

Modes of Acquiring Innovation in Smes in the Creative Industry Sector in East Kalimantan

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ABSTRACT

Small and Medium Enterprises (UKM) creative industry sector in East Kalimantan has the potential to be a source of longterm competitive advantage in the industrial era which has shifted from a natural resource base to a knowledge base. However, SMEs in the creative industry sector and SMEs in general have limited resources and economic scale efficiency for innovation activities. There are four strategy modes for obtaining innovation for SMEs in the creative industry sector in East Kalimantan to be competitive in local, regional and international markets, namely through marketbased and nonmarket innovation acquisition strategy modes. The strategy for obtaining marketbased SME innovation is through: 1) internal development, and 2) innovation acquisition. Internal development, namely innovation activities within the SME organization because innovation is valuable, a source of competitive advantage, while the SME's internal resources support it. The innovation acquisition strategy can be carried out by SMEs because internal organizational resources are limited, but entrepreneurs in SMEs need to capture market opportunities in the short term. The capacity of SMEs is often limited to carry out innovation activities, so SMEs can adopt nonmarket based innovation strategies, such as through: 3) vertical and horizontal alliances, 4) partnerships. SMEs can collaborate with other SMEs, suppliers, buyers and other stakeholders to overcome resource limitations and increase the efficiency of economies of scale in carrying out innovation activities.

Keywords

Innovation
acquisition strategy
mode;
SMEs in the creative
industry sector

1. INTRODUCTION

In development stages global industrialization, middle world entered the industrial era wave fourth, industry economy creative (creative economic industry). Industrial business economy creative predicted will become future industry as fourthwave industry which places great emphasis on intensity information, knowledge and creativity from human resources as factor production main in activity its economy (Moore, 2014: 739). I based creative industry innovation and creativity chance encouraging added value, new jobs and competitiveness (Moore, 2013: 738).

For Indonesian economy, development momentum industrialization wave fourth is possible opportunitiesutilized for enhancement growth economy, considering that Indonesia has diverse riches potency economy creative. The creative economy is Indonesia's future. Indonesia has a creative industry that has great potential and can still be developed in the future. One of the potentials that can be explored is the creative industry related to local culture and wisdom which is spread throughout all provinces in Indonesia. This cultural capital and local wisdom can be a source of strength for the creative industry that other nations do not have. According to Bank Indonesia (2015:1), the development of creative industries in Indonesia makes a significant contribution to the economy and employment, and has an important role in empowering human resources. Based on statistical data from the Ministry of Tourism and Creative Economy (Kemenparekraf) throughout 20102013, the contribution of the creative industry to GDP is estimated at 7.1%, and to the overall export value at 6.1%, and to labor absorption at 10.7%. Creative industry growth was 5.6% with the crafts, fashion and culinary sectors having the highest growth rates compared to other sectors,

namely: advertising, architecture, art goods market, design, video film photography, interactive games, music, performing arts, printing publishing, computer software services, radio television, and research development.

Based on a study by Bank Indonesia (2015), East Kalimantan is one of the 10 provinces in Indonesia that has a competitive creative industry sector. The creative industries sector in East Kalimantan Province is included in the fast growing and fastgrowing category. Small and Medium Enterprises (UKM) creative industry sector in East Kalimantan has the potential to be a source of long term competitive advantage in the industrial era which has shifted from a natural resource base to a knowledge base.

2. LITERATURE REVIEW

In industrial era economy creative, profit strategic only can come from become leader change compared to become follower change, and the only one method company can become leader change is through innovation. Innovation is key For help organization grow and develop in a changing world fast. Successful innovationuseful, that is, you can get it reduce cost production goods or services, open new market opportunities, introducing product or service new. Every companies, organizations, and even individual can become innovative. Innovation No limited carried out at large companies big which generally has research and development (R&D) division, however u sah small scale also requires activity innovation (Innosutra. 2007;1). Many products important from last centuryintroduced by the business small and sector This Keep going produce innovation radical.

