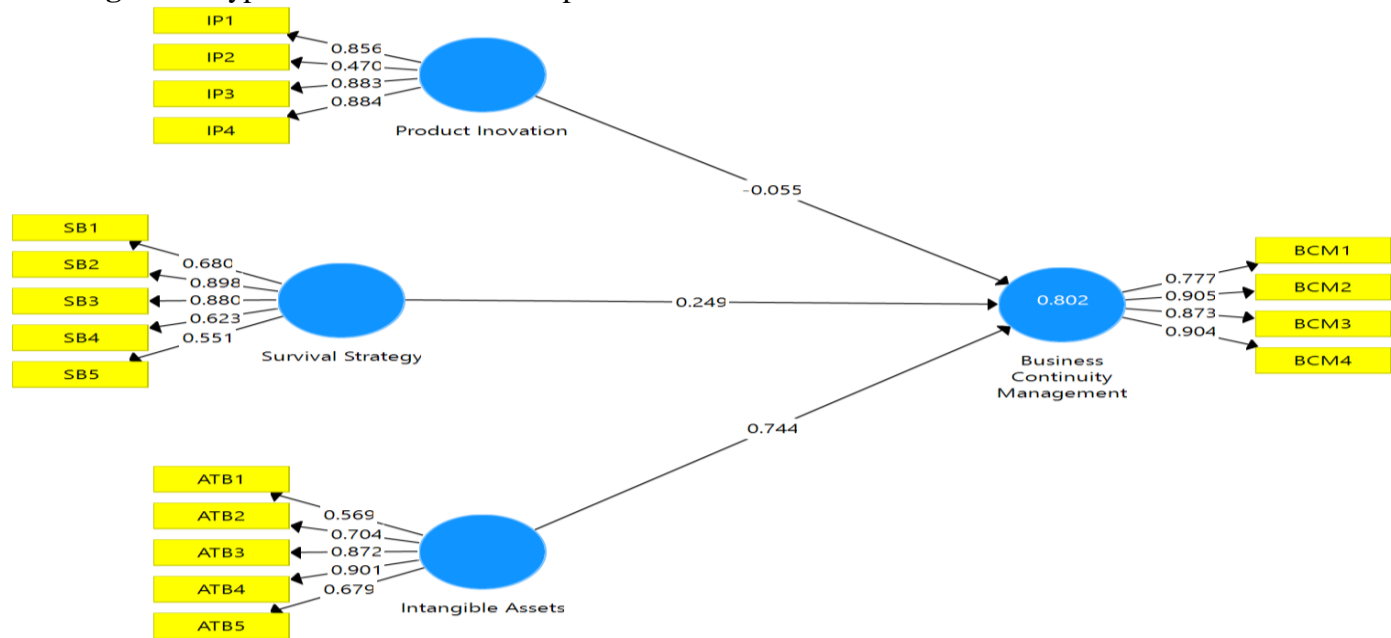


Figure 5. Estimation results of the measurement model

Convergent validity test is carried out by looking at the loading factor value of each indicator against its construct. In this test, research exploratory, the loading factor limit used is. 0.6. According to Ghozali (2014) that when the indicator is declared invalid, then the indicator must be removed from

the model. Because there is an indicator that has a value *loading factor* below 0,6 then these indicators should be eliminated is IP2, SB5, and ATB1. So that, the results of the estimation of the measurement model are as follows:

