

Strategic Sustainable Development With Innovation And Business Model Canvas In SMEs

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Abstract

Koperasi Magar Jaya in the Kanigoro District of Blitar Regency has thirteen SMEs members. The members have equal rights and obligations, including access to capital loans, procurement of raw materials, training opportunities, and the chance to market their combined products in specific events. While all members can manage their own businesses, there is also an opportunity to sell products together in culinary centers, souvenir centers, and for special occasions. To sustain and develop the business, sustainable strategies are necessary. The research objective is to design sustainable strategies using the business model canvas and formulate solutions for the SMEs. The research methodology is qualitative descriptive, utilizing primary and secondary data sources. The analysis involves designing the business canvas as a tool for developing the Framework for Strategic Sustainable Development (FSSD). The research findings indicate key activities such as procurement of raw materials, production, packaging, and marketing. The value proposition includes standard pricing, standardized products, and attractive packaging. Key resources include raw materials, capital, equipment, machinery, and labor based on the production process. Customer relationships involve discounts on purchases, although they may not be standardized or applied equally to all customers. Consignment of products, payment terms, and free local delivery services are also provided. Channels of distribution involve direct service and can also utilize agents or souvenir centers. Customer segments include the community in need of the products, as well as agents or resellers and souvenir centers. The cost structure includes production costs and sales expenses. Revenue streams come from cash sales, sales through souvenir centers, and consignment sales

Keywords: Framework for Strategic Sustainable Development (FSSD), Innovation, Business Model Canvas (BMC), SMEs

INTRODUCTION

Small, and Medium Enterprises (SMEs) is an important component in national development, particularly in the economic sector. This is emphasized in the Job Creation Law No. 11 of 2020, which focuses on efforts to create employment opportunities through ease of doing business, protection, and empowerment of cooperatives and Micro, Small, and Medium Enterprises. The law also aims to improve the investment ecosystem and ease of doing business, as well as government investment and acceleration of national strategic projects. Cooperatives are also recognized as part of this law, as regulated in the Cooperative Law. Business licensing is also regulated as a legality granted to business actors to start and operate their businesses or activities.

SMEs (Small, and Medium Enterprises) are an important component in national development, especially in the economic sector. These efforts are stipulated in the Job Creation Law No. 11 of 2020 (President of the Republic of Indonesia, 2020) in the general provisions of Article 1 which states that: (1) Job creation is an effort to create employment through ease of doing business, protection, and empowerment of cooperatives and micro, small, and medium enterprises, improving investment ecosystems and ease of doing business, and investment by

the central government and acceleration of national strategic projects; (2) Cooperatives are defined as cooperatives under the Cooperative Law; (3) Micro, Small, and Medium Enterprises, abbreviated as SMEs, are Micro, Small, and Medium Enterprises as defined in the law; and (4) Business licensing is a legality granted to business actors to start and operate their businesses or activities.

Innovation is an important element in the sustainability of SMEs, including innovation in funding management, products, management, partnerships, and marketing. The challenges faced by products SMEs include innovation in product packaging, unstable raw material prices, inadequate human resources (lack of business understanding), simple marketing methods, and places that do not meet food safety standards. Continued support, training, and assistance from various parties are needed to ensure the sustainability of the business. Innovation is a vital strategic map in business (Chin et al., 2021) that can be used to identify unique and innovative business models in creating value. Innovation (Mustaniroh et al., 2020) in processing apples into souvenirs in Batu City is a potential business to be developed. Government support for business sustainability is essential (Wanniarachchi et al., 2020) with support through sustainable innovation policies in the ATBM industry. Innovation becomes a sustainable adaptive solution in creating local entrepreneurial visions, creating solutions in rural areas (Galardi et al., 2022).