SMEs must have dynamic capacity and innovation capacity because the industrial environment and lifestyle are changing dynamically. SMEs provide the advantage of organizational flexibility in responding to environmental changes, but only partially big business small and mediumsized enterprises (SMEs), have limited access and innovation capacity due to limited resources and economic scale efficiency (Acs and Audretsch, 1987), including in developing cooperation and strategic alliances (Harvie, 2004: 17; Ahn et al., 2015; 3334). Weak R&D capacity causes SMEs to depend on external knowledge (Kim and Park, 2010), but low human resource capacity also causes inefficient external knowledge acquisition (Ahn et al., 2015; 3334). Innovation investment becomes inefficient, especially for innovation activities that require large investments, while production capacity is small. Financial constraints do not only limit SME innovation activities, especially innovation activities that require large capital. Limited capital in SMEs is also an obstacle to utilizing the results of innovation, such as in purchasing production equipment. SMEs also have weaknesses in human resource capacity for managing innovation in a way effective and efficient. U KM has obstacles to recruiting highly skilled workers and changing organizational culture.

To overcome the problems of inadequate R & D expertise, limited financial resource support, limited access to information and markets, SMEs can enter into cooperation contracts in vertical and horizontal alliances and partnerships (Ahn et al., 2015; 34). Collaboration in vertical alliances, horizontal alliances and partnerships provides the potential to increase the efficiency of economies of scale by reducing transaction costs, but in practice SMEs also have limitations in finding and interacting with external partners (Lee et al., 2010; Van de Vrande et al., 2010; 2009). The company way innovate and nature contribution they to innovation varies and depends greatly on characteristics companies and their conditionsfacing For involved in innovation. Condition For innovation faced by the company multinational big different in a way substantial from SMEs and companies new.

This article discusses strategic modes of obtaining innovation for SMEs in the creative industry sector to be competitive in the global era. This article consists of five main topics. The first subject is the introduction. The second discussion point discusses the characteristics of SMEs in the Creative Industries Sector. The third topic discusses the concept of innovation. The fourth discussion point discusses strategic modes of obtaining innovation for SMEs in the Creative Industries Sector. The final section is a conclusion to the aspects discussed.

Small and Medium Enterprises (UKM) Creative Industries Sector and Medium Enterprises (SMEs) and Medium Enterprises (SMEs) are increasingly considered important for their contribution to economic development in various countries. SMEs play a role in very rapid economic growth as occurred in Japan. SMEs have played a role in job creation in the United States since World War II. In fact, in recent decades the role of small companies in the economy has increased due to increasing global competition, environmental uncertainty and technological advances (Audretsch and Thurik, 2009:21). The need for this role increases along with increasing economic globalization where there has been a shift in comparative advantage towards knowledgebased competitive advantage in economic activities. In a dynamic and competitive environment, SMEs have the advantage of flexibility and as agents of change (Audretsch and Thurik, 2009: 14).

In developing countries like Indonesia, SMEs have a complementary role to large industry in creating job opportunities, income distribution and economic growth and are important players in local economic development and community development (SMERU, 2004: 4). Apart from their large role in job creation and income distribution, SMEs face many problems. However, SMEs face a number of problems. The smaller the size of the company causes the organization to have limited resources and access to financing, lack of economic scale efficiency, have relatively high costs in accessing and utilizing information technology, lack of skills in utilizing technology, lack of entrepreneurial, managerial, accounting and marketing skills, no have information about market opportunities, have high transaction costs that arise in accessing infrastructure, limitations in achieving quality standards, lack of skills and knowledge in handling customers in both domestic and export markets (Harvie, 2004: 14). SMEs need to develop innovation capacity that will enable SMEs to be competitive both in local, domestic and global markets. This involves developing the potential possessed by SMEs, such as: entrepreneurial spirit, flexibility, and the ability to identify business opportunities and market potential based on unique products and services.

Definitions of SMEs are different between countries. The definition of SMEs is very different depending on the stage development economy as well as condition prevailing social. A number size used For defines SMEs, such as : number employees , amount of capital , total assets , sales volume and capabilities production . Criteria for SMEs in Indonesia, including refers to provision as intended in Joint Agreement with Coordinating Ministers People's Welfare with Governor of Bank Indonesia Number 15/KEP/MENKO/KESRA/VI/2005 and Number 7/31/KEP.GB 1/2005, namely: Small Business (UK) is business productive owned by family or individual Indonesian citizen , in fact individual or combined in Cooperative and own results sale in a way individual a maximum of IDR 100,000,000.00 (one hundred million rupiah) per year .

