

ENHANCING COMPETITIVENESS THROUGH CREATIVITY AND CULTURAL HERITAGE: A COMPARATIVE STUDY OF MICRO- AND SMALL-SCALE HANDICRAFT ENTERPRISES IN SOUTHEAST ASIA

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Abstract

Micro and small craft enterprises (MSEs) play a crucial role in promoting sustainable competitiveness in the Southeast Asia region. This study aims to explore how creativity and cultural heritage management contribute to the competitiveness of micro and small enterprises through a comparative analysis. Using a qualitative approach, field observations, interviews, and focus group discussions were conducted in Ciamis, Indonesia, and Negros Occidental, the Philippines. Thematic and comparative analyses were applied to identify creativity-based strategies, innovation practices, and institutional support. The findings show that Indonesian MSEs emphasize heritage-based collaboration and authenticity, while Filipino enterprises focus on design-led innovation and export-oriented storytelling. Both contexts face challenges in digital transformation and sustainability. This study proposes an integrative framework for enhancing creative competitiveness by combining cultural heritage, creativity management, and innovation ecosystems across Southeast Asia.

Keywords: creativity management, cultural heritage, micro and small enterprises, competitiveness, creative economy, Southeast Asia

Abstrak

Usaha mikro dan kecil (UMK) berbasis kriya memiliki peran dalam meningkatkan daya saing berkelanjutan di kawasan Asia Tenggara. Penelitian ini bertujuan untuk menganalisis bagaimana pengelolaan kreativitas dan warisan budaya berkontribusi terhadap peningkatan daya saing UMK melalui studi komparatif. Penelitian ini menggunakan Pendekatan Kualitatif, dengan teknik observasi lapangan, wawancara mendalam, dan focus group discussion (FGD) yang dilakukan di Kabupaten Ciamis, Indonesia dan Negros Occidental, Filipina.. Analisis dilakukan secara tematik dan komparatif untuk mengidentifikasi strategi berbasis kreativitas, praktik inovasi, serta dukungan kelembagaan. Hasil penelitian menunjukkan bahwa Usaha Mikro Kecil di Indonesia menekankan kolaborasi dan autentisitas berbasis warisan budaya, sementara di Filipina berfokus pada inovasi desain dan orientasi ekspor. Keduanya menghadapi tantangan dalam transformasi digital dan keberlanjutan. Penelitian ini menawarkan kerangka integratif untuk memperkuat daya saing kreatif melalui sinergi antara warisan budaya, manajemen kreativitas, dan ekosistem inovasi di kawasan Asia Tenggara.

Kata kunci: manajemen kreativitas, warisan budaya, UMK, daya saing, ekonomi kreatif, Asia Tenggara

Introduction

The creative economy has become one of the most dynamic and fastest-growing sectors in the world, integrating culture, technology, and entrepreneurship as drivers of sustainable development.

According to the United Nations Conference on Trade and Development (UNCTAD, 2023), creative industries contribute more than USD 2.25 trillion to the global economy and employ nearly 30 million people worldwide. Within the ASEAN context, micro, small, and medium enterprises (MSMEs) play a crucial role in shaping local innovation systems, representing over 97% of all business entities and contributing significantly to GDP and employment (OECD, 2022). These enterprises, especially in the craft subsector, serve as vital channels for preserving cultural identity while fostering inclusive economic growth (Florida, 2019; Throsby, 2021).

Several studies highlight the importance of creativity management and cultural heritage as strategic assets for regional competitiveness. In Indonesia, the creative economy contributes approximately 7.8% to national GDP, with crafts being one of the top three subsectors driving exports (Ministry of Tourism and Creative Economy, 2023). Research by Lestari and Nugroho (2022) found that community-based creative enterprises strengthen rural innovation through cultural adaptation and digital transformation. Similarly, in the Philippines, the Department of Trade and Industry (DTI, 2022) reported that creative industries account for nearly 7% of GDP, emphasizing design-led innovation and global storytelling as key competitive strategies. Villanueva and Agustin (2023) further observed that Filipino artisans integrate local narratives into global product design, demonstrating the synergy between cultural heritage and market competitiveness.

