

BUSINESS INNOVATION IN CREATIVE SECTORS AT MEDAN CITY

Dewi Andriany¹
Mutia Arda²

^{1,2} Universitas Muhammadiyah Sumatera Utara
dewiandriany@umsu.ac.id

Abstract: *This study aims to describe business innovation in the creative sector in Medan City. A qualitative descriptive method was employed, with data collected through Focus Group Discussions (FGD) involving 15 creative entrepreneurs, who are tenants of the PUSKIIBI UMSU Business Incubator, representing the fields of culinary, fashion, handicrafts, and creative technology. The findings indicate that business innovation in Medan's creative sector primarily involves product development, digital marketing strategies, and inter-entrepreneur collaboration. The FGD also identified key challenges, including limited capital, technology access, market promotion, and business management. These findings are expected to provide guidance for entrepreneurs, incubator institutions, and policymakers in promoting innovation and sustainable development within Medan's creative sector.*

Keywords: *business innovation, creative sector, entrepreneurial strategies.*

Introduction

The creative sector has become one of the main pillars of local economic development in major cities in Indonesia due to its ability to generate employment, increase product value added, and strengthen regional competitiveness. The innovation- and creativity-based creative economy has been proven to drive sustainable economic growth, particularly in urban areas (Howkins, 2013). Innovation in the creative sector is not limited to the development of new products, but also includes process innovation, digital marketing, and business models that are adaptive to market changes (OECD, 2018).

Innovation plays a key role in improving the performance and sustainability of creative businesses. (Anjaningrum & Rudamaga, 2019) demonstrate that product innovation and market orientation have a significant impact on the competitive advantage of creative industries. In addition, digital marketing and the use of information technology have become important strategies for creative MSMEs to reach broader markets and enhance competitiveness (Susanti, Gunawan, & Sukaesih, 2020).

Nevertheless, creative entrepreneurs continue to face various structural constraints, such as limited access to capital, technology, managerial capacity, and marketing networks. (Suryana & Bayu, 2021) emphasize that weak management capabilities and low digital literacy are major barriers to innovation development among creative MSMEs in Indonesia. Therefore, a supportive ecosystem is required to continuously strengthen the innovation capacity of creative entrepreneurs.

In this context, business incubators play a strategic role as facilitators of entrepreneurship and innovation development. (Arda & Andriany, 2021) provide evidence that entrepreneurship training and business mentoring significantly enhance tenants' competencies, creativity, and readiness to manage their businesses. Business incubators not only provide physical facilities,

but also offer mentoring, business networks, and continuous innovation support (Bergek & Norrman, 2008).

Further research by (Arda & Andriany, 2025) also indicates that the combination of business mentoring, financial support, and strengthened marketing innovation has a positive effect on business success and sustainability. These findings are consistent with (Hackett & Dilts, 2004), who argue that business incubators are effective in increasing the survival rates of start-up ventures through innovation and managerial support.

Medan City has considerable potential for creative sector development, particularly in the culinary, fashion, handicrafts, and creative technology subsectors. However, empirical studies that specifically describe business innovation practices among creative entrepreneurs within business incubator ecosystems remain limited. In fact, a region-based contextual approach is essential for formulating targeted policies and strategies for creative sector development (Pratt & Jeffcutt, 2009).

Therefore, this study aims to describe business innovation in the creative sector in Medan City, focusing on tenants of the PUSKIIBI UMSU Business Incubator, using a Focus Group Discussion (FGD) approach. This study is expected to contribute academically to the development of creative sector innovation literature, as well as provide practical insights for entrepreneurs, incubator institutions, and policymakers in strengthening an innovation-based creative ecosystem at the local level.

Literature Review

1. Concept of Innovation in the Creative Sector

Innovation is at the core of the development of the creative sector, as it plays a key role in generating high value-added products and services. According to (Ratna et al, 2024), innovation and creativity are crucial in business management to enhance the economic performance of MSMEs in the creative industries. Innovation helps businesses adapt to market and digital technology changes while expanding their consumer reach. In the international literature, innovation in the creative sector is viewed as a process encompassing product innovation, marketing, and organizational models, enabling entrepreneurs to maintain competitiveness in dynamic markets. Studies on innovation in informal creative industries suggest that innovation often arises from the need for collaboration and responsiveness to market demand, particularly within creative clusters, highlighting the link between local resources and creative innovation.

2. The Role of Digitalization and Technology

Digital transformation has become an inseparable component of innovation in the creative sector. (Wibowo et al, 2024) found that digital transformation presents both significant opportunities and challenges for creative economy development, including limitations in technology access and digital infrastructure in many regions of Indonesia. Similarly, (Insiatiningsih & Widyayanti, 2024) emphasize that digital-based innovation models are essential for creative MSMEs seeking to enter export markets, as digitalization provides access to global markets while streamlining marketing and distribution processes.

