

ENHANCING THE COMPETITIVENESS OF LOMBOK'S CREATIVE ECONOMY: VALUE CREATION AND SOCIAL RESPONSIBILITY IN LOCAL AGRO-CRAFT INDUSTRIES

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Abstract

In developing tourism-driven regions, the survival and scaling of creative industries depend heavily on their microeconomic competitiveness and ability to generate sustainable local impacts. This community service initiative examines methods to enhance the competitive advantage of Lombok's creative economy by optimizing value creation and corporate social responsibility frameworks. The program was executed in strategic partnership with two benchmark local enterprises in Mataram, Lombok: NUTSAFIR Cookies, representing the sustainable agricultural processing sector, and Dwi Kristy Mutiara, representing the high-value cultural craft sector. The primary objective was to transition these micro, small, and medium enterprises (MSMEs) from traditional operating models to highly competitive, socially responsible institutions that foster community-wide economic growth. Using a participatory action learning approach, the intervention delivered strategic training on unique product differentiation, geographical brand storytelling, ethical local sourcing, and inclusive community-based supply chain structures. The results indicate that structured value creation—rooted in the authentic utilization of Lombok's natural and cultural heritage—significantly increased the market premium and consumer appeal of the partners' products. Furthermore, embedding social responsibility into their core business models effectively mobilized local community networks as active economic stakeholders rather than mere suppliers. This initiative concludes that the convergence of localized value creation and structured social responsibility acts as a vital mechanism for boosting regional competitiveness and securing long-term economic autonomy within Lombok's creative economy.

Keywords: Creative Economy, Competitiveness, Value Creation, Agro-Craft Industries, Mataram Lombok.

INTRODUCTION

The creative economy has become a strategic driver of Indonesia's economic development, making a significant contribution to job creation, income growth, and the preservation of local culture. In tourist destinations, creative economy enterprises not only produce goods and services but also create unique experiences that reflect the region's identity and cultural heritage. Among the sectors with great potential are agro-industry and the local handicraft industry, which utilize local resources and traditional knowledge to produce products of economic and cultural value. In Lombok, these sectors play a vital role in supporting tourism activities while creating livelihood opportunities for the local community.

Despite their significant potential, many local micro, small, and medium-sized enterprises (MSMEs) still face challenges in maintaining their competitiveness in an increasingly dynamic market. The rapid growth of the tourism industry, shifting consumer preferences, and increasing

market competition require these businesses to innovate and differentiate their products continuously. Competitiveness is no longer determined solely by product quality or price, but also by a business's ability to create added value through branding, product innovation, customer experience, and effective communication of their unique characteristics. As a result, value creation has become a strategic

At the same time, consumers are increasingly concerned about how products are manufactured and the social impact of business activities. This trend has prompted companies to integrate social responsibility into their business strategies by supporting local communities, preserving cultural heritage, utilizing local resources responsibly, and promoting sustainable business practices. For companies in the creative economy sector, social responsibility is not only an ethical obligation but also a strategic asset that enhances business reputation, customer trust, and long-term competitiveness. Companies that successfully combine economic value with social and cultural contributions are better positioned to create sustainable competitive advantages.

These challenges are reflected in two local companies that are partners in this community service program. NUTSAFIR Cookies, a local agro-industrial company, produces processed food products using local raw materials and has great potential to strengthen the region's culinary identity. Meanwhile, Dwi Kristy Mutiara specializes in handmade pearl jewelry, which represents one of Lombok's most distinctive creative products. Although both companies have demonstrated the quality of their products and their market potential, they still face several obstacles, including limited product differentiation, inadequate communication of product value, and strategy,

Addressing these issues requires more than technical business training. Strengthening competitiveness should involve enhancing the capacity of entrepreneurs to create value by improving product innovation, strengthening brand identity, and communicating the cultural and social significance of their products. At the same time, business development should encourage responsible practices that create positive impacts for local communities through collaboration with local suppliers, support for community livelihoods, and the preservation of local cultural assets. Such an approach enables enterprises to develop sustainable business models while contributing to inclusive local economic development.

Based on these considerations, this community service program was designed to enhance the competitiveness of local agro-industry and craft enterprises through value creation and social responsibility. The program combined capacity-building activities, business mentoring, branding enhancement, product value development, and discussions on responsible business practices involving NUTSAFIR Cookies and Dwi Kristy Mutiara as community partners. By integrating economic, social, and cultural dimensions, the program sought to strengthen the ability of local enterprises to respond to market challenges while promoting sustainable creative economy development in Lombok.

