

## Strengthening Collaboration Networks: Building an Innovation Ecosystem for MSMEs in the Start Up Era

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### Abstract

*Innovation has so far been studied mainly in high-tech companies, but MSMEs are no less able to innovate in their businesses. MSMEs carry out innovations, especially those related to the market, such as meeting customer demands or competing with competitors. Their biggest challenge in innovating is selling variations that are easy to imitate because competitors are very quick to imitate. However, MSMEs must remain focused on innovation, one way is by collaborating to improve their business. At the community service held on Thursday 2 May 2024, together with several universities both from within and outside the country, we lecturers provided knowledge on how MSMEs can improve their businesses through collaboration. The MSMEs who attended were also able to share what obstacles they had faced so far. In the future, it is hoped that this service to the community will continue and be sustainable.*

**Keywords:** *Strengthening Collaboration, Innovation Ecosystem, and Start Up Era*

### Abstrak

Inovasi selama ini telah banyak dipelajari terutama di perusahaan-perusahaan teknologi tinggi, namun Usaha Mikro, Kecil, dan Menengah (UMKM) juga tidak kalah mampu untuk berinovasi dalam bisnis mereka. UMKM melakukan inovasi, terutama yang berkaitan dengan pasar, seperti memenuhi permintaan pelanggan atau bersaing dengan kompetitor. Tantangan terbesar mereka dalam berinovasi adalah menjual variasi yang mudah ditiru karena kompetitor sangat cepat menirunya. Namun, UMKM harus tetap fokus pada inovasi, salah satu cara adalah dengan berkolaborasi untuk meningkatkan bisnis mereka. Pada kegiatan pengabdian masyarakat yang dilaksanakan pada hari Kamis, 2 Mei 2024, bersama dengan beberapa universitas baik dari dalam maupun luar negeri, kami para dosen memberikan pengetahuan tentang bagaimana UMKM dapat meningkatkan bisnis mereka melalui kolaborasi. UMKM yang hadir juga dapat berbagi kendala yang mereka hadapi sejauh ini. Di masa depan, diharapkan pengabdian kepada masyarakat ini dapat berlanjut dan berkelanjutan.

**Kata Kunci:** *Memperkuat Kolaborasi, Ekosistem Inovasi, dan Era Start-Up.*

## INTRODUCTION

The growth of Micro, Small and Medium Enterprises (MSMEs) in Indonesia is increasing every year. According to data from the Ministry of Cooperatives and Small and Medium Enterprises, currently MSMEs in the country have reached 60 million. This number is predicted to continue to increase along with technological advances and the growing potential of human resources.

According to Law no. 20 of 2008 concerning Micro, Small and Medium Enterprises, MSMEs can be differentiated based on the number of assets and total sales turnover. Of the many MSME problems that occur in Indonesia, the problems below are the most frequently encountered. The most frequently encountered problem for MSMEs is limited capital. MSME players may have many business ideas to develop their business, but they have to stop because there is no additional capital. If we look back, many MSME players have difficulty obtaining additional capital from financial institutions because many requirements have not been met. This is in line with the results of a survey conducted by Pricewaterhouse Coopers, where 74% of MSMEs in Indonesia do not have access to financing, (Rosyadah et al., 2022).

Technological developments provide new solutions for MSMEs to obtain additional capital, (Mukherjee, 2018). Just mention the presence of financial technology (fintech) through a crowdfunding system or what is known as crowdfunding. This new funding method is a challenge for MSME players in convincing the general public to fund their businesses. The absence of an official business permit has a domino effect for MSMEs because it will hamper the progress of their own business, one of which is when they want to apply for capital. So, it is difficult for MSMEs to develop their businesses even bigger. The number of MSMEs in the country continues to increase like two sides of a coin. On the one hand, the high level of enthusiasm of the Indonesian people in creating their own businesses is very good in helping to boost the national economy. On the other hand, there are also many who set up businesses just because they follow trends or are talkative, (Nursanti et al., 2024).