3. Innovation and Competitiveness of Creative MSMEs

Several studies indicate that innovation significantly impacts the competitiveness of creative MSMEs. (Khalikussabir & Sudarmiatin, 2025) demonstrate that product innovation, marketing strategies, and collaboration positively influence MSMEs' ability to penetrate international markets. (Purnomo et al, 2024) also found that innovation and technological literacy directly affect the performance of creative MSMEs in East Java, particularly amid technological disruptions that transform consumer behavior and market structures.

4. The Role of the Creative Economy in MSME Development

The creative economy is considered a key strategy for promoting MSME growth in Indonesia. (Siagian et al, 2024) underline that leveraging digital technology within the creative economy can expand market opportunities for MSMEs while strengthening the innovation and creativity capacities of entrepreneurs. Studies in Medan City confirm that the creative sector has significant growth potential but continues to face structural barriers that require policy support, guidance, and continuous mentoring.

5. Strategies for Innovation Development and Management

Several studies highlight innovative strategies to strengthen creative MSMEs in the digital era. (Agustina et al., 2025) argue that improving product quality, leveraging digital technology, and enhancing human resource capacity are crucial strategies for increasing MSMEs' competitiveness in the creative economy sector. (Wahyudiono et al, 2023) reinforce this by demonstrating that optimizing business management and innovation can foster business independence in the creative industry.

6. Relevance of the Incubator Approach

Business mentoring through incubators, as shown by (Arda & Andriany, 2025) in previous studies, enhances practical innovation capabilities through entrepreneurship training, business modeling, and digital marketing strategies. This approach aligns with literature suggesting that mentoring and collaborative networks accelerate the innovation process, particularly for creative entrepreneurs who must optimize limited resources.

Method

This study employed a qualitative descriptive approach to depict business innovation in the creative sector in Medan City. This approach was chosen because it provides an in-depth understanding of the experiences, strategies, and challenges faced by creative entrepreneurs in implementing business innovation. The research subjects comprised 15 creative entrepreneurs who are tenants of the PUSKIIBI UMSU Business Incubator, representing the culinary, fashion, handicraft, and creative technology subsectors. Respondents were selected using purposive sampling, with criteria including active business operations and participation in the incubation program.

Data were collected through Focus Group Discussions (FGD) using open-ended questions covering types of business innovation, marketing strategies, technology utilization, business collaboration, and challenges encountered. Data were analyzed using qualitative descriptive analysis through the stages of data reduction, data presentation, and conclusion drawing. The validity of the data was ensured through triangulation among participants and member checking to confirm discussion results (Creswell, 2014).

Result and Discussion

Result

Based on the results of the Focus Group Discussion (FGD) with 15 creative entrepreneurs who are tenants of the PUSKIIBI UMSU (**Pusat Kewirausahaan, Inovasi dan Inkubator Bisnis Universitas Muhammadiyah Sumatera Utara**) Business Incubator, business innovation in Medan's creative sector can be classified into several main aspects: product innovation, digital marketing innovation, and business collaboration.

Product Innovation

Out of 15 entrepreneurs, **12 (80%)** reported actively engaging in product innovation. These innovations include developing product variations, improving raw material quality, creating more modern packaging designs, and adapting products to meet consumer preferences and needs. Entrepreneurs in the culinary and fashion subsectors were the most active in product

innovation, while those in creative technology focused more on developing digital-based features and services.

Digital Marketing Strategies

The FGD results indicate that **13 entrepreneurs (86.7%)** have utilized digital platforms as their primary marketing and sales channels. The most commonly used platforms are social media and online marketplaces. Digital marketing is considered effective because it allows for wider market reach at relatively low costs. However, approximately **60% of participants** reported still facing challenges in managing digital content and maintaining consistent branding strategies.

Entrepreneurial Collaboration

A total of **9 entrepreneurs (60%)** stated that they had engaged in collaboration with other business actors, either in joint promotions, sharing supplier networks, or developing collaborative products. These collaborations were facilitated by the PUSKIIBI UMSU Business Incubator through discussion forums and business mentoring programs.

Innovation Challenges

The FGD also identified the main challenges faced by creative entrepreneurs. **73.3% of respondents** mentioned limited capital as the primary obstacle. In addition, **66.7%** reported challenges related to technology access and digital literacy, while **60%** experienced difficulties in business management and long-term business planning.

Additional Findings from FGD

The FGD also revealed that innovation in Medan's creative sector is strongly influenced by the entrepreneur's ability to identify market trends and consumer preferences. Most participants emphasized that continuous product improvement and customization are crucial to maintaining competitiveness, particularly in the culinary and fashion subsectors. For example, several food entrepreneurs experimented with new flavors and packaging designs to cater to younger consumers, while fashion entrepreneurs adapted local cultural motifs into contemporary clothing designs to differentiate their products.

