

The Importance of Innovation in Ensuring Business Sustainability through MSME Product Development

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Abstract-Business sustainability demonstrates a company's capacity to fulfill consumer demands while keeping pace with evolving trends through continuous innovation and product development. This study seeks to explore the significance of innovation and product development in ensuring long-term business success. By employing a systematic review and meta-analysis approach, the research provides a more in-depth and comprehensive analysis than traditional literature reviews. This method enables researchers to synthesize various findings and gain a clearer understanding of the strategies that contribute to business sustainability. The study reveals that innovation and product development are not only strategic tools but also critical elements in helping businesses survive amid intense market competition. Businesses that regularly update and enhance their products are better positioned to respond to dynamic consumer preferences, technological advancements, and industry changes. Particularly for Micro, Small, and Medium Enterprises (MSMEs), which often face challenges related to limited resources, innovation becomes a key factor in maintaining competitiveness and relevance. By integrating innovation into their operations, MSMEs can increase their agility, meet diverse customer needs, and adapt to shifting market demands. Continuous product development allows businesses to offer added value, differentiate themselves from competitors, and build stronger customer loyalty. This proactive approach ultimately supports their sustainability in the long term. The research underscores that innovation should be viewed as a necessity rather than an option in today's business environment. In conclusion, adopting innovation and consistently developing products are essential strategies for achieving business resilience, growth, and sustainability in a fast-changing and competitive marketplace.

Keywords: innovation, product development, business sustainability

I. INTRODUCTION

Innovation is a crucial element in maintaining business sustainability, especially in the context of dynamic and competitive product development. In an increasingly complex business environment, where rapid change is the norm, innovation serves not only as a tool to attract consumer interest, but also as a strategy to maintain market share. A study shows that the flow of innovation in the craft business sector, as seen in the wig business in Purbalingga, involves active interaction with various parties, including manufacturers, training, and marketing networks. This shows that product innovation can emerge from the learning process between business actors and is collaborative, facilitating business growth at the regional level [1]. In 2023, the number of Indonesian MSMEs will reach 66 million, indicating a growth of 1.52% compared to 2022. The following is data on the development of MSMEs in Indonesia.

Table 1. Development of the Number of Indonesian MSMEs 2018-2023

Indicator	Value
Number of MSMEs (2023)	66 million units
Contribution to GDP	61%
Absorption of labor	117 million people (97%)
Growth in the number of MSMEs (2022-2023)	1.52%

Source: [2]

Based on table 1, the number of MSMEs reaching 66 million units shows the great potential of this sector in the national economy. The contribution to GDP of 61% confirms the vital role of MSMEs in creating added economic value, while the absorption of 97% of the workforce confirms that this sector is the main driver in providing employment. The growth of MSMEs of 1.52% in 2022–2023 shows a positive trend, although innovation challenges are still a significant obstacle to sustainable growth. Seeing the importance of the role of innovation in product development for business sustainability, this study aims to explore how business actors understand and apply innovation in their business strategies. With a qualitative approach, this study will explore



perceptions, challenges, and best practices in integrating innovation to ensure business sustainability amidst increasingly competitive competition.

Furthermore, the development of product innovation has also been proven to be able to increase the competitiveness of micro, small, and medium enterprises (MSMEs), with a digital marketing approach that increases product visibility in the market. Innovations that include improvements in packaging, names, and product branding make MSMEs able to attract consumers' attention, especially in crisis situations such as the COVID-19 pandemic [3]. This finding underlines the strategic role of innovation in strengthening business positions and achieving financial sustainability [4]. Further research also reveals that the skills and creativity of business actors greatly influence business success, where product innovation is directed to meet the changing needs and preferences of consumers [5]. Therefore, being proactive in creating new products and building good relationships with consumers can result in significant competitive advantages [6].

Moreover, innovation is not only limited to new products but also includes the process of improving quality and operational efficiency. In the food processing industry, research shows that creativity and innovation can contribute significantly to business sustainability, by improving production processes and improving product quality, so that they can compete in a saturated market [7]. With a deep understanding of these positive impacts, business actors are expected to be able to integrate innovation into their business strategies to achieve the desired sustainability. Thus, it can be concluded that innovation is not only an additional element, but is a strategic foundation that underlies business sustainability. Businesses that are able to adapt through product innovation tend to be more able to survive and thrive in a challenging business environment.