This last reason is what makes many MSME players stagnate in developing their business because of the lack of innovation, (Manar & Alfirdaus, 2023). In the end, many businesses only last for 1-2 years, then go bankrupt because the products or

services offered are not strong or cannot compete. Many MSMEs in Indonesia only run their businesses based on following along without looking at their own potential. It is not surprising that there are still relatively few local MSME products that have succeeded in penetrating the international market. When compared with similar products from foreign countries, Indonesian MSME products are less competitive both in terms of quality and price. Products that are born from lalah or following trends do not emerge from mature concepts and are similar to each other with similar products. At the beginning, demand and goods offered were equally plentiful, but over time demand fell because consumers were bored with similar goods, (Syah, 2022).

For this reason, MSME players are expected to be able to think critically and be innovative in producing goods and services. Even though the goods offered are similar, if each has significant differences, consumers have many choices. MSME players can conduct research on consumer behavior as well as trial and error to find out the right formula for the product they produce. Existing technological developments also open up opportunities for you to take part in training or workshops that are beneficial for the continuity of your

business. Apart from paying attention to product quality, improving services is also important to pay attention to, especially for MSME players in the service sector.

Because innovation is not born by itself, but through a long process that produces sweet results. Current technological developments have given rise to the digital economy which has actually brought many benefits to MSMEs, not only in marketing their products but also in facilitating the productivity process of MSMEs. The presence of marketplace channels and social media opens up opportunities for MSME players to introduce their products to a wider realm. Apart from that, the productivity of MSME activists is becoming easier and more efficient thanks to technological developments, starting from doing digital bookkeeping, paying taxes through application systems, and so on, (Utami et al., 2020)

### **Statement Problem**

The MSME problems above are related to each other, but as actors you should not see them as obstacles to development but as challenges to progress and develop even better. These obstacles include difficulties in accessing capital, availability of raw materials, and

difficulties in adopting digital technology. One way to overcome this problem is by creating a collaboration network. MSMEs must be able to work together with suppliers, government, private companies, academics or universities, financial institutions and others

### **Objective of Community Service**

In this community service activity, we, lecturers from the undergraduate accounting study program at Pamulang University, are collaborating with the University of Malaysia Trengganu, STIE Sutaadmaja, Pakuan University, Mataram University, Bumi Gora University, STIE Semarang to provide knowledge on how MSMEs can collaborate to improve their businesses. A startup ecosystem is an interconnected network of diverse resources, tools, and stakeholders, including entrepreneurs, investors, government organizations, educational institutions, and various service providers, that contribute to the growth and development of new and emerging businesses in the technology and innovation sector. There are several factors that influence the development and extinction of ecosystems, including socio-economic, technological, political and cultural aspects.

### **Benefit of Community Service**

Community Service Activities have significant benefits and are broad in scope. The benefits are not only for educational institutions or universities, but also for the community and lecturers. The benefit of community service for MSMEs is that they can talk about the problems they face and find solutions through collaboration to improve their business. MSMEs also gain knowledge on how to innovate in facing their business competitors.

### **PROCEDURE**

#### **Troubleshooting Framework**

The problem-solving framework for Community Service activities carried out includes:

1. Preliminary Study The best principle of community empowerment is a group that is born from the needs and awareness of the community itself, is managed and developed primarily using existing resources in the community and has the same goals. So, this community service activity is very relevant and is part of the mentoring activities which continue to demonstrate strengthening group capacity so that community service groups can build a group culture that is more open, fair, responsible and

independent. This service program was prepared based on the results of a preliminary survey conducted by the community service team at the location which will be used as an outreach and interview activity for Pamulang Estate MSMEs, South Tangerang.

2. Problem Identification Based on the service team's observations of Pamulang Estate MSME players, there is still a lack of capital to expand or improve their businesses, a lack of collaboration with external parties such as the government, institutions or universities, suppliers, financial institutions or other parties. In fact, collaboration will really help MSMEs to improve their businesses and innovate.
3. Purpose of Community Service. The aim of this PKM is to develop lecturers and students in increasing their abilities, skills and independence in carrying out community service.

