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# Business Development Strategy Based on Indigenous Product Creativity (Case Study on Craft- Industry Palm Oil Waste in Rokan Hilir, Riau)

*by Annisa Mardatillah*

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## **Business Development Strategy Based on Indigenous Product Creativity (Case Study on Craft-Industry Palm Oil Waste in Rokan Hilir, Riau)**

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**Abstract.** This study aims to analyze business development strategies based on indigenous product creativity (a case study on the woven craft industry of palm oil stick waste in Rokan Hilir, Riau). A qualitative case study approach was used and analyze data Focus Group Discussion. Observations and interviews In-depth research was carried out on informants using a purposive sampling technique, with as many as six people consisting of craftsmen, government officials, and consumers. The results showed that the competitive strategy for developing the industry had high heterogeneity potential with value advantages based on indigenous product creativity. However it is still necessary to apply a penetration strategy to knowledge sharing capabilities so that innovation can be more optimal. The implication of this research is to provide empirical strategy development and development of the concept of market development strategy theory based on indigenous knowledge.

**Keywords:** business strategy; innovation; indigenous product; creativity

### **I. Introduction**

Oil palm plantations and the growth in the volume of their production in Indonesia have the potential to develop the downstream palm oil industry. The high amount of palm oil waste, including palm oil sticks, has not been used optimally. Meanwhile, the potential availability of palm oil stick waste resources is abundant. Riau Province is one of the largest provinces in Indonesia that produces agricultural commodities from oil palm. Based on data from the Pekanbaru Agricultural Quarantine Service in the first quarter of 2020, the export performance of palm oil and its derivatives in the global market increased by 1,283,251 tons, equivalent to a value of Rp 6.7 trillion, up 150% from the previous year's achievement.

Downstream Rokan, Riau Province, with the potential for downstream industrial development, including areas still not optimal in utilizing palm oil stick waste as an innovative, superior product with high economic value. So far, the abundance of palm oil sticks has only been burned and piled up into waste due to the limited ability to process them into innovative products with high economic value. However, some small and medium-sized industrial groups (IKM) for woven palm oil stick waste in Rokan Hilir, Riau Province, have tried to process them into woven crafts. As woven plates, broomsticks, and tissue boxes, table cloths become woven bags.

Oil palm plantations in Indonesia in 2020, according to the Central Statistics Agency, shows Riau Province as one of the provinces whose superior product is oil palm, with the most extensive oil palm plantations reaching 24% of the total plantation area in Indonesia. The utilization of palm oil waste in Rokan Hilir Regency, Riau Province is not optimal; it is only burned into waste. The potential for profit-oriented is not only the goal of this industry but also an effort to save the environment by recycling waste into superior products of the creative economy. This condition has the opportunity to give birth to a new industry of superior products with high commercial value, but unfortunately, this potential has not been optimally developed.

The utilization of palm oil stick waste has now been utilized, but its diversity and innovation are not yet optimal. There is still limited innovation in product design, motifs, and packaging. Even though this potential can be developed more innovatively with the ability to develop knowledge and skills based on indigenous product creativity as a competitive strategy, it gives birth to innovative products with different characteristics (Shaari, 2015). Previous research assessed that the attractiveness of local products was less desirable because of a higher preference for imported products (Ayob & Hussain, 2016). The challenge for local handicraft SMEs is to have added value through the unique attractiveness of the product (Harini Abrilia Setyawati et al., 2020). Previous research on innovation emphasizes product creativity in general; minimal research emphasizes indigenous culture-based innovation. Previous researchers have stated that products with

indigenous cultural backgrounds will produce higher emotional value for consumers (Chen et al., 2017; Mahdi et al, 2019).

The problem is the limitations of managing knowledge in the knowledge-sharing practice in producing innovative and the types of products that are still limited in achieving sustainable competitive advantage. Knowledge-sharing can be differences in knowledge backgrounds, such as optimizing product innovation. Currently, the problem of limited product innovation capabilities is due to a lack of knowledge of design techniques and coloring and packaging techniques that are still less innovative. Knowledge of design and coloring techniques is still limited, so more variety is needed so that they are competitive in the global market based on indigenous product creativity. Increasing knowledge is carried out through knowledge management so that product representatives from local cultural resources will be innovative in creating elements of the regional cultural identity of unique value compared to competitors as a potential competitive advantage.