Medium Enterprises (UM) are businesses that have criteria as following:
Productive business owned by Indonesian citizens who are individual business entities, business entities that are not shaped law, or business entity body law including cooperatives;
No is child company or branch company owned, controlledor affiliated , fine in a way direct nor No directly , with Medium Enterprises or Large Business; and
Have riches net maximum IDR 200,000,000.00 (two hundred million rupiah) no including land and buildings place business or own results sale maximum IDR 1,000,000,000.00 (one billion rupiah) per year; as intended in in Joint Agreement with Coordinating Ministers Welfare with Governor of Bank Indonesia Number 15/KEP/MENKO/KESRA/V1/2005 and Number 7/31/KEP.GBI/2005.

Based on amount power work, effort can classified become four type namely (BPS, 2000): (1) Home business stairs , that is amount of effort employees 14 people, (2) Small businesses , ie amount of effort employees 519 people, (3) Medium business or intermediate, that is amount of effort employees 2099 people, (4) Large businesses, ie amount of effort his employees between 100 people or more.

3. METHOD

The concept of 'creative economy' is the result of the transformation of economic structure a world where there is a change in economic growth from being based on natural resources to being based on human resources, and from the agricultural era to the industrial and information era. In this new era, the creative economy emerges by intensifying information and creativity which relies on ideas and stock of knowledge from human resources as the main production factor in its economic activities. Despite the difficulty of formulating a clear definition of 'creativity' itself, the Ministry of Trade of the Republic of Indonesia (cit . Bank Indonesia, 2015:1) defines the creative economy as an effort to develop a sustainable economy through creativity with an economic climate that is competitive and has sufficient resource reserves. renewable. Furthermore, UNDP (cit. Bank Indonesia, 2015:1) formulated that the creative economy is an integrative part of innovative knowledge, creative use of technology and culture.

The creative economy is driven by an industrial sector called 'creative industry'. As stated in the 2009-2015 Creative Economy Development Plan issued by the Ministry of Trade, the definition of 'creative industry' which is currently widely used is based on the definition from the 1998 UK DCMS Task Force. The same definition is also used by the Ministry of Trade to explain the creative industry in Indonesia, namely: "Industry that originates from the use of individual creativity, skills and talents to create prosperity and employment opportunities through the creation and utilization of energy the individual's creativity and inventiveness." Innovation Innovation is pusher main growth economics (Audretsch and Thurik, 2009: 13) . According to Innosutra (2007; 3) Innovation also brings more benefits wide for society . Ideas and discoveries increase standard live . Innovation is also possible leads to standards more safety OK, take care more health good , quality more products OK, as well more products and services Good for environment. Innovation has increase productivity surpass generation before and have been in a way fundamental change method alive and all aspect life. Innovation is material main for global success in economy based knowledge. Fast world changed bring challenges and opportunities For business. Innovation can help business maximizing change that . Change needs and hopes customers, change competitors, change technology, change environment regulations, and increasingly global and dynamic markets all bring opportunity For innovation. Innovation can lower cost production, building new markets and improving Power competitive. Innovation can push performance with build profitability, yield field work and improve market share and growth. Definition innovation according to Organization for Economic Cooperation and Development (OECD) (2005) is“ implementation product new or enhancement product/service in a way significant , or process, method marketing new , or method organization new in practice business, organization place Work or connection external ”. Minimum requirements for something innovation is that product, process, method marketing or method organization must new (or increase in a way significant) to company.

According to Lunati (2010), there are two main models of the innovation process reviewed from factor push factors and pull factors of activity innovation. Factor pusher reviewed from supply (provision) of innovation or known as a model of "encouragement technology". Model "encouragement technology" describes the innovation process started with invention scientific , next invention scientific encourage development technology in companies, manufacturing, then followed activity commercialization and market diffusion . In matter This innovation it's not discovery, however innovation is expansion from A discovery. If one inventor find " p big next" but No can find anyone for produce it, then "p big next" remains Not yet found to the world. Temporary invention can carried out anywhere, for example at universities & institutions research, innovation happen part big in company, though they can too occurs in types organization other. For can change invention become innovation, company usually need combine a number of type knowledge, abilities, skills, and resources different power. For example, company Possible need knowledge, skills and facilities production, market knowledge, systems functioning distribution with OK, source adequate finances.