Moreover, participants noted that **digital literacy significantly affects the success of innovation initiatives**. Entrepreneurs with higher digital skills were better able to utilize social media marketing, create engaging content, and manage online sales efficiently. Conversely, those with limited digital literacy often relied on traditional marketing methods, which constrained their market reach and slowed the adoption of digital innovation.

Collaboration emerged as a key strategy to overcome resource limitations. Many entrepreneurs reported that working together on joint promotions, sharing suppliers, or co-developing products helped them reduce costs and enhance creativity. Collaboration also facilitated knowledge sharing, as participants exchanged experiences regarding product development, marketing strategies, and digital tools, demonstrating the incubator's role in fostering a supportive ecosystem.

Financial constraints remain a persistent barrier to innovation. Entrepreneurs highlighted that limited access to capital often restricts their ability to experiment with new products, invest in digital technologies, or scale up operations. Some participants expressed the need for flexible financing options or grants specifically targeted at creative MSMEs to support innovation activities.

Technology adoption was another critical theme. Participants reported challenges in accessing advanced software, digital design tools, or e-commerce platforms. While some entrepreneurs successfully integrated technology into their operations, many relied on basic digital tools due to cost or technical knowledge limitations, indicating a gap between potential innovation and practical implementation.

Several entrepreneurs also highlighted **management and strategic planning challenges**. A lack of formal business planning and insufficient knowledge in financial management were seen as limiting factors for sustaining innovation over the long term. Participants stressed the importance of mentoring and capacity-building programs offered by the incubator to improve managerial skills and strategic decision-making.

Interestingly, some participants noted that consumer feedback plays a central role in driving innovation. Entrepreneurs actively collected feedback through social media interactions, customer surveys, and direct communication, which informed product design, service delivery, and marketing campaigns. This practice illustrates how customer-centric approaches are integrated into innovation processes.

Finally, the FGD findings indicate that the incubator environment itself acts as a catalyst for innovation. Participants emphasized that access to networking opportunities, peer learning, workshops, and mentorship sessions encouraged experimentation and creative problem-solving. The incubator not only provides physical resources but also fosters a collaborative culture that accelerates innovation adoption among creative entrepreneurs in Medan.

Discussion

The results of this study indicate that business innovation in Medan's creative sector is predominantly driven by product innovation and digital marketing, which aligns with the characteristics of creative MSMEs. These findings support (Anjaningrum & Rudamaga, 2019), who state that product innovation plays a crucial role in enhancing the competitiveness of the creative industry. Product innovations implemented by Medan entrepreneurs are largely incremental, yet they remain relevant to local market needs.

The high utilization of digital marketing (86.7%) reflects entrepreneurs' awareness of the importance of digital transformation. This finding is consistent with (Susanti et al, 2020), who argue that digital marketing significantly increases visibility and sales for MSMEs. However, the limited digital literacy reported by more than half of the FGD participants indicates that technology adoption is not yet fully optimized.

Entrepreneurial collaboration, reported by 60% of respondents, reinforces the view that innovation in the creative sector develops through ecosystems and business networks, rather than solely through individual efforts. This finding aligns with (Bergek & Norrman, 2008) and (Hackett & Dilts, 2004), who emphasize that business incubators play a vital role in creating a collaborative environment that supports both innovation and business sustainability.

The main challenges, including limited capital, access to technology, and business management capacity, suggest that business innovation is not yet fully integrated with strategic planning. (Arda & Andriany, 2021) highlight that entrepreneurship mentoring and managerial capacity building are key factors in improving the success of incubator tenants. Therefore, these findings underscore the importance of incubators and government policies in providing access to financing, digital training, and sustainable business mentoring.

Overall, this study demonstrates that business innovation in Medan's creative sector has developed positively but still requires strengthening of the innovation ecosystem to support long-term growth and sustainability of creative enterprises.

Conclusion

This study indicates that business innovation in Medan's creative sector, particularly among tenants of the **PUSKIIBI UMSU Business Incubator**, has developed through **product innovation, digital marketing utilization**, and **inter-entrepreneur collaboration**, despite facing constraints such as limited capital, technology access, digital literacy, and managerial

capacity. These findings imply the need to **strengthen entrepreneurs' capabilities** through continuous mentoring, innovation and business management training, and the optimization of incubators as facilitators of a collaborative ecosystem. From a policy perspective, government and stakeholder support is necessary in the form of **more inclusive financing access**, enhanced infrastructure and digital literacy, as well as synergy among incubators, academics, and industry sectors to promote **innovation and sustainability** in Medan's creative sector.

