

Resources and Innovation Strategies in Entrepreneurship in Micro, Small and Medium Enterprises (MSMEs)

Original Article

Raditya Mahasputra Antara^{1*}, Andaryanto², Wening Patmi Rahayu³, Agung Winarno⁴

¹⁻⁴Faculty of Economics and Business, State University of Malang, Indonesian
Email: ^{1*)}raditya.mahasputra.2404138@students.um.ac.id, ²⁾andaryanto.2404138@students.um.ac.id, ³⁾wening.patmi.fe@um.ac.id, ⁴⁾agung.winarno.fe@um.ac.id

Received : 01 May - 2025

Accepted : 06 May - 2025

Published online : 07 May - 2025

Abstract

Micro, small and medium-sized enterprises (MSMEs) are vital to the Indonesian economy, both in Indonesia and Southeast Asia. Small and medium-sized businesses (MSMEs) play an important role in economic growth and job creation in a country. Innovation in products, services, and business strategies is crucial in the context of globalization and intensified competition. Innovation is critical to the growth of MSMEs as the differences in access to resources between MSMEs and large enterprises pose significant challenges. Innovation strategies enable firms to maximize their resources and become more competitive. In this article, the perspectives of Resource-Based View theory (RBV) and Resource-Advantage theory (R-A theory) are discussed in order for businesses to compete with other businesses, both theories relate to maximizing resources and focusing on innovation. As market conditions are always changing, businesses must be competitive. With innovative strategies, MSMEs can respond to rapid market transformation and evolving consumer desires. Intellectual and human resources, financial resources, technological resources, and organizational resources are important resources owned by MSMEs to support them in innovating to achieve sustainable business goals. MSMEs face several issues, such as access and financial constraints, effects of digitalization, financing mechanisms, and policy implications that can be further researched.

Keywords: Resources, Innovation, Innovation Strategy, Entrepreneurship, MSMEs.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the Indonesian economy, not only in Indonesia but also in Southeast Asia. MSMEs are a major contributor to economic growth and job creation in a country. In the context of globalization and increasingly fierce competition, innovation in products, services, and business strategies becomes essential to enhance the competitiveness of MSMEs. Sedyastuti (2018) emphasizes that empowering MSMEs to face globalization depends heavily on innovation. Therefore, effective resource management is necessary for MSMEs to compete with other businesses. Resource management is vital for MSMEs as it drives innovation. Innovative practices enable businesses to navigate competitive markets and improve operational efficiency. MSMEs can achieve a competitive advantage through the development of innovative products and creative marketing strategies, as demonstrated by Indonesian MSMEs (Fajri & Purwanto, 2024).

As mentioned earlier, MSMEs are crucial for economic growth. MSMEs can rely on various entrepreneurial resources to improve their performance and sustainability. Key resources include entrepreneurial orientation, strategic partnerships, and community engagement, which collectively foster innovation and competitiveness. Entrepreneurial



orientation is essential for MSME business owners, as it relates to their personal potential or traits as managers of MSMEs. Research by Prawita et al. (2024) shows that entrepreneurial orientation has a positive and significant impact on MSME performance. In addition to entrepreneurial orientation, another critical resource for businesses is partnerships or collaborations. Collaborations with other businesses and community resources enhance access to vital support, such as microfinancing and social capital, which are crucial for growth (Marlina, 2024). Thus, in entrepreneurship, the required resources come not only from within the business owner but also from external sources, influencing the development of ideas and innovations to be utilized by MSMEs.

Innovation is vital for the growth of MSMEs, as disparities in resource access between MSMEs and large companies pose significant challenges. Addressing these gaps through targeted support and collaboration is essential to fostering a more inclusive entrepreneurial ecosystem. Herlina & Wahira (2024) state that collaboration is not limited to large companies alone; multi-stakeholder collaboration among education, industry, and government is crucial to creating a supportive entrepreneurial ecosystem. Such collaborations enhance resources, networks, and knowledge, ultimately driving innovation and resilience among entrepreneurs, which will later contribute to sustainable economic growth. Innovation strategies for MSMEs are critical to enhancing competitiveness and ensuring sustainable growth. Innovation helps MSMEs differentiate their products and services, allowing them to stand out in the market (Fajri & Purwanto, 2024). MSMEs face unique challenges, including limited resources and access to technology, which require tailored innovation approaches.

With innovation strategies, businesses can maximize resources and develop themselves to compete with others. This article will link entrepreneurial resources and innovation strategies with the Resource-Based View (RBV) and Resource-Advantage (R-A) theories. Both theories relate to maximizing resources and being innovation-oriented to enable businesses to compete with others. Businesses need competitiveness because market conditions are constantly changing, and innovative strategies allow MSMEs to respond to rapid market transformations and evolving consumer expectations. Competitiveness enhances the competitive nature of an individual, thereby driving innovation (Šproch & Nevima, 2021). According to Denton (1999), innovation is a key driver of global competitiveness, indicating that enhancing competitiveness can indeed foster an environment that encourages innovation among individuals and organizations.

This article will discuss entrepreneurial resources and innovation strategies in general, with a specific focus on resources and innovation in MSMEs. As MSMEs continue to grow, this paper will also explore the key resources necessary for MSMEs and the tangible impacts they experience after implementing innovation strategies. Additionally, this article will present the challenges that still exist regarding the utilization of resources and innovation to improve the performance and sustainability of MSMEs. The writing of this article aims to provide readers with insights into how entrepreneurship requires resources and innovation strategies that are utilized effectively.