Comprehensive mapping of business canvas elements that are updated in SMEs operations and for business sustainability is important (Lewandowski, 2016). Although the formulation of strategies in SMEs is not explicitly described, sustainability improvements are carried out by business actors (Heikkilä et al., 2018). There are business canvas elements that need to be considered for business sustainability. The first is Customer Segments (Ojasalo & Ojasalo, 2018), creating a customer-centered business culture. It is designed to be applied to each customer profile separately, thus enabling a deeper understanding of the customer logic of each relevant profile. The second is Resources (Marcinkowski & Gawin, 2020). The third is Key Partners (Garmann-Johnsen et al., 2021), building networks and collaborations to meet the needs of SMEs sustainability. The fourth is Key Activities. The fifth is Value Proposition (Müller, 2019), creating satisfaction for entrepreneurs and users (Sassanelli & Terzi, 2022) to create visibility for UMK. The sixth is Customer Relationships. The seventh is Channel (Kozłowski et al., 2018), redesigning to build a fashion brand. The eighth is Cost Structure (Marian et al., 2016), source of financing and working capital, (Moritz et al., 2020), market regulations, and SMEs financing structure, which has various new financing alternatives for innovative startups. The ninth is Revenue Streams. Various constraints were faced by business groups in the Magar Jaya cooperative during the Covid-19 pandemic, both in production, employment, and sales (Gregurec et al., 2021). The Covid-19 pandemic has affected the service industry sector, which had to change its business model and adapt to new models to respond to disruption. The business continued to operate despite a significant decline in sales, continued production despite a 60% decrease in quantity, and marketed products using social media and digital technology (Kotarba, 2018), (Restu Millaningtyas, Ratna Tri Hardaningtyas, 2021). During the Covid-19 pandemic, the souvenir business continued to operate by utilizing social media.

Magar Jaya Cooperative, located in Sekardangan Village, Kanigoro District, Blitar Regency, is an active cooperative consisting of thirteen SMEs members. Various businesses owned by members include computer servicing and equipment, salted eggs and chicken eggs, pecel sauce, rempeyek, lentari, and Opak Gambir. SMEs under the Magar Jaya Cooperative receive the same rights and obligations, such as access to capital loans, centralized procurement of raw materials through the cooperative, opportunities for training, and opportunities to market their products collectively in specific events. All members can manage their own

businesses, but there is an opportunity to sell products collectively in culinary centers, souvenir centers, and used as event souvenirs. Sustainable business continuity requires sustainable strategies for both individual entrepreneurs and cooperative members. The Triple-Layered Business Model Canvas is a tool for exploring sustainable business model innovations that support the development and communication of more holistic and integrated models (Joyce & Paquin, 2016). França et al. (2017) explained that the combination of the Framework for Strategic Sustainable Development (FSSD) and the Business Model Canvas (BMC) can support sustainable business innovation and design, strengthen additional tools, methods, and concepts, and align with business goals. For business recovery, leaders or business owners need readiness and networks, and the development of a conceptual model of relational leadership based on the practices of the FSSD and BMC can be used as a benchmark for future businesses (Kurucz et al., 2017). The effectiveness of sustainable coaching and training for SMEs is also essential (Millaningtyas et al., 2018). Sustainable business sustainability analysis can be conducted using the business model canvas by linking various market-oriented elements of the business model with community needs (Janeš et al., 2017).

The phenomenon above can be used to formulate the problem in this research, which are: How to describe the innovation model to determine sustainability strategies? How can the business model canvas be used to design sustainability strategies? And how to formulate solutions for improving UMK? The purpose of this study is to identify and describe the innovation model for determining sustainability strategies, identify and describe how the business model canvas can be used to design sustainability strategies, and formulate solutions to improve SMEs. The benefits of this research are the realization of independence for the target group, the establishment of partnerships, and an increase in income through increased sales.

RESEARCH METHODS

This type of research is qualitative descriptive research, which is used to analyze data by describing or collecting data that applies generally or is generalized (Sugiyono, 2013). Quantitative data is data that is not expressed in numbers or figures. The sources of data are primary and secondary data, with primary data obtained using observation techniques and interviews with the cooperative leaders and members (SMEs actors). Secondary data uses literature review techniques of research journals and e-books. The data analysis stages include determining the main problems and solutions that have been carried out by cooperative members, verification and validation, and suggestions for improvement. Various factors are analyzed to design sustainable business using the Business Model Canvas (Key Partners, Key Activities, Value Proposition, Key Resources, Customer Relationships, Channels, Customer Segments, Cost Structure, and Revenue Streams). The research stages are as follows:

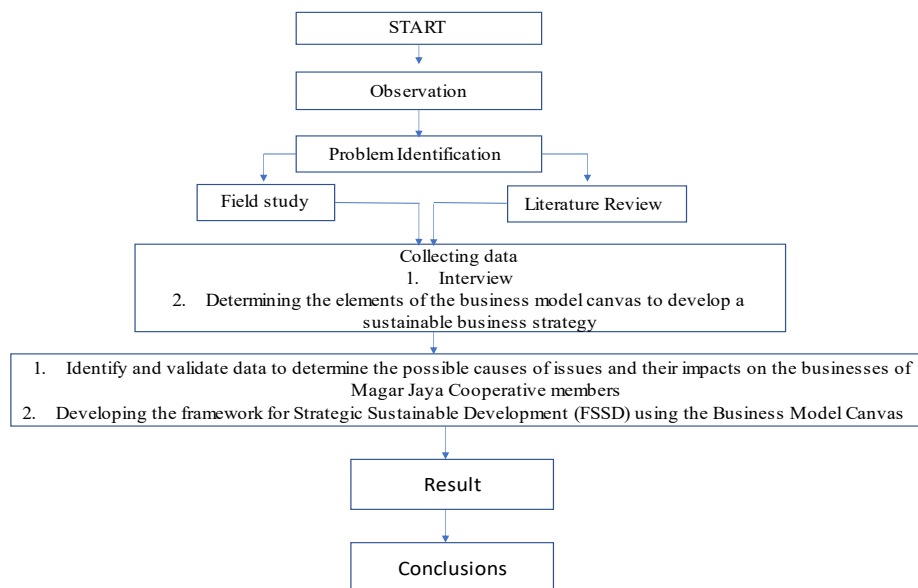


Figure 1. The stages of research are as follows

RESULTS AND DISCUSSION

Definition of Innovation Model to determine Sustainability Strategies in SMEs

Innovation, according to Kearney (2009), is a new idea, device, method, or application of a better solution to meet new needs, unarticulated needs, or existing market needs. This is achieved through products, processes, services, technologies, or more effective business models that are available to markets, governments, and society. Chin et al. (2021) explains that the development of strategic maps for strategic network innovation is crucial for sustainability. For the sustainability of the Magar Jaya cooperative members' businesses, they have made several changes in their methods, such as shifting from relying on direct sales to using WhatsApp groups and status updates to promote products, utilizing e-commerce (Kotarba, 2018), having workers work from home to reduce operational costs (lunch and overtime expenses), providing customized packaging and delivery orders with free shipping, offering a variety of product flavors, and processing apple-based specialty products as Batu's signature souvenir as a product innovation option (Mustaniroh et al., 2020). Government support for business sustainability is also crucial (Wanniarachchi et al., 2020), as it provides support through sustainable innovation policies for the ATBM industry. Innovation is a sustainable adaptive solution in creating a vision for local entrepreneurs and creating solutions in rural areas (Galardi et al., 2022).

The Business Model Canvas is a tool that can be used to design a sustainable strategy in SMEs.

This canvas is used to describe, design, challenge, and pivot business models to ensure that the business is sustainable. The canvas consists of nine components, namely Key Partners, Key Activities, Value Proposition, Customer Relationships, Customer Segments, Key Resources, Channels, Cost Structure, and Revenue Streams. Each of these components is important to ensure that the business operates sustainably. Through the Business Model Canvas, SMEs can identify their strengths and weaknesses in terms of their business model, and then develop strategies to improve their weaknesses and optimize their strengths. By

implementing a sustainable business model, SMEs can ensure that their business will not only survive but also thrive in the long run. (Koen, 1996)The Business Model Canvas (BMC) is a strategic tool used to describe a business model. It is also used for describing the rationale an enterprise creates, delivers, and captures value. BMC can help to simplify a complex business concept by portraying a business plan in a nine-core- business-element. These nine key elements consist of well-integrated business value such as internal and external strategic analysis. Here are the nine elements of the Business Canvas Model:

1. Customer Segments are groups of people or organizations using the enterprise's service or product. Meanwhile, the customer is an individual or business that purchases a business' services or products and generates revenue for the organization.
2. Key Resources describe the most valuable assets that determine the success of a business model operation. These valuable assets enable the organization to deliver the value propositions it promised to customers. Key resources can be physical resources (buildings, vehicles, equipment), money, intellectual assets (brands, copyrights, patents, customer databases), and human resources. The most valuable key resource from these four things is intellectual resources because they are difficult to imitate.
3. Key activities are activities that play an important role in realizing the value proposition. It requires certain business activities (instead of entire business activities) to have minimum standards. Key partnerships are business partners needed for reducing business' risk, acquiring resources, learning, as well as saving
4. Value Proposition is a value that answers 'why' a product or service deserves to be chosen. It helps to solve the customer's problem or fulfilling the customer's urges optimally. The value offered must provide a distinct standout compared to competing businesses and coveted by consumers.
5. Channels reveal how an enterprise communicates and delivers its value proposition to customer segments. Communication, distribution, and selling channels are the factors that enable companies to communicate with customers. However, to deliver a business' value proposition, an enterprise also requires to increase customer's awareness, facilitate customer's in assessing and buying products, deliver products or services, as well as provide after-sales assistance.
6. Customer Relationship is required to obtain new customers (acquisition) and preserve existing customers (retention) by offering old and new products or services.
7. Key partnerships are business partners needed for reducing business' risk, acquiring resources, learning, as well as saving.
8. The cost structure describes the entire cost needed for realizing a value proposition through the right channels, key resources, and reliable key activities. The cost structure is influenced by the chosen company strategy (whether prioritizing low costs or prioritizing special benefits), the size of fixed costs, variable costs, economic scale, and economic scope.
9. Revenue Streams describe how the organization earns money from each customer segment. It allows a business to keep alive. There are two types of business' income: transactional, and recurring income. A simple example of transactional income is product sales. While recurring income is a repeated income such as asset rentals, subscriptions, and memberships. Many businesses nowadays are trying to increase recurring income due to fewer marketing efforts, and certainty of revenue streams.

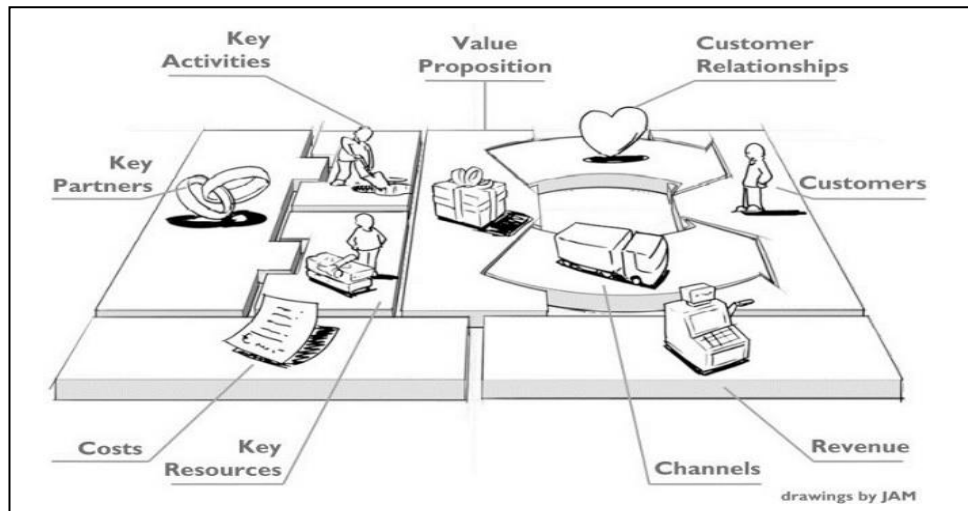


Figure 2. Business Model Canvas

The following is an explanation of the results of the identification and validation of data to determine the possible causes and impact on the business of Magar Jaya cooperative members, in line with the research:

Element	Possible Causes of Issues	Data Validation	Impact on Business
Key Partner	Information on improving business quality in the form of training or development held by the government	Business development training is often conducted, but it is not maximized in terms of mentoring and there is no routine evaluation and monitoring	SMEs actors are less serious in implementing the training results
	Lack of experience in collaborating with others	Limited information about competitive partners or suppliers. They rely solely on information from suppliers, resulting in a lack of information about the fluctuation of material prices	This has an impact on profit reduction as it is highly risky to increase prices too frequently
	Lack of reference for partnership procedures	Agreements are only verbal and not written	Unpaid debts
	Eggs and flour raw materials are supplied by cooperative members themselves according to their respective business fields and managed by the cooperative	With the main raw materials being supplied and managed by the cooperative, the prices are cheaper than those of suppliers because of bulk purchasing	Discounts are available, and with these discounts, the cooperative's cash flow is increased.
Key Activity	Purchasing some raw materials individually without going through the cooperative	Following the fluctuation of market prices	Increasing production costs and reducing profits
	Limitations in the marketing area	Sales are predominantly offline rather than using online media	Limited marketing area
	Not maximizing the use of digital media for marketing	Already using WhatsApp and partially using e-commerce	Limited marketing area
Value Propotion	Not having standard product sizes (for gambir packaging and rempeyek), but there are existing molds for lentari	Not yet available	The product shapes are not uniform, especially for gambir packaging and rempeyek

