
Creative Economy-Based MSME Development Model Through Knowledge Management, Character Education, and Innovation as Intervening Variables

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Abstract

MSMEs based on the creative economy certainly cannot be separated from the cooperation of various parties, in this case every sub-sector of the creative economy, because we have entered a new era, namely the birth of an era of the creative economy since 2001. Musi Rawas Regency has the potential of Micro, Small and Medium Enterprises (MSMEs) products based on a creative economy that need to be developed, ranging from fishery products, agriculture, handicrafts, livestock, food, and others. The purpose of this research is to examine and analyze business development strategies. Micro, Small and Medium Enterprises (MSMEs) based on creative economy in Musi Rawas Regency through Knowledge Management, Character Education, and Innovation as Intervening variables. The form of research used is causality research with quantitative approach. Causality research design is research that designed to examine the possibility of a cause-and-effect relationship between variables. In this design, generally a cause-and-effect relationship is established predicted by the researcher, so that the researcher can state clarification causal variables, intermediate variables and related variables. This study aims to see the extent of the influence provided by Knowledge Management and Character Education on Creative Economy-based MSME Development, also through innovation as an intervening variable. The novelty of this research is that the researcher uses the intervening variable, namely innovation as an intermediary to further strengthen the influence exerted by the independent variable on the dependent variable. The results showed that Knowledge Management and Character Education had a positive and significant influence on the development of creative economy-based SMEs in Musi Rawas Regency. A greater influence is obtained through the innovation intervening variable, which means that knowledge management and character education will be better if combined with innovation so that it has a positive impact on the development of creative economy-based SMEs in Musi Rawas Regency.

Keywords: Creative Economy, Knowledge Management, Character Education, Innovation.

INTRODUCTION

The creative economy can play a significant role strategic in the national economy because the government hopes that the creative economy in become the backbone of the economy which is able to create added value (value added) and able to support strengthening image and culture of Indonesia. The creative economy can encourage business actors to market products globally and increase the power competitiveness of local products in the international market. According to Ministry of Tourism and Creative Economy, There are 17 types of sub-sectors in the creative economy which includes applications, game developers (games), music, architecture, visual communication design, fashion, craft, culinary, interior design, product design, photography, advertising, publishing, performing arts, fine arts, and television and radio. Seventeen sub the sector is integrated with the economic sector parent based on the field of business.

Small and Medium Enterprises (SMEs) are one of the pillars in the Indonesian economy. SMEs have a strategic role in national development, because they play a role in economic growth, employment and play a role in the distribution of development. business actors and improve the welfare of the Indonesian people.

Micro, small and medium enterprises or commonly known by the acronym MSMEs in Indonesia have a very large contribution to the country's macro economy. Based on data from the Ministry of Cooperatives and MSMEs, even during difficult times in the pandemic era, in March 2021 the number of MSMEs reached 64.2 million with a contribution to gross domestic product (GDP) of 61.07% or Rp. 8,573.98 trillion. 60% of MSME actors choose to stay alive and move during the COVID-19 pandemic even though turnover has plummeted, the availability of raw materials is disrupted, and capital is threatened with shortages (Indonesia.go.id/30/12/2021).

MSMEs based on the creative economy (Ekraf) certainly cannot be separated from the cooperation of various parties, in this case every sub-sector of the creative economy, because we have entered a new era, namely the birth of an era of the creative economy since 2001 ago.

According to Suryana (2017) the creative economy is an economic activity driven by the creative industry that prioritizes the role of intellectual property, and the creative industry itself is driven by entrepreneurs (entrepreneurs), namely people who have creative and innovative abilities. Therefore, it is felt that it needs to be developed not only by the government, but also by the community.

The Ministry of Trade of the Republic of Indonesia (2008) formulates that the creative economy is an effort to develop a sustainable economy through

creativity with an economic climate that is competitive and has reserves of renewable resources.

A clearer definition is conveyed by the United Nations Development Program (UNDP) (2008) that the creative economy is an integrative part of innovative knowledge, creative use of technology, and culture. Indonesia is a country with many tribes and cultures, therefore every region that has culture can represent culture in unique ways.

The Ministry of Tourism and Creative Economy (Kemenparekraf) has determined 17 sub-sectors of the creative economy in Indonesia which are the focus to be managed and developed, namely:

- 1) game development,
- 2) architecture,
- 3) interior design,
- 4) music,
- 5) fine arts,
- 6) product design,
- 7) fashion,
- 8) culinary,
- 9) movies, animations and videos,
- 10) photography,
- 11) DKV,
- 12) television & radio,
- 13) craft,
- 14) advertising,
- 15) performing arts,
- 16) publishing,
- 17) application.

This refers to presidential regulation number 142 of 2018 concerning the master plan for the development of the national creative economy for 2018-2025, then presidential regulation number 97 of 2019 concerning tourism and creative economy bodies and law number 24 of 2019 concerning the creative economy.