However, despite the growing recognition of the creative economy's potential, comparative empirical research in Southeast Asia remains limited. Most existing studies focus on macroeconomic indicators or national-level policy frameworks, leaving a gap in understanding how creativity and cultural heritage are managed at the micro-enterprise level to enhance competitiveness (Hadiyati, 2020; Liu et al., 2021). Moreover, fragmented institutional support, low digital literacy, and uneven access to financial and marketing resources continue to hinder the sustainability of creative microenterprises across the region (OECD, 2022; UNCTAD, 2023).

This study advances the current body of knowledge by addressing that gap through a comparative analysis of micro and small craft enterprises (MSEs) in Southeast Asia, with empirical evidence from Indonesia and the Philippines. By examining how these enterprises integrate creativity management, cultural heritage, and innovation ecosystems, the study seeks to reveal the mechanisms that strengthen creative competitiveness at the grassroots level.

The novelty of this research lies in its integrative framework that combines the principles of creativity management, cultural heritage preservation, and innovation ecosystems within a regional ASEAN context. Unlike previous studies that treat creativity and heritage as separate domains, this study conceptualizes them as mutually reinforcing dimensions that can generate sustained competitive advantage for micro and small craft enterprises.

Based on the above, the main research problem addressed in this study is: How do micro and small

craft enterprises in Southeast Asia particularly in Indonesia and the Philippines utilize creativity and cultural heritage to strengthen their competitiveness?

Accordingly, the objective of this article is to develop an integrative framework for enhancing creative competitiveness through the synergy of cultural heritage, creativity management, and innovation ecosystems in the Asia region.

This paper is particularly interesting because it bridges the cultural and economic dimensions of the creative industry, offering an analytical comparison between two Southeast Asian countries that share similar cultural roots but different innovation pathways. By combining empirical insights from artisans and institutional actors, the study provides fresh perspectives on how creativity and heritage can coexist as strategic assets for competitiveness. Moreover, the proposed integrative framework contributes both theoretically and practically offering policy implications for regional collaboration, creative entrepreneurship development, and sustainable cultural industries across Southeast Asia.

Research Method

This study employed a qualitative comparative approach to explore how micro and small craft enterprises (MSEs) in Southeast Asia particularly in Indonesia and the Philippines manage creativity and cultural heritage to enhance competitiveness. The qualitative approach was chosen because it allows for a deeper understanding of contextual dynamics, cultural meanings, and innovation behaviors that cannot be fully captured through quantitative indicators.

The research was conducted in two study sites that represent distinct yet comparable cultural and institutional contexts. The first site, Ciamis Regency in Indonesia, is well known for its traditional craft sectors such as bamboo weaving, batik, and wooden handicrafts. The second site, Negros Occidental in the Philippines, is characterized by creative entrepreneurship centered on eco-design, weaving, and storytelling-based products. These two locations were selected to reflect the diversity of creative industry ecosystems in the Southeast Asian region.

Data collection relied on primary and secondary sources. Primary data were obtained through in-depth interviews, focus group discussions (FGDs), and field observations. Twenty participants were involved, including artisans, small business owners, local government officials, and representatives of creative community organizations. Interviews were conducted to obtain insights into business models, innovation processes, and the role of cultural heritage in product differentiation. FGDs were used to capture collective perspectives on local creativity, while field observations provided direct evidence of production practices, community collaboration, and marketing strategies. Secondary data were drawn from official reports, creative economy policy documents, and publications issued by the Ministry of Tourism and Creative Economy (Kemenparekraf, 2023), the Department of Trade and Industry (DTI, 2022), and the United Nations Conference on Trade and Development (UNCTAD, 2023).

The data were analyzed using thematic and comparative analysis techniques following Braun and

Clarke (2021). Through thematic analysis, key patterns were identified concerning creativity management, innovation strategies, and institutional support systems. Comparative analysis was then used to examine the differences and similarities between the two countries, revealing how cultural and institutional settings influence the way micro and small craft enterprises sustain their competitiveness. To ensure analytical rigor, the study applied data triangulation, cross-verifying information from interviews, observations, and documentary sources.