Using palm oil stick waste is not only profit-oriented but also a form of concern for saving the environment from waste by recycling waste into innovative products. It has given the potential for global market interest in unique local cultural products. Based on these research problems, this study aims to analyze a business development strategy based on indigenous product creativity (a case study on the palm oil stick woven craft industry in Rokan Hilir, Riau).

## **II. Literature Review**

### **Knowledge Management**

Knowledge management allows companies to quickly detect new market opportunities by emphasizing the importance of innovation (de Guimarães et al., 2018) and responsiveness to market needs for sustainable strategies (Bhardwaj, 2019; 2020). Formalization undermines radical projects that should be managed informally in order to facilitate knowledge management in all corporate units (Ngah et al., 2015) (Wickramasinghe & von Lubitz, 2007) (Mijikaskiene & Atkociuniene, 2019). The knowledge management process agreed upon by previous researchers includes knowledge, knowledge capturing, knowledge application, and knowledge sharing with the design of knowledge transfer (Mijikaskiene & Atkociuniene, 2019) (Donnelly, 2019) (Siswanto et al., 2019). Furthermore, according to (Bohari, 2008), knowledge management consists of tacit knowledge, explicit knowledge, and essential knowledge management technologies. Previous research supporting the resource-based theory (RBT) approach agrees that RBT is an acceptable theory that supports knowledge capability resources as an essential source to achieve a sustainable competitive advantage which affects higher company performance (Mahdi et al., 2019). However, previous research has not explored more specifically what types of knowledge provide unique added value, so the transfer level is not easy.

### **Innovation**

Innovation describes the implementation of a new idea, product, or process. *Innovation* is also defined as the successful implementation of creative ideas in a company. Therefore, the company is expected to be able to come up with new ideas to deal with existing competitors, customers, and markets. Product innovation can fail for many reasons. Some indicators to assess innovation are creativity, innovation, design changes, distribution system changes, and payment management systems. Technological innovation is a company's process innovation in product manufacturing. The design change is the company's ability to produce products according to customer requirements.

According to (Kotler, 2018), two innovation concepts are put forward. That is, it looks like this: Being innovative means embracing new ideas as a corporate culture; The ability to innovate is the company's ability to successfully use or implement a new idea, process, or product. Innovation has the characteristics of a peculiarity or specificity; this shows that innovation has a characteristic in ideas, programs, arrangements, systems, and results. There is an element of novelty, meaning that innovation has the characteristics of a work of original and new thinking. An *innovation program* is an activity carried out in a planned, unhurried manner and is prepared with a straightforward program.

### **Indigenous Product Creativity**

Previous research considers that the attractiveness of local products is less desirable because local consumers have a higher preference for imported products (Ayob & Hussain, 2016). It is a challenge for local handicraft SMEs to get attention from local and international consumers through the uniqueness of product attractiveness (Harini Abrilia Setyawati et al., 2020). Previous researchers said that product innovation associated with indigenous culture could produce higher emotional value for consumers (Chen et al., 2017). However, unfortunately, there are still few studies that focus on this issue. So this study will answer the gap of previous research by using Indigenous Product Creativity as a moderating variable to give birth to the unique attractiveness of the product to be superior in sustainable competition.

### **Sustainable Competitive Advantage**

Sustainable Competitive Advantage, according to Barney & Clark (2007), is the competitive ability of companies that have scarce resources or are unique, rare, not easy to imitate, and no substitutes for emphasizing resources that the company must own. It will be easier to achieve a sustainable competitive advantage and improve performance. The company so that the resources owned by the company will be of high heterogeneity. Previous research has presented RBV as a perspective that provides reasons why a company's human resources can provide a potential sustainable competitive advantage (Wright, 2001).

The resources owned have value, are rare and not easy to replace but easy to imitate, it will be difficult for the company to achieve good sustainability; the solution that can be done is to grant a patent on immobility (Kraaijenbrink et al., 2010; Wernerfelt, 2013; Giampaoli et al., 2019; Lambourdière et al., 2017). When combined with an imperfect level of mobility, Heterogeneous resources will achieve a competitive advantage because there are differences in profitability among other competitors. If the resources are homogeneously distributed, then all organizations in the industry have the same power and carry out the same strategy (Barney & Clark, 2007; Enterprise et al., 2011; Farhikhteh et al., 2020; Giampaoli et al., 2019; Dvouletý & Blažková, 2020).