2. Literature Review

2.1. Resource-Based Theory in Entrepreneurship

Entrepreneurship is influenced by the interaction between individuals, environmental factors, and organizational dynamics. The individual aspect relates to idea creation and business leadership, known as entrepreneurial characteristics, where individuals possess traits such as innovativeness, risk-taking, and proactiveness to enhance organizational resilience and adaptability in a dynamic environment (Chen & Wan, 2023). Environmental

factors provide opportunities and challenges, as a competitive environment can support entrepreneurial success (Aidara et al., 2021). Meanwhile, organizational factors drive innovation and foster ideas, and by leveraging entrepreneurial traits, businesses can enhance their adaptability to market fluctuations and sustainability awareness, particularly regarding business continuity (Chen & Wan, 2023; Somasundaram et al., 2024). Entrepreneurship thrives when key resources—such as individuals with entrepreneurial characteristics, a supportive environment, and an innovative organizational structure—are present.

These entrepreneurial resources can be linked to the Resource-Based View (RBV) theory, which emphasizes the importance of unique resources and capabilities in achieving Sustainable Competitive Advantage (SCA) for organizations. Companies can outperform competitors by leveraging valuable, rare, inimitable, and non-substitutable (VRIN) resources (Mailani et al., 2024). In entrepreneurship, RBV highlights the significance of unique resources and capabilities for sustaining competitive advantage. Entrepreneurs who adopt this perspective are encouraged to utilize their tangible and intangible assets effectively. They must develop dynamic capabilities to adapt and manage resources efficiently, especially when facing financial constraints and regulatory challenges (Agrawal et al., 2024).

The RBV theory was applied in research by Savitri et al. (2021), which found that adaptability influences innovation in Small and Medium Enterprises (SMEs). SMEs require adaptability to respond to external environmental changes, thereby fostering innovation. Similarly, Micro, Small, and Medium Enterprises (MSMEs) that manage resources effectively align with RBV theory, as entrepreneurs develop innovation strategies by emphasizing unique resources and capabilities to achieve competitive advantage. This perspective suggests that businesses can leverage their distinctive resources to drive innovation, which is crucial for navigating market uncertainties and improving performance. Key elements include entrepreneurial orientation, intellectual capital, and dynamic capabilities.

According to research by Alshahrani et al. (2024), RBV emphasizes the importance of unique resources in gaining a competitive edge. MSMEs, particularly micro-enterprises with capital between IDR 1–10 billion, often rely on government support. Thus, they depend on intangible resources such as intellectual capital and entrepreneurial orientation to drive innovation and performance. Entrepreneurs with strong entrepreneurial traits are essential for MSMEs, especially when practicing Open Innovation (OI). Research by Yulianti et al. (2024) shows that OI represents a paradigm shift where innovation is created not only internally but also by accessing and integrating external knowledge. Therefore, entrepreneurs must effectively utilize their surrounding environment and organizational networks.

Allocating resources to Research and Development (R&D) and strategic partnerships is crucial for innovation success and maintaining MSME competitiveness. The utilization of entrepreneurial resources can also be linked to the Resource-Advantage (R-A) Theory, an extension of RBV, though the two theories differ (Wooliscroft & Hunt, 2012). The key distinctions are:

- R-A Theory is a competition theory that incorporates firm-level dynamics, viewing innovation as fundamental to competitive processes.
- It sees inter-firm competition as evolutionary and uneven.
- It integrates demand theory, distinguishing between competitive advantage (market position) and comparative advantage (resource superiority).
- It views firms as entities striving for superior financial performance, benefiting society and influencing public policy.

R-A Theory provides a framework for understanding how MSMEs can leverage resources to drive entrepreneurial innovation strategies. By utilizing their unique resources,

MSMEs can enhance innovation and improve market positioning. Integrating R-A Theory with entrepreneurial strategies highlights the dynamic interaction between resource management and innovation, which is crucial for MSMEs in competitive environments.

According to data from Indonesia's Ministry of Finance and the Ministry of Cooperatives and SMEs (2024), MSMEs dominate Indonesia's economic structure, with over 65 million businesses. Thus, it is vital for MSME entrepreneurs to adopt frameworks that optimize resources and innovation strategies for sustainable growth. Research by Arshi et al. (2023) and Panjaitan (2022) supports this, stating that marketing managers and entrepreneurs must seek comparative resource advantages if they cannot compete with established firms. The core idea is maintaining competitive mechanisms through effective resource utilization.

2.2. Types of Resources in Entrepreneurship

Resources refer to anything useful, whether tangible or intangible (Dollinger, 2008). The key characteristic of resources is their semi-permanent nature or attachment to the business and its owner. There are two categories of resources: property-based resources and knowledge-based resources. Property-based resources provide legal rights to entrepreneurs, while knowledge-based resources are more abstract, such as skills or talents. High-quality business resources possess VRIN characteristics, an acronym for Valuable, Rare, Imperfectly Imitable, and Non-substitutable. If entrepreneurs can identify, acquire, develop, and protect resources that meet VRIN criteria, their business will gain long-term competitive advantage. This concept is highly relevant across various business contexts, including small and medium enterprises (SMEs).

The VRIN framework can be applied in SMEs through human resource management by identifying key factors to navigate uncertain business environments, emphasizing the need for tailored approaches to effective resource utilization (Mat et al., 2022). High-quality resources can provide competitive benefits when used efficiently and effectively, but they must be carefully managed and aligned with the business environment. A rare resource can offer a competitive advantage if it is unique, ambiguous, and complex, but it loses competitiveness if there are knowledge biases, knowledge gaps, or social barriers. Similarly, a substitutable resource creates a competitive advantage only if competitors cannot replicate it using similar methods; if they succeed, the resource loses its value.