To maintain the trustworthiness of the research, the criteria of credibility, transferability, dependability, and confirmability were followed as proposed by Lincoln and Guba (1985). Credibility was achieved through member checking and extended engagement with participants; transferability was ensured by providing detailed contextual descriptions; dependability was maintained through consistent documentation of data collection procedures; and confirmability was achieved through transparent interpretation processes.

Overall, this methodological approach allowed the researchers to construct a comprehensive and integrative framework for understanding the interaction between creativity, cultural heritage, and competitiveness in Southeast Asia's craft-based economy. The comparative design provided valuable insights into how innovation and tradition coexist within different cultural ecosystems, offering a foundation for regional policy formulation and academic discourse on creative economy development.

Results and Discussion

The analysis of data obtained from field observations, interviews, and focus group discussions in Ciamis, Indonesia, and Negros Occidental, the Philippines, reveals diverse strategies of creativity management and cultural heritage utilization among micro and small craft enterprises (MSEs). The findings are presented and discussed analytically to answer the research hypothesis: creativity management and cultural heritage integration enhance the competitiveness of craft-based micro and small enterprises in Southeast Asia.

1. Creativity Management Practices

In Ciamis, Indonesia, the creative industry emphasizes heritage-based innovation where traditional crafts such as bamboo weaving, batik, and wooden handicrafts are revitalized through incremental design adaptation. These enterprises maintain authenticity as a unique value proposition while integrating environmentally friendly materials and digital marketing. This finding supports the argument by Schumpeter (1934) and Florida (2019) that incremental innovation in traditional industries strengthens resilience and cultural identity.

In Negros Occidental, the Philippines, creative enterprises implement design-led and storytelling-based innovation, focusing on integrating local narratives into globally competitive products. The strategy is driven by export-oriented goals and collaboration between artisans, universities, and government agencies through the *Quadruple Helix* model (Carayannis & Campbell, 2021). The contrast

between the two countries demonstrates how institutional context influences creative behavior—Indonesian enterprises tend to rely on local social capital, whereas Filipino enterprises rely on structured innovation networks and market-oriented support.

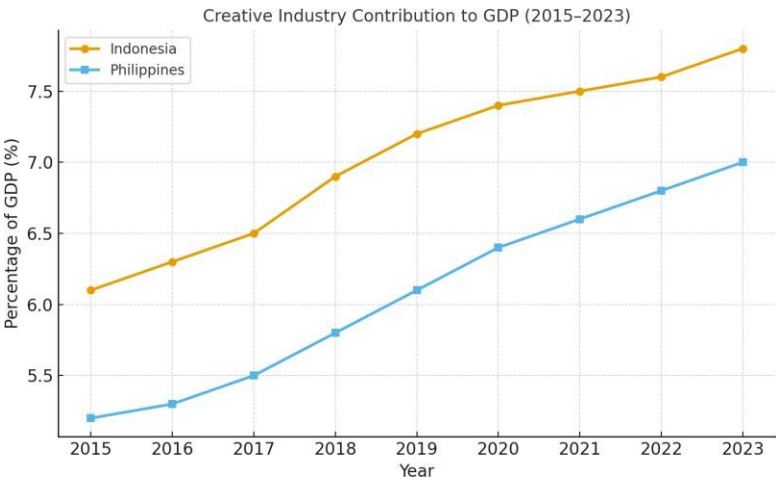
2. Institutional and Policy Support

Institutional frameworks significantly determine the sustainability of creative microenterprises. In Indonesia, government programs under the Ministry of Tourism and Creative Economy (Kemenparekraf, 2023) have facilitated creative clusters and exhibitions but digital literacy remains uneven. The Philippines, on the other hand, shows stronger institutional integration, with policy alignment through the Department of Trade and Industry (DTI, 2022) and creative hubs established in Negros Occidental. The comparison illustrates that while Indonesia’s ecosystem supports community creativity, the Philippines prioritizes design professionalism and export capacity.

3. Economic Growth Trends of Creative Industries

The contribution of the creative economy to national GDP in both countries has shown a steady upward trend over the past decade, reflecting the growing recognition of creative sectors as drivers of economic transformation.