The development of Indonesia's creative economy is a form of optimism and overflow of aspirations to support realizing Indonesia's vision of becoming a developed country. The Indonesian government has also begun to see that various sub-sectors in the creative industry have the potential to be developed because the Indonesian people have creative human resources and a rich cultural heritage.

Knowledge management is a theory of knowledge management that is very important and very useful for anyone who wants to start a business. This becomes very important because every beginner or person who is just starting a business requires a lot of insight and knowledge. The knowledge that has been obtained must be managed properly so that the business can grow.

According to Elkind, the notion of character education is an educational method carried out by educators to influence the character of students. In this case, it can be seen that the teacher not only teaches the subject matter but is also able to be an example.

LITERATURE REVIEW

1. MSME

In its development, the business world is no longer classified based on the number of employees. Based on Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), the government groups the types of businesses based on asset and turnover criteria. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for a maximum net worth of Rp50 million excluding land and buildings for business premises. In addition, it has a maximum annual turnover of IDR 300 million. Small Business is a productive economic business that stands alone and is carried out by individuals or business entities. The business is not a subsidiary or not a branch of a company that is owned, controlled, or becomes a direct and indirect part of a medium or large business. The criteria for small businesses are net worth ranging from more than Rp 50 million to Rp 500 million, excluding land and business buildings. In addition, it has annual sales of more than Rp. 300 million up to a maximum of Rp. 2.5 billion.

Medium Enterprises are productive economic enterprises that stand alone and are not included in a particular subsidiary or branch of a company. Meanwhile, the criteria for the amount of net worth must be more than IDR 500 million to a maximum of IDR 10 billion. In addition, annual sales are more than Rp 2.5 billion to a maximum of Rp 50 billion. Based on the regulation of the MSME Law, the government assumes that the average annual sales of a business field is five times the net worth of the business.

On the other hand, a company can be classified as a large business if its annual sales and wealth are large, even though the number of employees is small. This is reflected in the new companies that have succeeded in developing their businesses in a short time because of their technological innovations, such as Google, Facebook, and Yahoo. They can be designated as big businesses and not MSMEs because they are able to achieve bombastic income, even though the number of employees is only small.

2. Creative economy

Creative economy is a new economic concept that combines information and creativity that relies on ideas, ideas and knowledge derived from human resources as a factor of production. According to the Indonesian Ministry of Trade (2009), the creative economy is defined as a manifestation of efforts to seek sustainable development through creativity, where sustainable development is an economic climate that is competitive and has reserves of renewable resources. Creative Economy According to the United Nations Conference on Trade and Development (UNCTAD) is defined as a cycle of production of goods and services that uses creativity and intellectual capital as its main inputs.

3. Knowledge Management

Knowledge Management is a series of activities used by organizations/companies to identify, create, explain and distribute knowledge to be reused, known and studied within the organization. This activity is usually related to organizational objectives and is aimed at achieving a certain result. Knowledge Management which involves 3 main factors, namely people, process and technology.

In principle, every organization must carry out Knowledge Management, whether consciously or not. The problem will arise when Knowledge Management is managed unplanned, organized and fully integrated with general business strategies (such as HR, IT, RM, TQM, SM, production, etc.) then there will be inefficiency and inefficiency in all lines. In this condition, they are faced with high global competition, while corporations that do not really care about Knowledge Management will tend to falter and fall behind in the competition. Knowledge management is not something better, but knowing how to do things better.

These are among the reasons why all organizations need Knowledge Management, for one main goal, namely increasing the company's intangible assets. In this Knowledge Management Training, participants are able to understand the differences between the three (knowledge, information, and data). Participants will also know techniques and find new ways to channel raw data into useful information, so that it becomes knowledge and makes Knowledge Management within the organization well-managed.

4. Character Education

According to T. Ramli, the notion of character education is education that prioritizes the essence and meaning of morals and morals so that it will be able to form good students' personalities. According to Thomas Lickona, the notion of character education is a deliberate effort to help a person so that he can understand, pay attention to, and practice core ethical values. According to John W. Santrock, character education is education that is carried out with a direct approach to students

HYPOTHESIS

Humairoh and Agung (2019) knowledge management has a positive and significant effect on sales performance, thus the higher the knowledge management, the higher the increase in sales performance. Meanwhile, Merryll (2020) Knowledge management has an effect on the development of MSMEs based on the creative economy in terms of profit/profitability consistency, productivity and efficiency, competitiveness, competence and business ethics, and building a good image. From previous research, the hypothesis is:

Hypothesis 1, Knowledge management has an effect on the development of MSMEs based on creative economy in Musi Rawas Regency

Nora Rahayu (2022) character education is influential and is very important in growing the creative economy in the era of the industrial revolution 4.0 and in facing various challenges that will be faced in the future. The results of the study formulated the hypothesis as follows:

Hypothesis 2, Character Education has an effect on the development of MSMEs based on creative economy in Musi Rawas Regency

Alifia and Widiartanto (2016) the higher the business knowledge in the digital creative industry, the more it affects innovation in a digital creative industry organization. So knowledge has a significant positive effect on innovation in the digital creative industry. This is in accordance with the theory of Malhotra (2005), one of the reasons for implementing knowledge management in companies is to increase the level of innovation. The initial phase of the innovation process, namely the idea phase, is the process of knowledge creation (Fugslang: 2008). From this description, the hypothesis is formulated as follows:

Hypothesis 3, Knowledge management through innovation affects the development of SMEs based on creative economy in Musi Rawas Regency

Aribawa (2017) concludes that MSMEs engaged in the creative industry are known to have a positive and significant relationship to the ability of businesses to carry out service-based innovation, Nora Rahayu (2022) has influential character education and is very important in growing the creative economy in the era of the industrial revolution 4.0. as well as in facing various challenges that will be faced in the future. Then the hypothesis is:

Hypothesis 4, Character education through innovation affects the development of creative economy-based MSMEs in Musi Rawas Regency

METHOD

The form of research used is causality research with a quantitative approach. Causality research design is research that is structured to examine the possibility of a causal relationship between variables.

In this design, generally the cause-and-effect relationship can be predicted by the researcher, so that the researcher can state the clarification of the causal variables, intermediate variables and related variables.

In this study using path analysis techniques (path analysis) with the help of SPSS. Path analysis is a statistical analysis technique which is a development of multiple regression analysis.

RESULTS AND DISCUSSION

MSMEs based on the creative economy (Ekraf) certainly cannot be separated from the cooperation of various parties, in this case every sub-sector of the creative economy, because we have entered a new era, namely the birth of an era of the creative economy since 2001 ago.

According to Suryana (2017) the creative economy is an economic activity driven by the creative industry that prioritizes the role of intellectual property, and the creative industry itself is driven by entrepreneurs (entrepreneurs), namely people who have creative and innovative abilities. Therefore, it is felt that it needs to be developed not only by the government, but also by the community. The Ministry of Trade of the Republic of Indonesia (2008) formulates that the creative economy is an effort to develop a sustainable economy through creativity with an economic climate that is competitive and has reserves of renewable resources.

The development of MSMEs based on the creative economy has not yet been fully implemented in Musi Rawas Regency. This is due to many things that have not been supported, including the lack of understanding of MSME activists on the concepts of a good and sustainable creative economy. There are many things that must be done so that the development of creative economic models for MSMEs in Musi Rawas Regency.

From the results of the analysis carried out, it is found that Knowledge management has a positive but indirect effect on the development of MSMEs based on the creative economy in Musi Rawas Regency, which means that by increasing Knowledge Management for MSME activists, it will have a positive impact on the development of the creative economy in Indonesia. SMEs, although not directly.

Character Education has a positive but not significant effect on the development of MSMEs based on the creative economy in Musi Rawas Regency, which means that by increasing Character Education for MSME activists, it will have a positive impact on the development of MSMEs.

Knowledge management through innovation has a positive and significant impact on the development of creative economy-based SMEs in Musi Rawas Regency. This means that knowledge management combined with innovation will have a positive impact on the development of creative economy-based SMEs in Musi Rawas Regency.

Character Education through Innovation has a positive and significant impact on the development of creative economy-based SMEs in Musi Rawas Regency. This shows that character education will be better if it is combined with innovation in developing MSMEs based on a creative economy.

In principle, every organization must carry out Knowledge Management, whether consciously or not. The problem will arise when Knowledge Management is managed unplanned, organized and fully integrated with general business strategies (such as HR, IT, RM, TQM, SM, production, etc.) then there will be inefficiency and inefficiency in all lines. In this condition, they are faced with high global competition, while corporations that do not really care about

Knowledge Management will tend to falter and fall behind in the competition. Knowledge management is not something better, but knowing how to do things better. There are two types of innovation, namely process innovation and product innovation. The innovation process is a change that affects the way output is produced, while product innovation itself has the opposite definition, namely product innovation is a change in the actual output of both goods and services (Bateman & Snell, 2009, p. 610).

CONCLUSION

From the results of the analysis carried out, obtained as follows.

- 1) Knowledge management has a positive effect but not on the development of creative economy-based MSMEs in Musi Rawas Regency.
- 2) Character Education has a positive but not significant effect on the development of creative economy-based MSMEs s in Musi Rawas Regency
- 3) Knowledge management through innovation has a positive and significant impact on the development of creative economy-based MSMEs in Musi Rawas Regency.
- 4) Character Education through Innovation has a positive and significant impact on the development of creative economy-based MSMEs in Musi Rawas Regency.

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