Factor towing reviewed from request innovation or known as the "market pull" model describes the innovation process started with identification market opportunities. Identification market opportunities then followed by development, manufacturing, and commercialization. Both models simplify the nature of the innovation process, which is not linear however the cycle that occurs between various process phases innovation. Model "encouragement technology" is very relevant For a number of industry, like pharmaceuticals and materials chemistry. In industries this, supply innovation new or radicals are very important. Industry based science usually have a large internal R&D program, or sponsor R&D activities in universities and institutions study public or private or company (Malerba, 2005). For industry others, like system operation computers, cars, equipment machine or telecommunications, innovation addition For respond change more market demand often done. Innovation extras around design main and system key in group industry Here, focus on activities integrate innovation new to in existing products and services (Malerba, 2005) Main input For activity innovation covers OECD (2005;3): Finance (Financing Innovation). Access to finance is pusher main creation, continuity life and growth innovation business. Labor skilled (Access company to power Work For innovation, and skills For Innovation). Labor skilled play role key in innovation with produce knowledge new, adopting and adapting existing ideas For develop innovation addition, and identify opportunity business relevant new. Knowledge (Access company to knowledge For innovation). Access to knowledge help business recognize mark knowledge new, assimilate, and apply it to the goal commercial.

4. RESULT AND DISCUSSION

According to OECD (2005;3) there are four types of innovation, namely as follows:
Innovation open (Open innovation) consists of of the strategy in which the company can obtain technology needed and utilized developed technology. At the company innovation open, technology obtained from various source. strategy for innovation look for efficiency through effective partnership. No anyone has create breakthrough with innovation open;
Innovation closed using the strategy of recruiting the smartest technical people in something industry. Innovation closed assume that company must develop Alone products and services new and becoming company first to bring they to the market. That assume that leading company industry in R&D spending in the end will leading the market. Innovation closed assume that company must hold on to wealth intellectual in a way strict For guard competition from benefit from these ideas;
Oslo Guidelines define four type innovation: innovation product, process innovation, innovation organization and innovation marketing (OECD, 2005: 4); and
Innovation product is introduction goods or new services or increase in a way significant connection with characteristics or objective its use. This including repair significant in specification technical, components and materials, devices Incorporated software, friendliness user or characteristics functional other.

Process innovation is implementation method production or new delivery or increase in a way significant. This including change significant in engineering, technology, equipment and/ or device soft
Innovation marketing is application method marketing new involving change significant in design product or packaging, placement products, promotions product or determination price. Innovation marketing addressed For fulfil need customer with more either, opening new markets, or positioning product company new on the market, with objective increase sale company. Distinguishing features from innovation marketing compared to with other changes in instrument marketing company is application method previous marketing No used by companies. Innovation marketing must become part from draft or marketing strategy new representative repair significant from method marketing existing company.

Innovation organization used For increase performance company with reduce cost administration or cost transaction, improve on site satisfaction work (and productivity power work), get access to

assets that do not can traded (eg knowledge external) or reduce cost supplies .

According to Innosutra (2007; 5), many innovation company own characteristics that include more from one type innovation. Impact innovation (see Radical and incremental innovation). Innovation radical can defined as innovation that has impact significant impact on markets and activities economy companies in that market, meanwhile innovation incremental concerning enhancement or repair performance in a way significant to product, service, process, organization, or existing method. Innovation radical involve introduction product or service new ones are developing become business new big one or spawn industry new, or causing change significant in whole industrial and inclined create values new . From time to time, innovation done with take ideas, concepts or existing products there and fixed it. However what 's more outside normal is capable think surpass what 's been exists, and produces draft new . General Overview of the Creative Industries Sector in East Kalimantan Based on a study by Bank Indonesia (2015), East Kalimantan is one of the 10 provinces in Indonesia that has a competitive creative industry sector. This competitive creative industry sector is supported by a workforce that is classified as superior in its field and has the potential to remain superior in the future. A competitive industrial sector is an industrial sector that has a relatively superior level of labor productivity and has high sectoral value added growth. There are only 10 provinces that have at least one competitive creative industry sector, namely: West Sumatra, South Sumatra, Riau Islands, West Java, Special Region of Yogyakarta, East Java, Banten, East Kalimantan, Central Sulawesi, Maluku.

Potential creative industry sectors in East Kalimantan that have the potential to become superior include: the fashion industry (such as Samarinda weaving), crafts and culinary. The remainder comes from advertising, architecture, art markets, design, video film photography, interactive games, music, performing arts, publishing printing, computer software services, radio television, and research development.

From a study by Bank Indonesia in 2015, the creative industry sector in East Kalimantan Province, especially crafts, was included in the fastgrowing and fastgrowing category. This typology shows that the creative industry has the potential to develop well because it is supported by sufficient productive human resources and high output growth. This is interpreted as a signal that market demand for the products produced is high, even though data in 2011 shows the contribution of the craft sector to East Kalimantan's GDP was only 0.07 percent. Labor absorption was recorded as having reached 10.7 percent. These figures are likely to increase along with developments in technology and information, this sector has the potential to grow and develop.