The types of resources essential for a business include physical, reputational, organizational, financial, intellectual/human, and technological resources (Dollinger, 2008). Physical resources are tangible assets used in production and administration. Reputational resources relate to public perception of the company. Organizational resources encompass the company's structure, systems, and routines. Financial resources involve borrowing capacity, access to capital, and internal cash flow. These resources must be well-managed, and since humans manage them, intellectual and human resources are crucial. These include knowledge, training, experience, entrepreneurial skills, and the workforce. Additionally, to support existing resources and technological advancements, businesses must leverage technological resources, such as R&D labs, production and quality control systems, patents, licenses, trademarks, and copyrights.

Resources are vital for entrepreneurial success, but the ability to mobilize and integrate them effectively is equally important. Entrepreneurial capability acts as a mediator, enhancing the impact of these resources on business performance (Zhou & Gao, 2019). Understanding available resources helps entrepreneurs navigate resource mobilization complexities and optimize strategic approaches. While financial and physical assets are important, long-term competitive advantage relies more on human capital, reputation, and an organization's ability to manage resources strategically. As seen in various analyses, reputational, organizational,

and intellectual resources strongly align with VRIN characteristics, indicating that resources stemming from individuals must always be prioritized in entrepreneurship to ensure business sustainability.

2.3. Approaches and Integration of Resources and Innovation Strategies in Entrepreneurship

Entrepreneurial resources can be examined through psychological and sociological approaches. The psychological approach includes the need for achievement, internal and external self-control, risk-taking, dispositional optimism, and entrepreneurial traits. Internal psychological resources—such as resilience, self-leadership, and risk orientation—are crucial for entrepreneurial success (Gungah, 2021). Additionally, motivation and values, particularly prosocial values, significantly influence business strategies and sustainability (Henry et al., 2023). Behavioral characteristics, including an entrepreneur's psychological profile, alertness, and aspirations, affect their ability to secure funding and launch ventures (Colombo et al., 2024). Since internal psychological factors strongly influence entrepreneurial success, a cognitive framework is necessary to help small and medium enterprises (SMEs) identify and effectively utilize available resources, enhancing competitive performance (Korobov et al., 2024).

The cognitive framework plays a vital role in shaping business strategies and innovation. Emotional and cognitive diversity benefit businesses—those with diverse emotional cultures tend to explore new strategies, while cognitive diversity balances exploration and exploitation. Emotional diversity fosters an inclusive, innovative, and adaptive work environment, leading to the sociological approach in entrepreneurship. The sociological approach emphasizes social networks, where entrepreneurs rely on social capital—relationships and connections that provide business support and resources (Colombo et al., 2024). Additionally, the sociocultural context shapes entrepreneurial behavior by influencing values, norms, and available opportunities (DeScioli, 2024). Entrepreneurs leverage their social networks to mobilize resources, including financial support, mentorship, and market access (Peng et al., 2022). The diversity of an entrepreneur's network significantly enhances their ability to optimize resource utilization (Adegbile et al., 2024).

The integration of psychological and sociological approaches helps align resources with innovation strategies, ultimately improving business performance. Performance improves when companies maintain their reputation, develop new products through innovation, foster entrepreneurial creativity, and collaborate with other businesses. According to Dollinger (2008), there are four dimensions for creating innovation: individual, organizational, and environmental dimensions. The individual dimension relates to human resources (psychological traits), sociological factors, and demographics. The organizational dimension involves internal structures, routines, and business strategies. Finally, the environmental dimension concerns external resources—such as physical, financial, technological, and intellectual assets—as well as access to suppliers, customers, and transportation. It also includes understanding market competitiveness and government regulations.

2.4. Resource-Based Innovation Strategies and Their Benefits

Entrepreneurs can implement the strategy diamond framework proposed by Dollinger (2008) to develop resource-based strategies. The first stage requires entrepreneurs to identify how to acquire essential resources - human capital, financial assets, materials, and production inputs. The second stage focuses on understanding target customers, sales and distribution processes, marketing strategies, and revenue streams, known as the revenue model, which involves conducting sales and income flow analysis through spreadsheets. The strategy

diamond framework explicitly outlines strategic phases and sequences, fundamentally addressing four core business model questions: 1) Who are the customers? 2) What do customers value? 3) How does the business generate revenue? and 4) What is the underlying economic logic of the venture? The first strategic question determines the competitive arena, followed by identifying the operational "vehicle." The third question addresses differentiation, where Resource-Based View (RBV) theory becomes applicable, guiding entrepreneurs to seek VRIN (Valuable, Rare, Imperfectly Imitable, Non-substitutable) characteristic resources. The fourth question establishes decision-making phases, determining action sequences and timelines, all converging at the central consideration of funding and profitability.

Resource-based innovation strategies have become crucial for businesses aiming to leverage natural and knowledge resources to drive economic growth and competitiveness. Such strategies shift entrepreneurial focus from mere resource exploitation to sustainable development through innovation. Entrepreneurs can capitalize on human resource advantages by developing employee skills and creativity. Technological resources like AI, big data, and automation enable market trend analysis and broad consumer needs assessment, enhancing competitive positioning (Wang, 2024). Financial resources can be channeled into R&D for continuous innovation, while reputational resources strengthen marketing innovation through brand awareness. This strategic approach ensures optimal resource utilization, offering businesses enhanced adaptability, competitiveness, and growth potential in dynamic markets. Maintaining competitive advantage, fostering sustainable development, and ensuring long-term success all depend on effective innovation strategies.