This community service program aims to strengthen the competitiveness of local creative economy enterprises by boosting value creation, enhancing branding and product differentiation, and integrating social responsibility into business practices. The program is expected to contribute to the sustainable development of Lombok's creative economy while providing a practical community empowerment model that can be adapted by other tourism-based regions in Indonesia.

LITERATURE REVIEW

Creative Economy, Cultural Assets, and Local Competitiveness

Creative economy enterprises in tourism-based regions create value by transforming local cultural, natural, and knowledge resources into distinctive products and experiences. Cultural tourism research shows that contemporary visitors increasingly seek participatory and place-based experiences rather than only consuming physical attractions, creating opportunities for local food processors and craft producers to become part of a destination's identity (Richards, 2018). Creative tourism models also emphasize that local creators, communities, and small enterprises should be

positioned as active actors in regional development so that tourism produces broader cultural, social, and economic benefits (Duxbury et al., 2021).

In this context, agro-industry and handicrafts can strengthen local competitiveness when their products communicate a clear relationship with the place of origin. Local food contributes not only to visitor consumption but also to destination marketing, regional supply chains, and the circulation of economic benefits among local producers. However, these benefits require deliberate coordination, product development, and communication strategies rather than relying solely on the product's local origin (Stalmirska, 2024). Therefore, Lombok cookies made from local ingredients and pearl-based crafts can be positioned as regional value propositions that connect products, producers, culture, and tourism.

Value Creation, Branding, and Product Differentiation

Value creation refers to the process of increasing the benefits perceived by customers beyond a product's basic functional utility. For creative economy MSMEs, value may be generated through product quality, design, convenience, authenticity, cultural meaning, emotional experience, and the credibility of the producer. Branding enables these dimensions to be organized into a coherent identity and communicated to the market. A systematic review by Odoom et al. (2017) indicates that branding provides SMEs with an important mechanism for differentiation and growth, although many small businesses still manage brands informally and inconsistently because of limited resources and managerial capabilities.

Storytelling is particularly relevant for products whose value is closely linked to origin, craftsmanship, and cultural heritage. Brand storytelling helps SMEs connect brand identity with market positioning by communicating a core message, emotional promise, founder journey, production process, and local meaning (Fluhrer, 2026). Authentic storytelling can also improve consumer evaluations when the narrative is aligned with the actual characteristics, price, and category of the product (Yin et al., 2023). Thus, information about local ingredients, Lombok pearl characteristics, artisan involvement, and production traditions can serve as strategic content rather than merely descriptive information.

Social Responsibility and Sustainable Competitiveness

Social responsibility in MSMEs generally appears through practical relationships with employees, suppliers, customers, local communities, and the environment. These practices may include ethical sourcing, the use of local raw materials, fair collaboration with artisans, local employment, skills transfer, waste reduction, and cultural preservation. Stoian and Gilman (2017) argue that social responsibility is more likely to support SME growth when it is aligned with the firm's competitive strategy. Accordingly, community-oriented practices should not be treated as separate charitable activities, but as part of how the enterprise creates quality, authenticity, trust, and differentiation.

Empirical research further demonstrates that social responsibility can support firm performance through innovation capability. Martinez-Conesa et al. (2017) found that CSR was positively related to innovation and firm performance among SMEs, with innovation partially mediating the relationship. Similar evidence from developing-country SMEs shows that CSR can strengthen innovation capability and financial performance (Bahta et al., 2021). For local agro-craft enterprises, this relationship suggests that responsible sourcing and community collaboration may stimulate new product ideas, packaging narratives, production improvements, and stronger stakeholder support.

Capacity Building and Participatory Business Development

Strengthening MSME competitiveness requires more than transferring general business knowledge. Training is more effective when it addresses concrete business decisions and is followed by opportunities to apply the material. Anderson et al. (2018) showed that marketing-oriented business training can improve profitability by encouraging sales growth, market expansion,

investment, and the adoption of relevant business practices. A participatory approach is therefore appropriate because it combines external knowledge with entrepreneurs' understanding of their products, customers, resources, and local context.