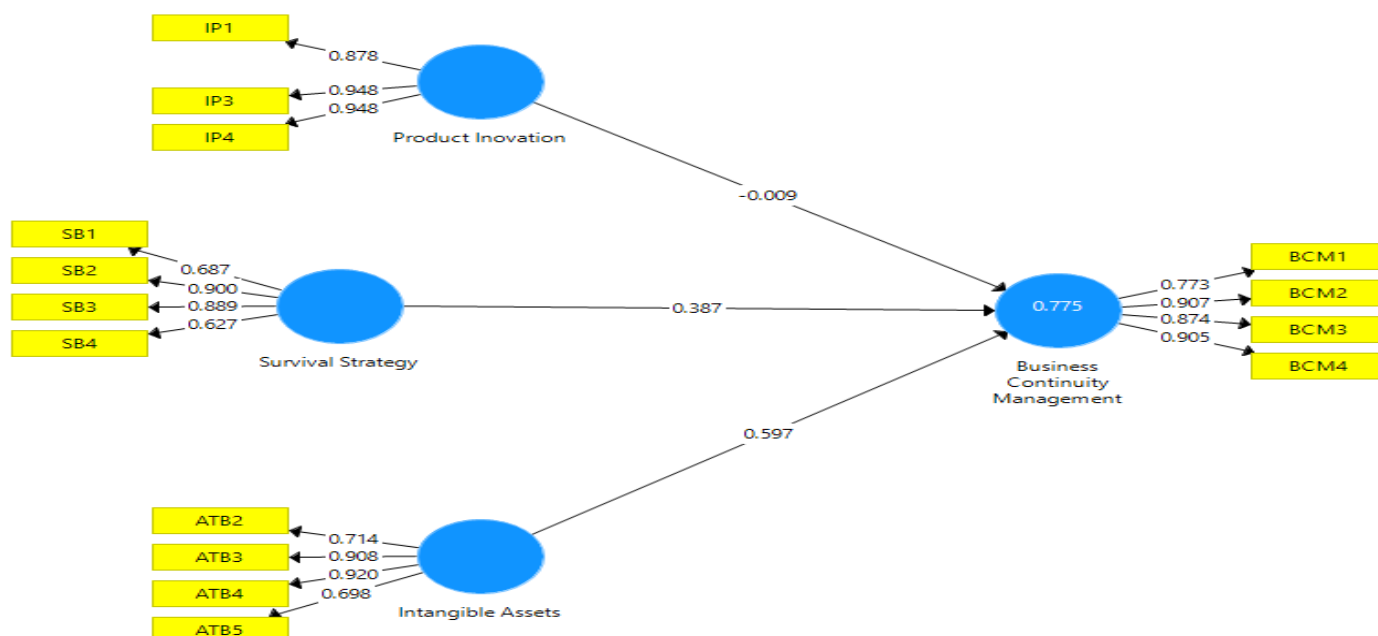


Figure 6. Results of measurement estimation

Then, the value obtained *loading factor* for each variable is as follows:

Table 1. Loading factor result for this research

Constructions	Indicator	R	Validity
Product Innovation	IP1	0.878	Valid
	IP3	0.948	Valid
	IP4	0.948	Valid
Strategy Survive	SB1	0.687	Valid
	SB2	0.900	Valid
	SB3	0.889	Valid
	SB4	0.627	Valid
Intangible Assets	atb2	0.714	Valid
	ATB3	0.908	Valid
	ATB4	0.920	Valid
	ATB5	0.698	Valid
Business Continuity Management	BCM1	0.773	Valid
	BCM2	0.907	Valid
	BCM3	0.874	Valid
	BCM4	0.905	Valid

Further a discriminant validity test is conducted. Discriminant validity is done to ensure that each concept of a latent variable is different from other variables. The results of testing are *discriminant validity* obtained as follows:

	Business Continuity Management	Intangible Assets	Product Innovation	Survival Strategy
Business Continuity Management	0.866			
Intangible Assets	0.825	0.817		
Survival Strategy	0.742	0.602	0.507	0.785
Product Innovation	0.511	0.542	0.925	

Figure 7. Initial discriminant validity results

At this stage, there is a smaller value of the construct than other constructs so that it does not meet the requirements. Then check the influencing indicators and then these indicators will be issued in the model. After the adjustment is made, the discriminant validity value is obtained as follows:

	Business Continuity Management	Intangible Assets	Product Innovation	Survival Strategy
Business Continuity Management	0.921			
Intangible Assets	0.748	0.817		
Product Innovation	0.452	0.339	0.925	
Survival Strategy	0.731	0.597	0.502	0.785

Figure 8. Final discriminant validity results

Currently, all indicators have a value *loading factor* greater than the *loading factor* of the other constructs so that the model has met the required discriminant validity requirements.

Furthermore, construct reliability can be assessed from the Cronbach's Alpha value, the Composite Reliability value and the Average Variance Extracted (AVE) value of each construct. The construct is said to have high reliability if the value Cronbach's Alpha exceeds 0.7, the composite reliability value exceeds 0.70 and AVE is above 0.50.

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Business Continuity Management	0.910	0.913	0.944	0.848
Intangible Assets	0.827	0.849	0.887	0.667
Product Innovation	0.916	0.919	0.947	0.856
Survival Strategy	0.781	0.809	0.863	0.617

Figure 9. Construct reliability test results

In Figure 9, you can see the *Cronbach's alpha value* of all constructs > 0.7, the value *composite reliability* > 0.7 and the AVE value of all

constructs > 0.5, which means that all constructs have met the reliability.

After testing the outer model, the next step is testing the Structural Model (Inner Model). The PLS Structural Model can be assessed by looking at the R Square value of each endogenous variable as the predictive strength of the structural model. The R Square interpretation is the same as the R Square interpretation in ordinary regression analysis. R Square value of 0.75; 0.50 and 0.25 it can be concluded that the model is strong, moderate and weak (Ghozali, 2014).