This activity is intended to help increase community independence and empower community potential and resources within the MSME sector. The human resources possessed by MSMEs have not been utilized properly, even though they can optimally increase the productivity and independence of

MSMEs. To deal with various problems that occur in vulnerable communities, a multidisciplinary approach is needed with a unique model or pattern, namely by synergizing the abilities of student assisted lecturers.

### **Realization of Problem Solving**

Micro, Small and Medium Enterprises (MSMEs) have proven their resilience through the Covid-19 Pandemic and accelerated national economic recovery. The development of MSMEs cannot be separated from the support of various parties, both government and private. The collaboration between the government and the private sector is very beneficial for MSME players. Through coaching, training, financing, especially People's Business Credit (KUR), and support from various parties, it is something that MSMEs need. So that it becomes an encouragement for MSME players to continue to develop.

For the capital problems that MSME players need, the government is here to support MSMEs through KUR with interest of only 3%, which MSMEs can use to develop their business. Realizations in this community service activity include:

- a. Increased knowledge and how to create

collaborative networks among Pamulang Estate MSME players in particular

- b. Increased awareness of innovation to improve MSME businesses among Pamulang Estate MSME players

### **Target Audience**

The target participants are Pamulang Estate MSMEs with subject Strengthening Collaboration Networks: Building an Innovation Ecosystem for MSMEs in the Start Up Era. Implementation of how to collaborate with MSMEs with the government, institutions or universities, suppliers, financial institutions and others. One example is collaborating with the government so that MSMEs obtain business permits and halal certificates from the Indonesian Ulema Council (MUI).

### **Place and Time**

Activity took place in the Teleconference Room, Campus 3 Viktor, Pamulang University, on Thursday, May 2, 2024, at 9:00 AM WIB.

### **Activity Methods**

So that this community service can run well and be directed, the activity implementation method is designed in

several activity stages, including:

- 1) Planning and preparation stage, Coordinate with partners to get inside information invention problems and solution. preparation of the material to be presented
- 2) Implementation stage, Presentation and discussion
- 3) Final evaluation stage, Evaluation of activities and results
- 4) Reporting, report the results of activities

## **RESULTS AND DISCUSSION**

### **Results and Discussion of Community Service Activities**

Based on the results of observations at the Pamulang Estate UMKM, to overcome the problems that have been formulated by the service team, this activity aims to increase the collaboration network to improve business and carry out innovations that have not been properly explored in the UMKM. With a multidisciplinary approach and using a unique model or pattern, namely creating a collaborative network, it is hoped that it can increase the productivity and independence of MSMEs in facing various problems that arise.



MSMEs improve their business. One of the main problems in MSMEs is the problem of lack of business capital. When MSMEs can collaborate with the government, suppliers, institutions or universities, financial institutions and others they can increase their capital and expand their networks and also be able to innovate.



Based on the existing problems, efforts that need to be made are to help MSMEs collaborate, one of which is with universities so they can help MSMEs innovate. One of the innovations is in products, product packaging, and others.

## CONCLUSIONS

Changing times mean that MSMEs must collaborate in improving their business. In this context, it is hoped that a good collaboration network can help MSMEs improve their business. One of the main problems in MSMEs is the problem of lack of business capital. When MSMEs can collaborate with the government, suppliers, institutions or universities, financial institutions and others they can increase their capital and expand their networks and also be able to innovate. Non-optimal collaboration between stakeholders caused by the difficulty of unifying perceptions in the principled engagement stage.



Images 1,2,3 Community Service Activities Documentation

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Based on existing problems, efforts that need to be made are to help MSMEs collaborate, one of which is with universities so they can help MSMEs innovate. One of the innovations is in products, product packaging, and others. In order to protect product and service that has economic value and commercialized by members of the community, we need to endorse an intellectual rights property (communal patent). Collective engagement will also reinforce the sustainability of a collaborative network (Fachrunnisa, 2016).

### Suggestion

MSME players are expected to be able to expand collaboration networks and innovate in order to be able to improve their businesses. It is hoped that the community service carried out will be sustainable so that MSMEs can continue to be helped to improve their businesses.

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