Figure 1. Creative Economy GDP Trend in Indonesia and the Philippines (2015–2023)



(Source: Kemenparekraf, 2023; DTI, 2022; UNCTAD, 2023)

The data illustrate that Indonesia’s creative economy contributes slightly higher to GDP, while the Philippines experiences faster post-pandemic recovery. The difference can be attributed to the Philippines’ export-driven innovation and Indonesia’s heritage-based production model. Both trends align with UNCTAD (2023), which highlighted that digital trade and creative exports are key recovery drivers in post-COVID-19 economies.

4. SWOT Analysis

To gain a deeper understanding of the strategic position of craft-based micro and small enterprises (MSEs), a SWOT analysis was conducted using qualitative data obtained from interviews, field observations, and supporting documents. This analysis provides insight into the internal and external factors that influence competitiveness in both Indonesia and the Philippines.

Table 1. SWOT Matrix of Craft-Based Micro and Small Enterprises

FACTOR CATEGORY	KEY FACTORS	WEIGHT	RATING (1–4)	WEIGHTED SCORE
STRENGTHS	Strong cultural heritage and traditional craftsmanship (Indonesia)	0.15	4	0.60
	Storytelling and branding	0.12	4	0.48
WEAKNESSES	Community collaboration and	0.10	3	0.30
	Limited digital marketing	0.10	2	0.20
	Dependence on export markets	0.08	2	0.16
	Limited financial access for	0.08	2	0.16
OPPORTUNITIES	Growing global demand for	0.10	4	0.40
	ASEAN creative economy	0.07	3	0.21
THREATS	Cultural commodification	0.07	2	0.14
	Climate-related production	0.06	2	0.12
TOTAL		1.00		2.77

Source; Analysis Result,2025

The overall weighted score of 2.77 indicates a moderate-to-strong competitive position of the creative craft sector in both countries. The results show that strengths and opportunities outweigh weaknesses and threats, suggesting that both Indonesia and the Philippines have favorable internal and external conditions for sustaining creative competitiveness. The highest contributing factors to competitiveness are:1) heritage and traditional craftsmanship (Indonesia), 2) Branding and storytelling innovation (Philippines), 3) Growing demand for sustainable and ecofriendly crafts. Meanwhile, the main strategic challenges are digital transformation and financial accessibility for artisans, especially in rural creative clusters. This aligns with Hadiyati (2020) and UNCTAD (2023), who emphasized that creative MSMEs' future growth relies on technology adaptation and cross- border knowledge sharing.

Conclusion

The study highlights that the competitiveness of micro and small craft enterprises in Southeast

Asia is closely linked to their ability to integrate creativity management with the preservation and transformation of cultural heritage. Both Indonesia and the Philippines demonstrate that creativity, when rooted in local identity and supported by an enabling ecosystem, becomes a strategic economic asset capable of sustaining inclusive growth. In Indonesia, the management of creativity tends to be community-based and heritage-oriented, emphasizing authenticity, collective collaboration, and the revitalization of traditional craftsmanship.

This approach strengthens local resilience and maintains cultural continuity while gradually integrating digital innovation. In contrast, the Philippine model reflects a design-led and storytelling-driven strategy, characterized by strong institutional coordination, export orientation, and emphasis on global branding. Despite the contextual differences, both models reveal that creativity and culture are not opposing forces but mutually reinforcing elements that drive innovation and competitiveness. The synthesis of findings from the field study and SWOT analysis suggests that internal strengths such as cultural authenticity and design capability can effectively offset external challenges like market volatility, limited financial access, and technological disparities. The strategic implication of this study is that the synergy between heritage-based authenticity and design driven innovation forms a hybrid framework that can enhance creative competitiveness across ASEAN economies.

From a theoretical standpoint, this research reinforces the relevance of innovation ecosystem theory and cultural sustainability, demonstrating that competitive advantage in creative industries emerges from collaboration among government, academia, and creative communities. Practically, it offers guidance for policymakers and industry stakeholders to prioritize digital transformation, capacity building, and cross-border partnerships in strengthening creative value chains. Ultimately, this paper contributes to the growing discourse on cultural-based entrepreneurship by presenting a comparative model of how Southeast Asian creative enterprises can balance tradition and innovation. Future studies may further explore how regional integration mechanisms and technology adoption can accelerate this synergy to build a more sustainable and inclusive creative economy in the ASEAN region.

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