4.1. Earning Mode Innovation in Creative Industry SMEs

Etymologically, according to the Big Indonesian Dictionary, the term 'fashion' is a noun which means a variety of the latest ways or forms at a certain time. SME innovation acquisition modes can be classified into marketbased and nonmarket innovation acquisition modes. The innovation market is part of knowledge products, because innovation is basically knowledge of new processes/methods or in the form of knowledge of new products Stewart (1996).

The innovation market includes the concepts of exchange of knowledgebased products and knowledge services, but knowledge is very different from physical products (Stewart, 1996). Knowledge can be in more than one place at a time, selling it does not reduce supply, buyers only buy it once, and once sold, it cannot be taken back. Furthermore, knowledge begets more knowledge in a neverending cycle.

The capacity of SMEs is often limited to carry out innovation activities, so SMEs can adopt nonmarket based innovation strategies, such as through (Frenz and Lambert, 2012): 3) vertical and horizontal alliances, 4) partnerships. SMEs can collaborate with other SMEs, suppliers, buyers and other stakeholders to overcome resource limitations and increase the efficiency of economies of scale in carrying out innovation activities. Marketbased SME innovation acquisition modes are through: 1) internal development, and 2) innovation acquisition. The mode of obtaining nonmarket based SME innovation is through: 3) vertical and horizontal alliances, 4) partnerships.

4.2. Internal Development

Internal development is innovation activities carried out within the organization. This strategy is chosen for the closed type of innovation, meaning that the innovation is unique and valuable to make the company a leader in the market. Entrepreneurial decisions (SME owners and management) in carrying out innovation activities within the organization are influenced by efforts to create opportunities. Schumpeter (1934) said that entrepreneurship creates economic opportunities through innovation. Entrepreneurs innovate to open new opportunities and enjoy growth. A market that is in a static condition is not attractive for entrepreneurs, so innovation activities are needed to increase demand. Entrepreneurs see problems as opportunities to make changes and, if necessary, take advantage of these opportunities. According to Schumpeter (1934), this process occurs because of 'monopoly profit' which provides incentives to 'risk takers' to invest their money through 'inventions and innovations'. Replacing process something monopoly with monopoly other through '... invention of new products or new production techniques called as the process of creative destruction' (Ekelund and Hebert, 1990). Schumpeter (1934) saw entrepreneurs as a force that always renews the market, which is then referred to as "creative destruction" where new businesses will renew old businesses.

Innovation activities are carried out by entrepreneurs (SME owners and management) or R & D staff at di internal company. Strategy This chosen Because valuable and unique internal organizational resources. On fashion this, company tend For employ person internal to skills certain. This enter sense when we skills special No available on the power market work. Developing innovation in the internal environment of SMEs requires employee competency support and infrastructure support such as information and finance. Employee competency is defined as an ability obtained through training aimed at mastering certain skills. In connection with a career without limits, each individual can leave or move to another organization. Organizations need to develop a reward system to increase the commitment of internal human resources.

4.3. Acquisition

The innovation acquisition strategy can be carried out by SMEs because internal organizational resources are limited, but entrepreneurs in SMEs need to capture market opportunities in the short term. In contrast to the internal development mode where SME entrepreneurs innovate to create opportunities, acquisitions are driven more by market opportunities (demand). On In this mode, innovation is valuable and needed in the organization, but the type of innovation is not a general innovation, while the internal capacity of the organization is not able to develop this type of innovation. This type of innovation is very valuable and provides an organization with incentives to develop innovation internally, n but because of the type This innovation is not unique or specific to the company, managers hesitate in internal development. The appropriate strategy in this quadrant is acquisition. The relationship between organizations is in the form of a mutually beneficial symbiotic relationship based on the innovation market.