	Not having standard pricing	Not yet available	It allows consumers to compare prices
	Not having an integrated outlet	Not yet available	Partners can become competitors
Key resources	The cooperative facilitates member capital loans	There are provisions.	It facilitates capital for members who receive orders beyond their planning.
	Limited machinery	Manual tools	The product colors are not uniform within a single production
	Limited availability of LPG gas refills	Purchase restrictions and delays in availability	Products ready for sale are not delivered on time
	Fluctuation in the prices of coconut and eggs	Market prices are not stable	Increasing production costs, decreasing profits
	Not maximizing the utilization of social media for marketing	MSME actors have limited experience in using social media for product marketing	Limited marketing area
Customer relationship	Not having standard discounts/price reductions	Each customer is given a different discount based on their relationship with the business owner	Customers are not loyal and easily switch to other SMEs because they can easily compare prices
	Consignment products are not documented in the agreement based on trust	Agents/central gift shops are not responsible if the products do not sell	Damaged products lead to business losses
	Facilitating payment based on the quantity of sold products	Income trends are difficult to predict, especially at central gift shops	Unpaid debts
	Free delivery within the city	Products are directly delivered to customers without going through an agent	Customer loyalty and acquiring new customers
Channels	Direct distribution to consumers	Consumers and MSME actors can meet directly to place orders and see products in person	Customer satisfaction or complaints can be directly received by SMEs actors
	Distribution through central gift shops	Saves marketing time	Business owners have limited information about product issues
	Distribution can be done through WhatsApp.	There is no dedicated admin handling online orders, resulting in delays in responding to orders	It facilitates customers to place orders and allows customers to switch to other SMEs actors if their WhatsApp inquiries are not responded to promptly
Customer Segment	Individuals organizing events	There are certain months when orders are higher, resulting in an increased need for raw materials and workforce to produce products on time in accordance with customer agreements	Stockpiling raw materials, increasing salary costs, and implementing overtime are necessary to ensure timely production of the products
	Resellers/gift shop centers	Service through resellers/souvenir centers	Customer complaints are not immediately addressed if there are damaged products
Cost Structure	Raw materials and auxiliary materials	Financing for production	If the orders increase without setting aside additional capital because sometimes no down payment is requested from customers, payment is made upon product completion.

	Fuel and electricity	Financing for production	If the orders increase without setting aside additional capital because sometimes no down payment is requested from customers, payment is made upon product completion
	Wages, overtime, and recreation	Financing for production	If the orders increase without setting aside additional capital because sometimes no down payment is requested from customers, payment is made upon product completion
	Packaging materials	Financing for production	If the orders increase without setting aside additional capital because sometimes no down payment is requested from customers, payment is made upon product completion
Revenue streams	Cash sales	Profitable	Production costs and profits can be recorded and posted separately
	Sales through agents/salespeople	Payment is made after the due date, so the profit/loss for each period cannot be predicted	Unpaid receivables and the profit/loss cannot be predicted before the end of the period
	Consignment sales	Payment is made after the due date, so the profit/loss for each period cannot be predicted	Unpaid receivables and/or profit/loss cannot be predicted before the end of the period

Table 1. Results of Identification and Validation of Data for Determining Possible Causes and Impact

The sustainability strategy using the business model canvas has been validated in the micro-enterprises of Magar Jaya Cooperative, consisting of nine elements that can be designed: Key Partners, Key Activities, Value Proposition, Key Resources, Customer Relationships, Channels, Customer Segments, Cost Structure, and Revenue Streams.

1. Key partners involve government policies that provide ease of growth and competition for micro-enterprises, including the provision of training. Building partnerships in the supply of raw materials and distribution is important.
2. Key activities already implemented include procurement of raw materials, production, packaging, and marketing.
3. Value proposition requires setting standard prices, standard products, and attractive packaging, even though some customers are already satisfied with the variety of flavors and shapes.
4. Key resources include raw materials, capital, equipment (although mostly manual), and workforce based on the production process.
5. Customer relationships include discounts on purchases (although not standardized or uniformly applied), consignment of products, payment based on credit terms, and free delivery within the city.
6. Channels involve direct service to customers and through agents or souvenir centers.
7. Customer segments include direct sales to consumers and agents or resellers, as well as souvenir centers.