Integrating innovative approaches enables businesses to effectively respond to rapid technological advancements and evolving consumer demands. The primary benefit of resource-based innovation strategies lies in enhanced competitiveness and business differentiation. Innovation allows businesses to maintain and improve market position by developing unique products, services, and processes that distinguish them from competitors (Stuss, 2023). Investments in R&D, digital technologies, and agile management better position firms to adapt to market changes and sustain competitive advantages (Tojiri, 2023). Secondly, innovative strategies facilitate market expansion by introducing new offerings, attracting new customer segments while retaining existing ones (Tojiri, 2023). Thirdly, they improve operational efficiency and productivity. Fourthly, they increase company value and profitability, as resource allocation to R&D drives technological leadership and product innovation that directly impacts bottom-line results (Rocha et al., 2019). Fifthly, they create more profitable value propositions through product development or improvement. Finally, they transform customer engagement by selling integrated systems rather than standalone products, developing market-aligned solutions that increase customer satisfaction and loyalty (Nonce et al., 2024).

3. Methods

To review the concept of resources and entrepreneurial innovation strategies of MSMEs, this research uses a descriptive qualitative approach with a literature study method. Literature study research is a type of research that uses data from various literatures. Secondary data is obtained by reading literature from various reliable sources, such as academic books, national and international scientific journals, and official publications of research institutions. Zed in (Nina Adlini et al., 2022) in heritage study research the author must consider several things. First, they do not have direct knowledge from the field when dealing with text or numerical data. Second, library data is "ready to use", which means that researchers do not need to go to the field directly because they are dealing directly with data sources in the library, but in

this study in the form of journal databases including google scholar, emerald, science direct, and so on. Third, library data is usually a secondary source because researchers get data or materials from a second source, not from the first data in the field. Fourth, the condition of library data is not limited to space or time. Thus, data collection for research is carried out by reviewing or exploring a number of books, journals, and documents, as well as other sources of data and information that are considered relevant to this research or study.

4. Results and Discussion

4.1. Resources in MSMEs

Micro, Small, and Medium Enterprises (MSMEs) are recognized as vital components of economic development, particularly in emerging markets. According to the UN Department of Economic and Social Affairs (UNDESA), MSMEs play a crucial role in achieving Sustainable Development Goals (SDGs) by significantly contributing to job creation, innovation, and overall economic landscapes. The ASEAN Secretariat also emphasizes MSMEs as integral to economic growth among member states. Given their importance in employment generation and GDP contribution, MSME owners bear the responsibility to sustain their businesses by optimizing available resources. The Resource-Based View (RBV) and Resource-Advantage (R-A) theories highlight that entrepreneurship thrives through effective resource utilization and maintaining competitive market positions, especially as MSME numbers continue to grow. Key resources for MSMEs include intellectual and human capital, which are essential for fostering innovation and ensuring sustainability. Effective management of these resources by individuals can significantly enhance operational efficiency and innovation capacity, enabling businesses to thrive in competitive markets.

MSME owners can develop their workforce through targeted training programs, such as on-the-job training, to directly improve employee skills (Mukhlis et al., 2022). They can also serve as providers of technical and vocational education by offering internships, career programs, and work-based learning initiatives that expose students to corporate environments early. Continuous learning opportunities help employees upgrade their skills for current and future roles. Leadership and management quality are equally critical; effective human resource practices—including recruitment, training, and performance management—are vital for enhancing employee competence and organizational effectiveness (Nawangsari et al., 2023). Managers must drive efficiency and adaptability in rapidly changing business environments (Jindal et al., 2024).

Financial resources are another cornerstone for MSMEs. Many startups rely on personal savings or partner investments initially, making financial capital indispensable. Microfinance initiatives and entrepreneurial ecosystems provide crucial financial and infrastructural support for MSME growth (Marlina, 2024). In Indonesia, MSMEs are categorized based on net assets and annual revenue: micro-enterprises (\leq Rp50 million net assets, \leq Rp300 million revenue), small enterprises (Rp50–500 million net assets, Rp300 million–2.5 billion revenue), and medium enterprises (Rp500 million–10 billion net assets, Rp2.5–50 billion revenue), excluding land and building values (Tambunan et al., 2022). Bank loans remain a significant funding source (Yudaruddin, 2020), while government subsidies and capital support programs also play pivotal roles in business continuity (Ekenta et al., 2019).

Technological resources are equally vital. Digital tools and systems enable MSMEs to compete against larger firms, categorized under the 6M framework: Man, Material, Money, Machine, Method, and Market (Komalasari et al., 2023). AI enhances decision-making, while digital transactions streamline financial processes. Mobile Cloud-Based ERP (MCB-ERP)

systems improve operational flexibility and scalability (Gumbi, 2023). Information technology also facilitates internationalization through digital marketing, supply chain management, and cross-border payments (Dayat & Murwani, 2024). Training programs are essential to upskill employees in digital tools (Paijan et al., 2024).

Organizational resources, particularly collaborations, further sustain MSMEs. Stakeholder integration—via models like the Quadruple Helix (academia, industry, government, communities)—enhances competitiveness by leveraging human capital and leadership (Dewi et al., 2025). Partnerships with local artisans or farmers improve product quality and market access (Alamsyah et al., 2024), boosting revenue and innovation. Such collaborations align with RBV and R-A theories by exploring new resources and enhancing market positioning through innovative strategies.