II. LITERATURE REVIEW

2.1 Innovation

Innovation can be defined from several perspectives. First, innovation is defined as a change that provides value in a particular context [8]. In health education, for example, innovation is an effort aimed at overcoming certain problems and increasing the effectiveness of learning. Second, innovation can be seen as a process that involves the development of new ideas accompanied by the application of technology, knowledge, and resources [9]. In the organizational context, innovation is not only focused on products,

but includes new practices, structures, and processes [10]. Third, innovation can also be understood as a response to complex challenges or "wicked problems" faced by society, which require new and creative approaches [11].

There are several indicators that can be used to measure innovation. First, the indicator of innovation success can be seen from the extent to which the innovation can overcome the problems faced and provide a positive impact on users or consumers [12]. Second, the process of implementing innovation also needs to be considered, namely the way in which new ideas are integrated into existing structures and how widely the adoption of the innovation is recognized and utilized by various parties [13]. Third, the availability of resources and support from stakeholders is also very important in ensuring the success of Gjertsen's innovation [14].

2.2 Product Development

Product development is an integral process that involves creating new products or improving existing products to meet market and consumer needs. In the literature, product development is described as a series of structured steps to identify opportunities and create value in various industrial contexts. According to Purbawati, product development includes the introduction of new products and improvements to existing products as a strategy to survive in a competitive market [15]. The product development process involves needs analysis and evaluation by experts to ensure the effectiveness of the resulting product [16]. In addition, other studies show that good product development must also pay attention to consumer preferences, which requires the use of appropriate analysis methods to understand the product attributes desired by consumers [17].

Identifiable product development indicators include: first, a thorough needs analysis to understand consumer characteristics and expectations [18]. Second, product evaluation and validation by experts in related fields to ensure that the product meets relevant standards [16]. And third, testing and feedback from consumers after the product is launched, to help identify areas that need to be improved or refined [19]. All of these indicators are very important to ensure that the product being developed is not only innovative, but also competitive and able to create consumer satisfaction in an ever-evolving market.



2.3 Business Sustainability

Business sustainability is very important in the modern context where the business environment is increasingly complex. According to several studies, business sustainability can be defined as the ability of an organization to maintain its operations and growth in the long term, without damaging the environment or sacrificing social aspects [20]. In this context, business sustainability not only includes environmental responsibility, but also indicates the need for a balance between economic, social, and environmental factors. Furthermore, business sustainability is also related to the company's ability to adapt to market changes and dynamic external conditions, as explained in previous studies that highlight the importance of environmental education in building social and economic awareness [21].

Indicators of business sustainability can vary, but some important indicators include economic performance, social sustainability, and environmental impact. Economic performance can be measured through profitability and market competitiveness [22]. Social sustainability is often evaluated through a company's relationship with stakeholders, such as consumers and communities, which indicates the extent to which the company can meet social needs [23]. Finally, environmental impact requires companies to consider how their operational practices affect the environment, including the use of natural resources and the waste they produce [24]. Therefore, business sustainability is key for companies to not only survive but also to thrive in the context of an increasingly responsible global economy.

III. RESEARCH METHODS

The literature study research method is an approach used to analyze, collect, and evaluate various sources of literature related to a particular topic. Through this approach, understanding the trends, developments, and debates that occur in a field of study becomes very important. Literature studies play a role in helping researchers formulate hypotheses, identify existing research gaps, and build a strong conceptual framework for further research [25].

This approach includes a number of systematic stages, such as selecting and assessing the quality of relevant research, as well as processing data obtained through systematic reviews and meta-analyses. This provides a more effective way compared to traditional literature studies, because it allows researchers to gain

a deeper understanding of the impact of information systems on career development and competence [26].

These findings suggest that literature-based research is not only relevant in one discipline, but can also be a powerful tool for evaluating various methodologies and practices in various fields. By applying a systematic approach, comparative analysis, and structured writing, the literature study method becomes an important foundation in the development of science and allows researchers to make meaningful contributions to the advancement of knowledge in a discipline [27].

IV. RESULTS AND DISCUSSION

Based on the results of research from literature studies, innovation strategies have an important role in increasing business success, especially in the midst of today's increasingly competitive market. Strong innovation allows products to adapt to technological developments and consumer desires that often change. As in companies that have survived for a long time, they can continue to innovate to adapt to technology and consumer desires. This also needs to be imitated by business actors such as MSMEs to continue to innovate for the sake of , business sustainability [28].