8. Cost structure includes production costs (raw materials, auxiliary materials, electricity, water, labor costs, packaging) and sales.
9. Revenue streams include cash sales, sales through agents/souvenir centers, and consignment sales.

This research aligns with previous studies by Joyce & Paquin (2016), where the Business Model Canvas is a tool for exploring sustainability-oriented business model innovations that support the development and communication of more holistic and integrated models. França et al. (2017) explain that the combination of the Framework for Strategic Sustainable Development (FSSD) with the Business Model Canvas (BMC) can support sustainable business innovation and design, strengthening additional tools, methods, concepts, and business goals. For business recovery, the readiness of leaders or business owners and the establishment of networks are necessary (Kurucz et al., 2017). A conceptual model of relational leadership based on the practices of the Framework for Strategic Sustainable Development (FSSD) and Business Model Canvas (BMC) can serve as a benchmark for future-oriented businesses. The effectiveness of mentoring and training for micro-enterprises in a sustainable manner has been emphasized (Millaninytas et al., 2018). Additionally, Janeš et al. (2017) analyze business sustainability using the business model canvas by connecting market-oriented elements of the business model with community needs. The Business Model Canvas serves as a framework for the Strategic Sustainable Development (FSSD);










<p>Key Partners </p> <ol style="list-style-type: none"> 1. Governmen 2. Packaging supplier 3. Egg supplied by members 4. Flour supplied by members 5. Coconutsupplier 6. Printingpress 7. Sales 8. SouvenirCenter 9. DeliveryServis 	<p>Key Activities </p> <ol style="list-style-type: none"> 1. Expanding the network, 2. Procuring materials & equipment 3. production, 4. packaging, 5. marketing 6. delivery <p>Key Resources </p> <ol style="list-style-type: none"> 1. Materials 2. Mechine & Equipment 3. Invesmets & Capital 4. Human Resources 5. Media social 6. Digital business application s 	<p>Value Proposition </p> <ol style="list-style-type: none"> 1. Standardization of product quality 2. Standardization of prices 3. Integrated marketing of cooperative member products 	<p>Customer Relationships </p> <ol style="list-style-type: none"> 1. Standardized discounts or price reductions 2. Consignment of products 3. Payment upon sale based on the quantity of products sold 4. Payment can be made through bank transfer 5. Free delivery service within the city <p>Channels </p> <ol style="list-style-type: none"> 1. Direct distribution to consumers 2. Distribution through central gift shops 3. Media social 4. E-commerce 	<p>Customer Segments </p> <ol style="list-style-type: none"> 1. Individuals for personal consumption or event souvenirs, 2. agents or souvenircenters
<p>Cost Structure </p> <ol style="list-style-type: none"> 1. Raw materials and auxiliary materials 2. Fuel and electricity 3. Wages, overtime, and recreation 4. Packaging materials 5. complaint handling reserve fund 		<p>Revenue Streams </p> <ol style="list-style-type: none"> 1. Cash sales / mbanking 2. Sales through agents/salespeople 3. Consignment sales 		

Figure 3. The Business Model Canvas serves as a framework for the Strategic Sustainable Development (FSSD)

CONCLUSION

The Magar Jaya Cooperative in the Kanigoro District, Blitar Regency, is an active cooperative with thirteen micro-enterprise members. The cooperative members have equal rights and obligations, including access to capital loans, procurement of raw materials, training opportunities, and the chance to market their combined products in specific events. By implementing sustainable strategies, the cooperative can maintain and develop its business. The aim of this research is to design a sustainable strategy using the business model canvas and formulate solutions for the micro-enterprises. This study utilized a qualitative descriptive research method with primary and secondary data sources. The business model canvas was used as a tool to develop the Framework for Strategic Sustainable Development (FSSD). The research findings indicate that the main activities carried out by the cooperative include the procurement of raw materials, production, packaging, and marketing. The value proposition of the cooperative consists of standard pricing, standard products, and attractive packaging. The key resources of the cooperative include raw materials, capital, equipment, machinery, and labor based on the production process. Customer relationships involve purchase discounts, product consignment, payment terms, and free delivery within the city. The cooperative's distribution channels involve direct service to customers as well as through agents or souvenir centers. The customer segments include the general public in need of the products, agents or resellers, and souvenir centers. The cost structure of the cooperative comprises production costs (raw materials, auxiliary materials, electricity, water, labor, packaging) and sales costs. Meanwhile, the revenue streams of the cooperative come from cash sales, sales through souvenir centers, and consignment sales.

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