4.2. Innovation Strategies in MSMEs

Innovation strategies are critical for MSME competitiveness and sustainable growth. Human capital lies at the core of innovation, as ideas originate from people. Managers must cultivate talent and foster environments that maximize employee potential (Varga, 2021). CEO characteristics, such as entrepreneurial orientation and patience, significantly influence open innovation adoption in MSMEs (Ahn et al., 2017), underscoring the need to align leadership traits with innovation strategies.

Research by Sombolayuk et al. (2019) identifies human resources (education, skills, experience, entrepreneurship) as pivotal for improving product quality, sales, market share, capital, profits, customer satisfaction, and competitiveness. Organizational resources (social capital) and financial resources (access to funding, investment management) drive innovation in production methods, new product development, and market expansion. These elements collectively determine business success. Sutrisno et al. (2024) add that understanding societal needs, technology adoption, collaboration, and managerial skill enhancement are key to crafting effective innovation strategies, positioning MSMEs as agents of sustainable economic growth.

In summary, innovation strategies stem from human ideas, developed through organizational collaboration and technological utilization, and executed with financial backing. Strategic planning enhances MSME performance, while technology adoption mitigates innovation risks and boosts competitiveness (Lestari et al., 2024).

4.3. Challenges and Opportunities in Resource and Innovation Strategies for MSMEs

Despite their potential, MSMEs face significant hurdles in optimizing resources and implementing innovation strategies:

1. **Financial Access Constraints:** Limited financial literacy, high service costs, and inadequate formal financial access plague Indonesian MSMEs (Mualim Hasibuan & Marliyah, 2024; Ningsih et al., 2023). Similar issues exist in Ghana (Bamfo, 2024) and India (Mund, 2020). Solutions include financial education programs, collateral requirement reductions, alternative financial services, and government support like Indonesia's KUR (People's Business Credit) and BPUM (Micro Business Productive Assistance).
2. **Digitalization Impact:** While digitalization offers growth opportunities (Maiti & Kayal, 2017), many Indonesian MSMEs remain conventional, hindering competitiveness (Kurniawati et al., 2022). Barriers include limited digital knowledge and financial resources for technology adoption (Sirodjudin & Sudarmiatin, 2023).

3. Funding Mechanisms and Policy Implications: Innovative financing (e.g., crowdfunding) can address funding gaps (Gewirtzman et al., 2018). In Indonesia, Microfinance Institutions (MFIs) offer accessible, low-interest solutions through cooperative models (Anggraeni & Herlinawati, 2019), highlighting the need for tailored financial policies to support MSME scalability.

Addressing these challenges requires coordinated efforts in financial inclusion, digital upskilling, and policy innovation to unlock MSMEs' full potential.

5. Conclusion

From the description above, it can be summarized in three parts, namely first, in a business in general there are 6 (six) types of resources, namely physical resources, reputation resources, organizational resources, financial resources, intellectual and human resources, and technological resources. Specifically, in MSMEs, the main resources are intellectual and human resources, financial resources, technological resources, and organizational resources. These four resources are interrelated and must be collaborated to form an innovation strategy that is useful for the sustainability of the Company. These resources are also interrelated with each other. Second, innovation strategies in MSMEs provide benefits for the company. The company becomes developed and sustainable. With an innovation strategy, new products are created. In this innovation strategy, research and development also occurs. However, it goes back to the resources that this innovation strategy will run if the intellectual and human resources, namely entrepreneurs or managers, have entrepreneurial characteristics. So that innovation strategies ranging from ideas, collaborations, technology utilization, and funding can be carried out and can improve the performance of MSMEs. With this innovation strategy, MSMEs can also compete with other businesses.

Third, the utilization of resources and the implementation of innovation strategies in MSMEs in reality still experience obstacles even though MSMEs are a major contributor to employment and GDP of a country. The constraints or challenges experienced by MSMEs are access and financial constraints, the impact of digitalization, and financing mechanisms and policy implications. MSMEs are small-scale businesses that are sometimes still doubtful for capital providers, be it banks, non-banks, or investors. In addition, there is still a lack of knowledge of MSME entrepreneurs related to finance. Furthermore, the challenge of digitization is caused by ignorance of digital utilization, even though this digitization if utilized properly will benefit MSMEs to reach a wider market. The last is the financing mechanism and financing implications, which require assistance and government policies related to financing for MSMEs. With the preparation of this article, advice can be given to MSME entrepreneurs related to resource utilization and innovation strategies. Entrepreneurs can practice innovation strategies in utilizing existing resources, besides that they can avoid / face challenges that are commonly faced by MSMEs, and especially entrepreneurs must have entrepreneurial character or orientation so that MSMEs have good and sustainable performance.