In addition to innovation, product development for product development focuses more on the improvement or refinement of existing products, such as improving design, features, functions, quality, and packaging, to better suit market needs and preferences. In other words, product development is a concrete implementation of innovation results that aim to maintain the competitiveness and relevance of products in the market. Product development also plays a role in increasing business sustainability in meeting consumer needs with existing products [29]. The findings in this study state that innovation and product development are ways that can be done to improve business sustainability. This is reinforced by the results of previous literature analysis obtained through searches using the Publish or Perish application , which produced relevant data and can be interpreted as the novelty of this study, as follows:

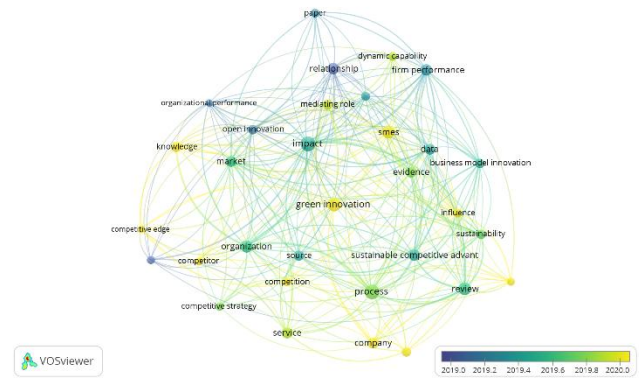


Table 2. Article Data on Publish or Perish

No	Citation	Writer	Title	Publication
1	993	D Streimikienė, B Svagzdienė	Sustainable tourism development and competitiveness: The systematic literature review	Wiley Online
2	953	N Haefner, J Wincent, V Parida, O Gassmann	Artificial intelligence and innovation management: A review, framework, and research agenda	Elsevier
3	920	NJ Foss, T Saebi	Business models and business model innovation: Between wicked and paradigmatic problems	Elsevier
4	884	SK Singh, S Gupta, D Busso, S Kamboj	Top management knowledge values, knowledge sharing practices, open innovation and organizational performance	Journal of business
5	870	J Abbas, M Sağsan	Impact of knowledge management practices on green innovation and corporate sustainable development: A structural analysis	Journal of cleaner

Source: [30]

Based on the results of the literature study above, to determine the position and existence of research on innovation, product development in improving business sustainability, all articles that have been collected are then analyzed using VOSviewer software. The results of this analysis are visualized as shown in Figure 1. In general, VOSviewer arranges variable nodes in the form of a network on a two-dimensional plane, where the distance between nodes reflects the strength of the relationship between variables. The closer the two nodes are, the stronger the relationship between the variables, indicating that the two variables are often studied together. Conversely, the further the distance, the weaker the relationship between the variables, or the less often the variables are studied together



Source: [31]

Figure 1. VOSviewer

Based on bibliometric analysis using VOSviewer, it is seen that research related to innovation and business sustainability through product development forms a complex and interrelated knowledge structure. The visual map shows the close relationship between keywords such as green innovation, open innovation, firm performance, sustainable competitive advantage, organization, and market. This shows that innovation—both in the form of green innovation and innovative business models—has become a major focus in the literature related to product development and business sustainability.

This visualization shows that green innovation is one of the most central nodes, which is strongly connected to aspects such as sustainability, organization, impact, and process. This indicates that the development of innovative products is not only aimed at increasing sales value, but also as a primary strategy in achieving sustainable competitive advantage.

This literature study approach allows to see trends and maps of concept developments from various previous studies. Qualitative literature research like this provides a deep understanding of how innovation is positioned as a key factor in maintaining business existence, especially amidst the challenges of market dynamics, technological change, and global environmental pressures.

V. CONCLUSION AND SUGGESTIONS

Based on the research results, innovation is not just a technical tool, but a strategic element in maintaining business sustainability. Through the development of innovative products that are relevant to market needs and sustainability values, businesses, especially in the context of MSMEs or developing companies, can build a stronger position in a

competitive market. This literature review shows that there is ample room to dig deeper into how innovation is applied strategically to create long-term value for business sustainability.

VI. REFERENCE

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