	R Square	R Square Adjusted
Business Continuity Management	0.686	0.664

Figure 10. The value of R Square

R square values are-use of 0,686 shows that the contribution made by the Product Innovation, Survival Strategy and Intangible Assets variables to the variable Business Continuity Management was 68.6 %.

Furthermore, in the PLS analysis, the value of f square (f^2) shows the magnitude of the influence of each predictor variable on the endogenous variable. According to Cohen (1988) in (Ghozali, 2014), the f square value obtained can then be categorized into the category of small effect ($f^2 = 0.02$), medium effect ($f^2 = 0.15$) and large effect ($f^2 = 0.35$). The following is the f^2 value of each exogenous variable against the endogenous variable:

Table 2. The F square value of

	Product Innovation	Survival Strategy	Intangible Asset	Business Continuity Management
Product Innovation				0.005
Survival Strategy				0.395
Intangible Asset				0.453

The results of the f square calculation show that the F square value of the Product Variable Innovation for BCM is 0.005 which is included in the very small category, while the F square value of the Survival Strategy variable towards BCM is 0.395 which is included in the category of major influence, and the F square value of Intangible Asset to BCM is 0.453, this value is included in the large category.

After measuring the value of F square, followed by measuring Q^2 , showing the predictive power of the model. Q^2 value models of 0.02 indicates the model has predictive relevance weak, the value of Q^2 models of 0.15 indicates moderate the model has predictive relevance and value of Q^2 models of 0.35 indicate the model has predictive relevance stronger. Based on the calculation, that the value of Q^2 of 0.686. This value indicates a strong predictive relevance model. The next step is GoF

measurement. According to Tenenhaus et al. (2004), the provisions are; GoF is said to be small if ≥ 0.1 , GoF is said to be medium if the value is ≥ 0.25 , and GoF is said to be large if the value is ≥ 0.38 . The calculation results show that this research model obtains a GoF value of 0.715, it can be said that the model has a large GoF and is declared to have met the criteria *goodness of fit*, so it is suitable to be used to test the research hypothesis. The results of the model fit test, the calculation of the value of R Square, f square and Q square show that the PLS model that has been built is feasible to be used to test the hypothesis in research. The hypothesis used in this test is as follows:

Ho: Exogenous variables do not have a significant effect on endogenous variables

Ha: Exogenous variables have a significant effect on endogenous variables significant

With a level of 0.05, Ho will be rejected if the P value < 0.05 and t count > 1.96 , whereas if the p value > 0.05 and t count < 1.96 then Ho is not rejected. From the results of the significance test, it can also be seen the direction of the relationship between the influence of exogenous and endogenous variables. The direction of the relationship can be seen from the original sample value of each effect relationship. If the direction of the relationship of influence is positive, then the effect of exogenous variables on endogenous is positive / unidirectional, whereas if the original sample is negative, the direction of the relationship between exogenous variables and endogenous variables is opposite. The results of the model estimation as a reference for testing the hypothesis in this study can be seen in the following figure:

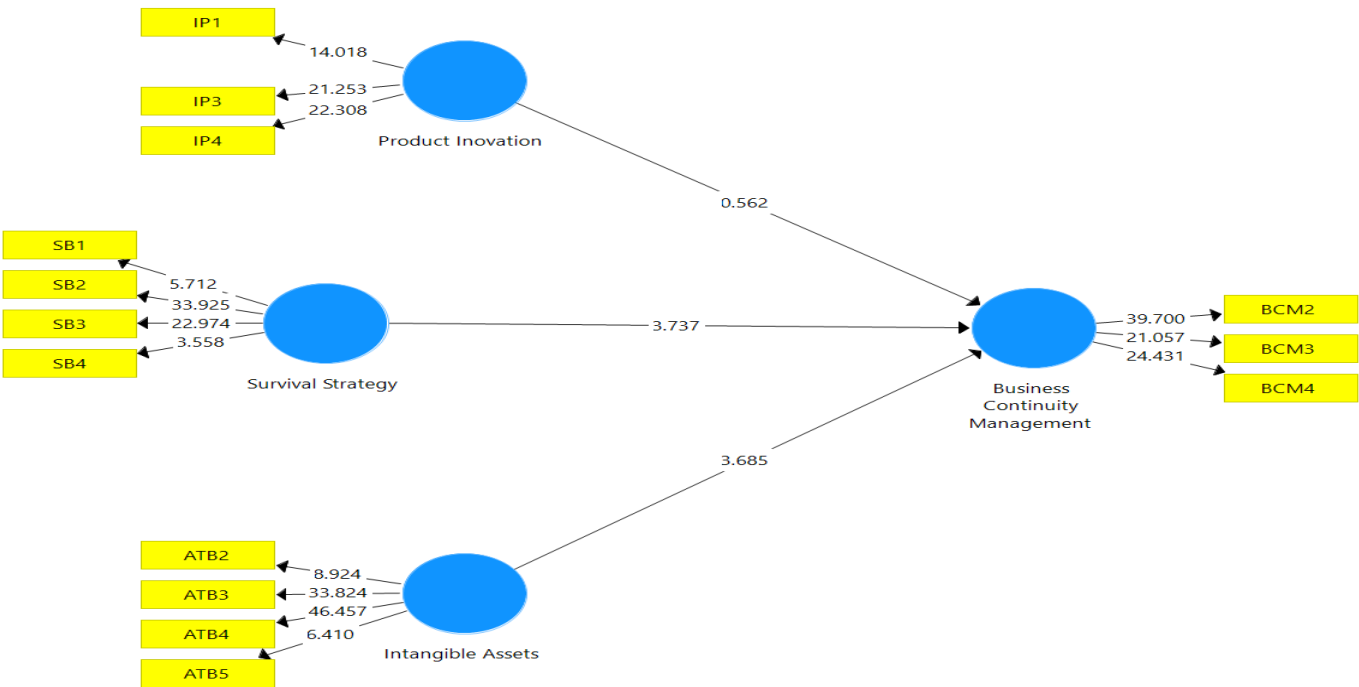


Figure 11. Significance test results the full significance

Test results can be seen in the following table:

	Original Sample (O)	Sample Mean (M)
Intangible Assets -> Business Continuity Management	0.501	0.5
Product Innovation -> Business Continuity Management	-0.046	-0.0
Survival Strategy -> Business Continuity Management	0.455	0.4

Figure 12. Estimation results model

Obtained several results as follows: P value of the influence of the variable IS against BCM is of 0.000 with a T statistic of 3.685 and the original sample is positive. Because the significant value obtained is <0.05 and T statistic> 1.96, Ho is rejected and it is concluded that the variable has a significant

effect on BCM. Then, the value p value variable influence PI on the BCM is equal to 0,574 with a T statistic of 0.562 and the original sample is negative. Because the significant value obtained is > 0.05 and T statistic <1.96, Ho is accepted and it is concluded that the variable PI no has significant effect on BCM. Further value effect of variable SS against the BCM is of 0.000 with T statistic of 3.737 and the original sample is positive. Because the significant value obtained is <0.05 and T statistic> 1.96, Ho is rejected and it is concluded that the variable IA has a significant effect on BCM. The summary of testing research hypothesis based on the results of the PLS analysis:

Table 3. Summary of hypothesis test results

No.	Hypothesis	T Statistics	P Value	Conclusion
1	Product Innovation has a significant effect on Business Continuity Management	0.562	0,574	H1 is rejected
2	Survival Strategy has a significant effect on Business Continuity Management	3,737	0.000	H2 is accepted
3	Intangible Assets have a significant effect on Business Continuity Management	3,685	0.000	H3vreceived

Product innovation no significant effect on Business Continuity Management: Relationships are not significant can be interpreted with no influence exerted by each variable. Furthermore, Survival Strategy has a significant effect on

Business Continuity Management. It can be interpreted that the better the survival strategy design and implementation in this micro-scale business will have an impact on the better business continuity management. This means that the better

the ability to diversify merchandise, diversify business, and maintain good relations with other parties (local communities and suppliers), as well as being able to adapt to environmental changes (price changes), the sustainability of the company can be achieved. Furthermore, Intangible Assets have a significant effect on Business Continuity Management, it can be interpreted that the higher the ownership of intangible assets in the form of goodwill, patent rights, copyrights, monopoly rights and brand rights in this micro-scale business, the impact on the better business continuity management. In principle, business continuity management is a continuous process used to ensure that the company's operational activities continue, all products and services can still be perceived and accepted by consumers and the brands that make up the company's value are protected and the company's reputation is maintained. So that on the next opportunity this micro business can continue to grow and become a medium-scale business and even become the owner of the largest market share in its field.

Conclusion

Based on the results of the research and discussion above, it can be concluded that product innovation in this study does not have a significant effect on business continuity, this applies to micro-scale businesses. In a micro-scale business, the company's ability to create a survival strategy (diversify products & businesses, maintain good relations with the community and suppliers and act adaptively to environmental changes is considered much more important to do. In addition, with high intangible assets, such as goodwill) Patents, copyrights, trademark rights and monopoly rights are the supports main of micro-scale business sustainability. In micro-scale businesses, the company's good name represents a strong company's reputation, good brand identity, technology that is considered good, and competent employees. art. **SElain** the goodwill is part of a form of recognition of the assets owned by the company. This discussion is ammunition for micro businesses to continue to grow rapidly and achieve business continuity.

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