Based on the literature, this community service program applies an integrated framework in which value creation, branding, authentic storytelling, social responsibility, and community collaboration reinforce one another. These mechanisms are expected to improve partners' managerial understanding, strategic readiness, product differentiation, and ability to communicate the economic, social, and cultural value of their products. Because this article reports a participatory community service intervention using descriptive evaluation, no research hypotheses are formulated.

RESEARCH METHODS

This community service activity was carried out using a participatory community empowerment approach combined with a capacity-building approach to enhance the competitiveness of creative economy actors by strengthening value creation and social responsibility. This approach positions partners as the primary actors in every stage of the activity, from problem identification and solution development to program implementation and evaluation of results. Thus, the empowerment process focuses not only on knowledge transfer but also on strengthening partners' capacity to develop innovative, competitive, and sustainable business strategies.

The community service activity was held on July 15, 2026, at the Aruna Senggigi Resort and Convention in Lombok, involving two key partners: NUTSAFIR Cookies, a local food-based agro-industrial business, and Dwi Kristy Mutiara, a pearl craft business. The activity was designed as an interactive workshop combining presentations, group discussions, case studies, and business consultation sessions. This format allowed the partners to relate the material directly to their existing products and market challenges. Such application-oriented training is important because business training produces stronger results when participants adopt practices that are directly connected to growth and market development (Anderson et al., 2018).

The community service program is implemented through four main stages: (1) needs assessment, (2) capacity building, (3) business mentoring, and (4) program evaluation.

Needs Assessment

The initial phase aims to identify the business conditions and needs of each partner. The assessment is conducted through field observations, interviews, and participatory discussions with business owners. The assessment focuses on aspects of product development, marketing strategies, branding, value creation, and social responsibility practices already implemented in business operations. The results of the assessment are used as the basis for developing training materials and mentoring strategies tailored to the needs of each partner.

Capacity Building

Based on the assessment results, training activities were conducted to enhance partners' competencies in developing more competitive and sustainable businesses. The training materials covered:

- Value creation strategies through product innovation and increased value-added;
- Strengthening product branding and storytelling;
- Product differentiation strategies to enhance competitiveness;
- Implementation of social responsibility in creative business development; and
- Sustainable business development strategies.

The training was conducted through lectures, case studies, interactive discussions, and hands-on business strategy development exercises, enabling participants to apply the material to the real-world challenges they face in managing their businesses.

Business Mentoring

Following the training, activities continued with mentoring for each partner to help them apply what they learned to their business operations. The mentoring is carried out through business consultations, identification of product innovation opportunities, strengthening of brand identity, development of strategies to increase product value, and the development of corporate social responsibility practices tailored to the characteristics of each business. In addition, partners are also encouraged to strengthen their partnerships with local communities by utilizing local raw materials, empowering the local workforce, and developing products that highlight Lombok's cultural identity.

Program Evaluation

The evaluation was conducted to assess the program's effectiveness in enhancing partners' capacity and competitiveness. The evaluation employed a descriptive approach by comparing conditions before and after the activities, based on observations, interviews, documentation, and feedback from participants.

Evaluation indicators include increased understanding of value creation, strengthened branding strategies, the ability to develop product differentiation, understanding of the concept of social responsibility, and the partners' readiness to implement more competitive and sustainable business strategies. In addition, the evaluation also examines changes in entrepreneurial mindset, business owners' self-confidence, and their commitment to building businesses that provide both economic benefits and social value to the community.

RESULTS AND DISCUSSION

Implementation of the Community Service Program

The community service activity was held on July 16, 2026, at the Aruna Senggigi Resort and Convention in Lombok, involving two key partners: NUTSAFIR Cookies, a local food-based agro-industrial business, and Dwi Kristy Mutiara, a pearl craft business. The event was designed as an interactive workshop combining presentations, group discussions, case studies, and business consultation sessions. The participatory approach enabled participants to discuss real-world challenges they face in managing their businesses while identifying solutions that could be implemented immediately.

The training focused on strengthening value creation and social responsibility as mutually reinforcing strategies for business competitiveness. The topics included product value-added, brand identity, product differentiation, storytelling, local sourcing, community engagement, and sustainable business practices. Rather than positioning branding as merely a logo or packaging exercise, the workshop emphasized the need to align product characteristics, brand promises, and communication. This approach is consistent with SME branding literature, which highlights branding as a strategic means of differentiation and enterprise growth (Odoom et al., 2017).