References

- Agustina, S. P., Endri, V. D., Saputri, R. T., & Zora, F. (2025). Strategi pengembangan UMKM di sektor ekonomi kreatif untuk meningkatkan daya saing. *Innovative: Journal Of Social Science Research*, 5(3), 5123–5135. <https://doi.org/10.31004/innovative.v5i3.19286>
- Anjaningrum, W. D., & Rudamaga, H. (2019). Creative industry: Enhancing competitive advantage and performance. *Asia Pacific Management and Business Application*, 7(3), 123–146.
- Arda, M., & Andriany, D. (2021). Peningkatan kapasitas entrepreneurship melalui pelatihan kewirausahaan bagi tenant. *Prosiding Seminar Nasional Kewirausahaan*, 2(1), 1–10.
- Arda, M., & Andriany, D. (2025). Pengaruh bantuan modal dan pendampingan terhadap keberhasilan usaha mahasiswa P2MW. *Prosiding Seminar Nasional USM*, 1(1), 1–12.
- Bergek, A., & Norrman, C. (2008). Incubator best practice: A framework. *Technovation*, 28(1–2), 20–28.
- Creswell, J. W. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches* (4th ed.). Thousand Oaks, CA: SAGE Publications.
- Khalikussabir, K., & Sudarmiati, S. (2025). Product innovation as a catalyst for international expansion of MSMEs: An analysis of the Indonesian creative sector. *Jurnal Bintang Manajemen*, 2(4). <https://doi.org/10.55606/jubima.v2i4.3421>
- Hackett, S. M., & Dilts, D. M. (2004). A systematic review of business incubation research. *Journal of Technology Transfer*, 29(1), 55–82.
- Harahap, I., Nawawi, Z. M., & Sugiarto, E. (2022). Industri kreatif UMKM di Kota Medan dalam perspektif ekonomi Islam. *Jurnal Ilmiah Ekonomi Islam*, 8(2), 1991–1997. <https://doi.org/10.29040/jiei.v8i2.5796>
- Howkins, J. (2013). *The creative economy: How people make money from ideas*. London: Penguin Books.
- Insiatiningsih, I., & Widyayanti, E. R. (2024). Model inovasi ekonomi kreatif berbasis digital bagi UKM dalam menembus pasar ekspor. *Jurnal Riset Akuntansi dan Bisnis Indonesia*, 4(4), 973–998. <https://doi.org/10.32477/jrabi.v4i4.1135>
- Nadliroh, I. D., Sudarmiati, S., & Perdana, L. W. (2023). Development of SME entrepreneurship in the creative economic sector: The influence of innovation management, technology, and motivation. *Jurnal Bisnis dan Manajemen*, 10(2), 217–222. <https://doi.org/10.26905/jbm.v10i2.11635>
- OECD. (2018). *Innovation and creativity in the creative economy*. Paris: OECD Publishing.
- Purnomo Sidi, A., Citaningtyas Ari Kadi, D., & Santoso, R. (2024). Pelaku UMKM industri kreatif di Jawa Timur sadar pentingnya inovasi dalam menghadapi disrupsi teknologi. *Relasi : Jurnal Ekonomi*, 20(1), 128–140. <https://doi.org/10.31967/relasi.v20i1.985>
- Pratt, A. C., & Jeffcutt, P. (2009). *Creativity, innovation and the cultural economy*. London: Routledge.
- Ratna, P., Purnomo, Y. J., & Sutrisno. (2024). The role of innovation and creativity in business management to enhance SME economy in the creative industry. *Indo-Fintech Intellectuals*:

Journal of Economics and Business, 4(3), 858–871. <https://doi.org/10.54373/ifjeb.v4i3.1473>

Siagian, N. A., Solfema, S., & Putri, L. D. (2024). Upaya ekonomi kreatif dalam mendorong pertumbuhan UMKM di Indonesia. *Jurnal Penelitian Multidisiplin Bangsa*, 1(8), 303. <https://doi.org/10.59837/jpnmb.v1i8.303>

Susanti, N., Gunawan, A., & Sukaesih. (2020). Pemanfaatan digital marketing dalam pengembangan UMKM. *Jurnal Manajemen dan Bisnis*, 17(2), 163–171.

Suryana, Y., & Bayu, K. (2021). Inovasi dan daya saing UMKM kreatif di era digital. *Jurnal Ekonomi Kreatif Indonesia*, 3(1), 45–58.

Wahyudiono, W., Estiasih, S. P., Aminatuzzuhro, & Prawira, Y. (2023). Optimalisasi nilai manajemen dan inovasi bisnis dalam rangka mendorong kemandirian usaha sektor industri kreatif. *Jurnal Ilmu Manajemen*, 11(4).

Wibowo, N. A., Wahyudi, E. J., Ismawati, L., Hermawan, A., & Wardana, L. W. (2024). Opportunities and challenges of digital transformation for creative economy development: A study literature review. *International Journal of Business, Law, and Education*, 5(1), 569. <https://doi.org/10.56442/ijble.v5i1.569>