## **III. Method**

This research uses a qualitative descriptive approach, a case study. The phenomenological paradigm was chosen in the Case Study method of this research to focus on one particular object that was selected as a case study in-depth (Creswell, 2009). The research was carried out in the handicraft industry made from palm oil stick waste in downstream Rokan Hilir, Riau. Data analysis was carried out using a Focus Group Discussion method by determining the informants by purposive sampling. Artisans groups, government, and consumers were selected as research informants. Observations were carried out by observing directly from the initial process of making the product to the end and in-depth interviews with informants and critical informants for primary data collection. Meanwhile, literature and documentation are carried out for secondary data information.

## **IV. Results and Discussion**

Palm oil stick waste in Rokan Hilir, Riau, has been able to be processed creatively and innovatively by the artisans who join the business group with the handicraft industry made from palm oil stick waste under the guidance of the Tamadun House industry. This palm oil stick waste is processed into eco-friendly products that have the potential to become a new source of economic income for the people of Rokan Hilir, Riau. In addition, this palm oil stick waste is also oriented toward efforts to save the environment from unproductive environmental waste (Irianti et al., 2018).

The competitiveness of the handicraft industry made from palm oil stick waste in Rokan Hilir, Riau, is currently developing. This can be seen from the diversity of handicraft products, for example, woven plates, tissue boxes, wallets, woven bags, and various souvenirs. These handicraft products are still produced using simple technology that prioritizes exceptional added value by prioritizing environmentally friendly products. Every detail of the product has a value of authenticity that comes from local raw material resources from oil palm plantations in Rokan Hilir, Riau, and is done by local craftsmen.

In addition, the designs, motifs and colors of the resulting products have the meaning of a distinctive local attraction that is different from competitors, as stated by an informant (Mr.H, 2022) one of the craftsmen that the designs, motifs, and colors of the products are made according to the Malay cultural background.



Malay culture is thick with Islamic philosophy, so Islamic values dominate designs, motifs, and colors. For example, bamboo shoots motifs on ornaments and product logos have a distinctive meaning: Islamic Malay culture is firmly related to nature, predominantly plants. The shoots of bamboo shoots symbolize the meaning of one and above, namely God Almighty. The dominant colors displayed are yellow, red, and green which also have meanings taken from Islamic Malay culture. It is in line with the results of research by Barney (2007); Mardatillah (2020; 2021) that a highly competitive product can provide different added value than competitors so that consumers not only enjoy the product physically but also the philosophical meaning contained therein. Then the product will have a unique indigenous-based appeal that affects the company's marketing performance improvement (Setyawati, 2018).

The innovations carried out by this industry emphasize processes and the use of environmentally friendly raw materials. The innovation process is carried out by first providing knowledge transfer through direct socialization and training to artisans who are members of the collaborative business group assisted by Rumah Tamadun. The problem of artisans in this industry is solved by increasing their knowledge and skills of the artisans. It always increases product yields that are increasingly competitive in the global market.

So far, government support has existed, for example, providing training and initial assistance for business infrastructure. Nevertheless, making more optimal policy efforts in synergy with several other partners is still necessary. Such as financial institutions, academia, and the private sector, to optimize strategy development, to the results of interviews with informants, they need weaving production equipment to directly produce raw materials into semi-finished raw materials, which so far are still obtained from partners.

## V. Conclusion

This business development strategy in the handicraft industry made from palm oil stick waste is essential because it has positive potential for sustainable superior competitiveness in the global market. The appeal of products based on indigenous product creativity can be seen from the designs, motifs, and symbols of the products, which are based on Islamic Malay culture. It provides authenticity and added value that is different from competitors. Innovations are prioritized on processes and raw materials that are environmentally friendly by not closing the possibility of using modern technology. The knowledge and skills of artisans are continuously improved as a workforce development strategy in order to be able to produce increasingly competitive products. The limited business infrastructure requires support from various parties so that this industry can further develop to excel in creating products based on indigenous creativity.

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