6. References

- Adegbile, A. S., Liedong, T. A., & Wagner, H. T. (2024). Linking resource mobilization approaches and venture performance in highly resource-constrained environments. *Africa Journal of Management*. <https://doi.org/10.1080/23322373.2024.2375950>
- Agrawal, R., Samadhiya, A., Bandrana, A., & Banaitis, A. (2024). Entrepreneurial Barriers in Achieving Sustainable Business and Cultivation of Innovation: A Resource-Based View Theory Perspective. *Management Decision*. <https://doi.org/10.1108/MD-11-2023-2032>
- Ahn, J. M., Minshall, T., & Mortara, L. (2017). Understanding the human side of openness: the fit between open innovation modes and CEO characteristics. *R and D Management*, 47(5), 727–740. <https://doi.org/10.1111/radm.12264>
- Aidara, S., Mamun, A. Al, Nasir, N. A. M., Mohiuddin, M., Nawil, N. C., & Zainol, N. R. (2021). Competitive advantages of the relationship between entrepreneurial competencies and economic sustainability performance. *Sustainability (Switzerland)*, 13(2), 1–19. <https://doi.org/10.3390/su13020864>
- Alamsyah, E., Sudarmiati, S., & Wardana, L. W. (2024). THE IMPORTANCE OF NETWORKING AND COLLABORATION FOR MSMEs GROWTH CASE STUDY OF KHRISNA BALI SOUVENIR CENTER. *Nusantara Economics and Entrepreneurships Journals*, 570–579. <https://doi.org/10.59971/necent.v2i3.56>
- Alshahrani, M. A., Yaqub, M. Z., & Alabdali, M. A. (2024). Examining the role of intellectual capital in maturing sustainable competitive advantage through enkindling innovations in SMEs: the moderating role of entrepreneurship-orientation. *Journal of Intellectual Capital*, 25(2–3), 328–359. <https://doi.org/10.1108/JIC-05-2023-0111>
- Anggraeni, D., & Herlinawati, E. (2019). ANALISIS MODEL PEMBIAYAAN UMKM MELALUI PERAN LEMBAGA KEUANGAN MIKRO. In *Journal IMAGE* | (Vol. 8, Issue 1).
- Arshi, T. A., Pleshko, L. P., Begum, V., & Butt, A. S. (2023). Can entrepreneurial marketing compensate for late market entry? A moderated mediation analysis. *Heliyon*, 9(5). <https://doi.org/10.1016/j.heliyon.2023.e15808>
- Bamfo, D. (2024). Small and Medium Enterprises Failure in Ghana: Causes, Effects, and Solutions. *INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)*, 3. <https://doi.org/10.47772/IJRISS>
- Chen, W., & Wan, W. (2023). The Relationship Between Entrepreneurial Traits and Organizational Resilience In Dynamic Environment. *The EURASEANS: Journal on Global Socio-Economic Dynamics*, 5(42). <https://www.euraseans.com/5>
- Colombo, M. G., Lucarelli, C., Marinelli, N., & Micozzi, A. (2024). Emergence of new firms: A test of the resource-based view, signaling and behavioral perspectives. *International Entrepreneurship and Management Journal*, 20(2), 1153–1196. <https://doi.org/10.1007/s11365-024-00951-z>
- Dayat, M., & Danardana Murwani, F. (2024). *Journal of Economic, Management and Entrepreneurship Peran Teknologi Informasi dalam Mendorong Internasionalisasi UMKM The Role of Information Technology in Driving MSME Internationalization*. 2(2). <https://doi.org/10.61502/jemes.v1i3.99>
- de Vasconcelos, R. B. B., dos Santos, J. F., & de Andrade, J. A. (2021). Innovation in Micro and Small Enterprises: Resources and Capabilities. *Revista de Administracao Contemporanea*, 25(2). <https://doi.org/10.1590/1982-7849rac2021190106.en>
- Denton, D. K. (1999). Gaining competitiveness through innovation. In *European Journal of Innovation Management* (Vol. 2, Issue 2, pp. 82–85). <https://doi.org/10.1108/14601069910269790>
- DeScioli, P. (2024). *Understanding the Influence of Cultural Factors on Entrepreneurial Behavior*. Research Square Platform LLC. <https://doi.org/10.21203/rs.3.rs-3966968/v1>
- Dewi, M., Lubis, S., & Sofiyani. (2025). Quadruple Helix Collaboration In Improving