4.4. Vertical and Horizontal Alliances

According to Frenz and Lambert (2012), an alliance formed by one or more company in a number of agreement contractual. Type general contract includes:

(1) subcontract: involve buy supply innovation or R & D staff from other companies and work closely to the specifications detailed For complex products, (2) licensing: incl permission For produce product below license, for distribute products and for enter product in other designs, (3) joint venture: involving creation A company third For produce or promote products that have been developed by the company, (4) alliance strategic: is business joint venture that is group company join together to access or develop innovation;

Alliance vertical between company large and SMEs usually take form connection intercompany are along the production line and chain marketing in industry specific. Relationship this is basically it is

connection contract between company parent and its alliances. Parent company depending on the alliance special For delivery component quality high and service appropriate time, temporary alliance depending on marketing as a sub contractor from company its parent . In frame For ensure quality from goods and services it receives, sometimes required For company parent For extend help financial, operational and managerial For alliance . company supporter try For reach guarantee quality and maintain superiority technology to stay in chain of sub contractors. This thing No normal for contractor For become complete entity independent, specialist in this process. Form the most common network in the chain company manufacturing needs various type processed , and standard input. Connection symbiosis between parent and company supporter this is the end increase efficiency that makes they role in increase marketing and trade in a number of Method: Avoid uncertainty in time and quality of input (good goods and services);

Alliance horizontal is organization group effort (often with support party third) for support wellbeing economy member (Lee et al., 2010). Existence organization producer in the horizontal alliance is ability they For facilitate access to inputs (information infrastructure, finance). First, an alliance horizontal facilitates groupbased innovation activities , so can increasing the efficiency of economies of scale, reducing cost . Resources in an alliance Horizontal is very useful for perpetrator business small For more investment big. Organization producer can rent expert technical and developing service external . For example, cooperatives can provide help technical together with input (like agent marketer, consultant finance , designer product, AMDAL consultant) provided to members;

According to Lee et al., (2010), C luster innovation is group company concentrated in one location geographically and work in the same sector . Firms in such clusters benefit from both the division of labor and spatial agglomeration externalities. Clustering can improve technological and managerial knowhow through emulation, transfer of tacit knowledge and lower transaction costs as trust builds and/or through the ease of transactions that comes from 'geographical proximity.

4.5. Partnership

Different from the alliance concept, features main from partnership is actor each other complete . because no There is One organization own capacity (financial, technical and resource human) for overcome all constraint institutional in a way unilateral, partnership make different actors each other complete. The more Lots constraint institutional, increasingly tall needed partner from a number of background back . Partnerships also facilitate spread risks in between different actors ' (Narrod et al., 2009). NGOs and donor agencies can fulfil activity important and balancing gap institutional (RiveraSantos et al., 2002). NGOs and donor agencies are also frequent Act as facilitator provide advice and mitigation risk.

Partnership has appear since late 1990s as mechanism important For overcome challenge development capacity For perpetrator business small , and developing economy sustainable (Kolk et al.,2008). Partnership can take various form, incl partnership publicprivate, alliance NGO, or multistakeholder business. Literature development research partnership in context shift paradigm in economy political development international. First, partnership approached as arrangement institutional For overcome single actor incompetence For overcome challenges faced by perpetrators business small (Kolk et al., 2008). Solution for single actor failure seen with multi actor collaboration that has different resources and knowledge that can be coordinated' for increase effectiveness of each partner effort'. Second, SMEs are increasing expected have contribution positive development international and alleviation poverty as position key and source in global chain. Therefore that's a strategy for increase actor's market access business the more involve partnership between the stakeholders interest public and private.

5. CONCLUSION

There are four strategic modes for acquiring innovation for SMEs in the creative industry sector in East Kalimantan to be competitive in local, regional and international markets, namely 1) internal

development, and 2) innovation acquisition, 3) vertical and horizontal alliances, 4) partnerships. Internal development, namely innovation activities within the organization carried out by SME entrepreneurs or R&D staff in SMEs which makes the innovation actor a market leader for some time through unique and valuable products, while internal resources (HR and finance) support it. Internal development is often carried out for innovation investments that are not large and not complex, such as: product design with local value, production processes based on local wisdom, food and drink tastes. The innovation acquisition strategy can be carried out by SMEs because internal organizational resources are limited, but entrepreneurs in SMEs need to capture market opportunities in the short term. This activity includes activities such as purchasing software for SMEs, purchasing franchise business equipment. The capacity of SMEs is often limited to carry out innovation activities, so SMEs can adopt nonmarket based innovation strategies, such as through vertical alliances, horizontal alliances and partnerships. Horizontal alliances, namely SMEs can collaborate with other SMEs for innovation activities. Vertical alliances, namely SMEs can collaborate with suppliers and buyers in the value chain. Partnership, namely U KM can collaborate with other actors or stakeholders who complement each other to overcome resource limitations and increase the efficiency of economies of scale in carrying out innovation activities .

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