- Competitive Advantage To Support The Achievement Of Sustainable Development Goals (Sdg) Based On Critical Success Factors In Msmes. *Journal of Lifestyle and SDG'S Review*, 5(1). <https://doi.org/10.47172/2965-730X.SDGsReview.v5.n01.pe04001>
- Dollinger, M. J. . (2008). *Entrepreneurship : strategies and resources*. Marsh Publications.
- Ekenta, L. U., Onu, F. M., Ezebuio, F. N., Ikehi, M. E., Omeje, B. A., & Ibekwe, N. F. (2019). Utilization of Financial Resources for Sustainable Development by Micro, Small and Medium Agricultural Enterprises in Enugu State, Nigeria. *International Journal of Humanities and Social Science*, 9(5). <https://doi.org/10.30845/ijhss.v9n5p22>
- Fajri, A., & Purwanto, D. (2024). *Pencapaian Diferensiasi Produk Melalui Strategi Inovasi dan Kreativitas Usaha Mikro Kecil dan Menengah KREATIVASI JOURNAL OF COMMUNITY EMPOWERMENT*.
- Gewirtzman, J., Natson, S., Richards, J. A., Hoffmeister, V., Durand, A., Weikmans, R., Huq, S., & Roberts, J. T. (2018). Financing loss and damage: reviewing options under the Warsaw International Mechanism. *Climate Policy*, 18(8), 1076–1086. <https://doi.org/10.1080/14693062.2018.1450724>
- Gumbi, N. (2023). Mobile Cloud Based Enterprise Resource Planning Systems for Small Medium and Micro Enterprises: A Systematic Literature Review. In *Communications in Computer and Information Science* (pp. 46–69). https://doi.org/http://dx.doi.org/10.1007/978-3-031-28472-4_4
- Gungah, V. (2021). A Meta-Theoretical Approach into the Determinants of Internal Psychological Resources for Entrepreneurs. *The European Journal of Social & Behavioural Sciences*, 30(3), 177–200. <https://doi.org/10.15405/ejsbs.299>
- Henry, M., Hoogenstrijd, T., & Kirchherr, J. (2023). Motivations and identities of “grassroots” circular entrepreneurs: An initial exploration. *Business Strategy and the Environment*, 32(3), 1122–1141. <https://doi.org/10.1002/bse.3097>
- Herlina, H., & Wahira, W. (2024). Creating a Sustainable Entrepreneurship Ecosystem Through Innovation in Education. *International Journal of Engineering, Science and Information Technology*, 4(4), 225–229. <https://doi.org/10.52088/ijesty.v4i4.647>
- Jindal, N., Arora, N., Singla, L., & Kaushal, N. (2024). A systematic review of human resource management practices in small and medium-sized enterprises. *Corporate Governance and Organizational Behavior Review*, 8(3), 64–76. <https://doi.org/10.22495/cgobrv8i3p6>
- Komalasari, Y., Ngurah Joko Adinegara, G., Purnama Trimurti, C., Wayan Ruspindi Junaedi, I., & Tri Priyono Budi Santoso, R. (2023, October 17). Pemanfaatan Teknologi pada Pengembangan Sumber Daya UMKM. *Seminar Nasional Forum Manajemen Indonesia 2023 Papua*.
- Korobov, S., Epinina, V., Moseyko, V., & Usacheva, I. (2024). Resource and factor support for the competitive functioning of small and medium-sized enterprises: The potential of the cognitive approach. *E3S Web of Conferences*, 533. <https://doi.org/10.1051/e3sconf/202453304021>
- Kurniawati, K., Nilasari, B. M., Emilisa, N., & Rahayu, F. (2022). Strategi Pemasaran Iklan Digital Dalam Pengambilan Keputusan Berbasis Online. *Jurnal Abdikaryasakti*, 2(2), 137–150. <https://doi.org/10.25105/ja.v2i2.14187>
- Lestari, N. S., Rosman, D., & Triana, I. (2024). Analyzing the Effect of Innovation and Strategic Planning on MSME Performance, Utilizing Technology Adoption as a Moderator. *Procedia Computer Science*, 245(C), 500–507. <https://doi.org/10.1016/j.procs.2024.10.276>
- Mailani, D., Hulu, M. Z. T., Simamora, M. R., & Kesuma, S. A. (2024). Resource-Based View Theory to Achieve a Sustainable Competitive Advantage of the Firm: Systematic Literature Review. *International Journal of Entrepreneurship and Sustainability Studies*, 4(1), 1–15. <https://doi.org/10.31098/ijeass.v4i1.2002>
- Maiti, M., & Kayal, P. (2017). Digitization: Its Impact on Economic Development & Trade.

- Asian Economic and Financial Review*, 7(6), 541–549.
<https://doi.org/10.18488/journal.aefr.2017.76.541-549>
- Marlina, R. (2024). Harnessing Community Resources: Exploring Management Strategies for SME Development. *Golden Ratio of Community Service and Dedication*, 4(1).
<https://doi.org/10.1080/10.52970/grcsd.v4i1.597>
- Mat, N. H. N., Mohamed@jaafar, S., & Mohamad, A. S. (2022). Dealing With Uncertainty: An Analysis of VRIN Resources for SME's Business Survival. *International Journal of Business and Society*, 23(1), 542–559. <https://doi.org/10.33736/ijbs.4629.2022>
- Mualim Hasibuan, I., & Marliyah. (2024). Kendala Aksesibilitas Pembiayaan Usaha Mikro Kecil Dan Menengah (Ukm) Dari Lembaga Keuangan Institutions. *Aksioma: Jurnal Manajemen*, 2(1), 15–24.
- Mukhlis, A., Moeins, A., & Sunaryo, W. (2022). *Development Strategies For Micro, Small, And Medium Enterprises (Msme) By Improving The Quality Of Human Resources*. 2(2).
<https://doi.org/10.53067/ije3.v2i2>
- Mund, C. S. (2020). Problems of MSME Finance in India and Role of Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). *IOSR Journal of Economics and Finance*, 11(4), 01–06. <https://doi.org/10.9790/5933-1104030106>
- Nawang Sari, L. C., Siswanti, I., & Soelton, M. (2023). Human Resources Management Strategy For Business Sustainability In Msmes. *ICCD*, 5(1), 514–518.
<https://doi.org/10.33068/iccd.v5i1.599>
- Nina Adlini, M., Hanifa Dinda, A., Yulinda, S., Chotimah, O., & Julia Merliyana, S. (2022). *Metode Penelitian Kualitatif Studi Pustaka* (Vol. 6, Issue 1).
- Ningsih, T. W., Tulasi, D., & Masela, M. Y. (2023). Investigasi Qualitative : Menggali Tantangan yang Dihadapi UKM Indonesia dalam Mengakses Layanan Keuangan. *Sanskara Akuntansi Dan Keuangan*, 01(03), 120–130.
<https://doi.org/10.58812/sak.v1.i03>
- Paijan, P., Anah, S., & Sugiharjo, R. J. (2024). Pengembangan Kompetensi Sumber Daya Manusia Berkarakter Technopreneurship pada UMKM di Kelurahan Meruya Utara. *Jurnal Pengabdian Masyarakat Singa Podium (JPMSIPO)*, 2(1), 54–60.
<https://doi.org/10.58965/jpmsipo.v2i1.29>
- Panjaitan, R. (2022). The Role of Competitiveness Mechanism Protection of Marketing Performance: Resource-Advantage Theory Perspective. *KINERJA*, 26(1), 1–15.
<https://doi.org/10.24002/kinerja.v26i1.4945>
- Peng, H., Li, B., & Liu, Y. (2022). How Social Network Influences the Growth of Entrepreneurial Enterprises: Perspective on Organizational and Personal Network. *SAGE Open*, 12(2). <https://doi.org/10.1177/21582440221108178>
- Prawita, D., Lysander, M. A. S., & Azwar. (2024). Kinerja Ukm: Peran Orientasi Kewirausahaan Sebagai Variabel Mediasi Antara Pelatihan Dan Kompetensi Kewirausahaan Di Kota Yogyakarta. *Scientific Journal Of Reflection: Economic, Accounting, Management and Business*, 7(1).
- Rocha, L. A., Cardenas, L. Q., Tortato, U., Santos Póvoa, A. C., & Araújo Silva, N. G. (2019). Innovation and performance: The contribution of investments in R&D to firm profitability according to the technological frontier. *Estudios de Economia Aplicada*, 37(3), 186–200. <https://doi.org/10.25115/eea.v37i3.2794>
- Savitri, E., DP, E. N., & Syahza, A. (2021). Can innovation mediate the effect of adaptability, entrepreneurial orientation on business performance? *Management Science Letters*, 11(8), 2301–2312. <https://doi.org/10.5267/j.msl.2021.3.014>
- Sedyastuti, K. (2018). *Analisis Pemberdayaan UMKM dan Peningkatan Daya Saing Dalam Kacah Pasar Global* (Vol. 2, Issue 1).
- Sirodjudin, M., & Sudarmiatin. (2023). Implementasi Digital Marketing Oleh UMKM Di Indonesia: A Scoping Review. *EBISMEN: Jurnal Ekonomi, Bisni Dan Manajmen*, 2(2).

- Somasundaram, R., Varalakshmi, S., Sanadi, H., Saini, R., Chinnusamy, S., & S., B. (2024). Entrepreneurship in Emerging Markets and Intrapreneurship Within Organizations. In *Real-World Tools and Scenarios for Entrepreneurship Exploration* (pp. 291–322). IGI Global. <https://doi.org/10.4018/979-8-3693-3100-2.ch011>
- Sombolayuk, W., Yusup, R. M., & Sudirman, I. (2019). *Innovation Strategy for Creating Successful Small and Medium Businesses*.
- Šproch, F., & Nevima, J. (2021). Increasing Competitiveness Through Innovation in an Industrial Enterprise – A Case Study of the Company Massag. *Advances in Science and Technology Research Journal*, 15(1), 110–125. <https://doi.org/10.12913/22998624/130862>
- Stuss, M. M. (2023). The role of innovation in sustainable development. In *Organizing Sustainable Development* (pp. 235–245). Taylor and Francis. <https://doi.org/10.4324/9781003379409-21>
- Sutrisno, Diawati, P., Muhamad, L. F., Permana, R. M., & Suparwata, D. O. (2024). Innovative Strategies of SMEs in Alignment with Community Needs. *Jurnal Terobosan Peduli Masyarakat (TIRAKAT)*, 1(1), 30–38. <https://doi.org/10.61100/j.tirakat.vii1.103>
- Tambunan, E. C., Enuh, K., & Tamba, M. (2022). Capital Access For Micro Small Medium Enterprises. *Jurnal Ekonomi Dan Perbankan Syariah*, 10(2). <https://doi.org/https://doi.org/10.46899/jeps.v10i2.375>
- Tojiri, Y. (2023). Product Differentiation Strategy for Organizational Financial Profitability: Enhancing Market Share and Profitability- A Comprehensive Literature Review. *Atestasi: Jurnal Ilmiah Akuntansi*, 6(2), 856–876. <https://doi.org/10.57178/atestasi.v6i2.821>
- UNDESA Report. (n.d.). *Micro-, Small and Medium-sized Enterprises (MSMEs) and their role in achieving the Sustainable Development Goals*. Retrieved March 12, 2025, from <https://www.local2030.org/library/767/Micro-Small-and-Medium-sized-Enterprises-and-their-role-in-achieving-the-Sustainable-Development-Goals.pdf>
- Varga, J. (2021). Defining the Economic Role and Benefits of Micro, Small and Medium-sized Enterprises in the 21 st Century with a Systematic Review of the Literature. *Acta Polytechnica Hungarica*, 18(11), 2021–2209. www.ksh.hu
- Wang, W. (2024). Artificial Intelligence in Strategic Business Decisions: Enhancing Market Competitiveness. *Advances in Economics, Management and Political Sciences*, 117(1), 87–93. <https://doi.org/10.54254/2754-1169/117/20241987>
- Wooliscroft, B., & Hunt, S. D. (2012). The evolution of resource-advantage theory: Six events, six realizations, six contributions. *Journal of Historical Research in Marketing*, 4(1), 7–29. <https://doi.org/10.1108/17557501211195046>
- Yudaruddin, R. (2020). Determinants of micro-, small-and medium-sized enterprise loans by commercial banks in Indonesia. *Journal of Asian Finance, Economics and Business*, 7(9), 19–30. <https://doi.org/10.13106/JAFEB.2020.VOL7.NO9.019>
- Yulianti, P., Kunci, K., & Ekonomi dan Bisnis, F. (2024). Analisis Open Innovation Ditinjau Dari Perspektif Resource Based View (Rbv) Theory. *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana*, 13(4), 635–652. <https://doi.org/https://doi.org/10.24843/EEB.2024.v13.i04.p01>
- Zhou, Q., & Gao, S. (2019). An Empirical Study on the Relationship between Entrepreneurial Resources and Entrepreneurial Competence. *Advances in Economics, Business and Management Research*, Volume 80, 406–410. <https://doi.org/http://dx.doi.org/10.2991/bems-19.2019.71>