Partner Capacity Building Through Value Creation and Social Responsibility

Prior to the implementation of the program, both partners already offered products with strong local potential. However, their business development strategies were still centered primarily on selling the physical product, while the cultural, social, and experiential meanings surrounding the products had not been fully translated into customer value. Their social responsibility practices were also implemented informally and were not yet communicated as part of a coherent business identity. The initial condition therefore reflected a common SME challenge: valuable internal

resources exist, but they have not been systematically converted into brand positioning and market differentiation (Odoom et al., 2017).

Through the training activities, participants developed a broader understanding that product value is formed through the combination of functional quality, authenticity, customer experience, brand identity, and a convincing local narrative. At NUTSAFIR Cookies, the recommended value creation strategy focused on packaging innovation, clearer communication of local ingredients, and stronger association with Lombok's culinary identity. This direction is supported by research showing that local food can strengthen destination identity and regional economic linkages when its origin and distinctiveness are deliberately communicated (Stalmirska, 2024). Authentic narratives must nevertheless remain consistent with the actual product and price positioning to maintain consumer credibility (Yin et al., 2023).

For Dwi Kristy Mutiara, the value creation strategy emphasized storytelling about Lombok pearls, product design, craftsmanship, production processes, and the role of local artisans. These elements can transform jewelry from a generic accessory into a culturally meaningful and premium tourism product. Cultural and creative tourism studies show that products rooted in local heritage can strengthen destination distinctiveness and generate wider local benefits when communities and creators participate actively in the value-creation process (Richards, 2018; Duxbury et al., 2021). In addition, SME storytelling research shows that strategic narratives can connect brand identity, positioning, authenticity, and performance (Fluhrer, 2026).

Impact of the Program on Partners' Competitiveness

The descriptive evaluation indicated an increase in participants' understanding of value creation, branding, product differentiation, and social responsibility. The change was reflected in the partners' ability to identify more specific value propositions and in their readiness to integrate local identity and community relationships into future business development. At this stage, the program's impact should be interpreted primarily as strengthened knowledge, strategic readiness, and planned business practices, rather than as a verified increase in sales, market share, or profitability.

Table 2. Changes in Partners' Conditions Before and After the Community Service Program

Aspect	Before the Program	After the Program
Value Creation	Business development focused primarily on product quality with limited emphasis on creating added value.	Participants understood value creation strategies through product innovation, branding, and storytelling to enhance customer value.
Branding	Brand identity and product positioning were not clearly communicated to consumers.	Participants strengthened their brand identity and learned to communicate the uniqueness and authenticity of their products more effectively.
Product Differentiation	Products had limited differentiation from competing products in the market.	Participants identified and developed product differentiation strategies based on local identity, cultural heritage, and product uniqueness.
Social Responsibility	Social responsibility practices were implemented informally and were not integrated into business strategies.	Participants recognized the importance of integrating social responsibility into business development through community engagement, local resource utilization, and cultural preservation.
Business Competitiveness	Business competitiveness was mainly oriented toward local	Participants demonstrated greater readiness to enhance competitiveness by

Collaboration	markets with limited strategic development. Collaboration with local communities and stakeholders was relatively limited.	increasing product value and adopting sustainable business strategies. Participants showed stronger commitment to building partnerships with local communities and other stakeholders to support sustainable business development.
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Table 2 shows that the program strengthened the partners' understanding of the relationship among value creation, social responsibility, and competitiveness. After the training and mentoring, the partners recognized that competitive advantage is determined not only by product quality, but also by the ability to create a distinctive experience, communicate a consistent brand identity, and demonstrate credible contributions to the community. This finding is consistent with Stoian and Gilman (2017), who emphasize that social responsibility can contribute to SME growth when it is aligned with competitive strategy.

The results also suggest that responsible business practices can become sources of innovation and differentiation. The use of local raw materials, collaboration with artisans, local employment, and cultural preservation can provide both stakeholder benefits and market-relevant brand content. Previous studies similarly show that social responsibility is positively associated with innovation capability and business performance in SMEs (Martinez-Conesa et al., 2017; Bahta et al., 2021). In the context of NUTSAFIR Cookies and Dwi Kristy Mutiara, the practical implication is that community relationships should be designed as part of product development and brand strategy rather than communicated only as occasional social activities.

The combination of participatory training and individualized mentoring was valuable because it allowed general concepts to be adapted to the characteristics of food processing and pearl crafts. The resulting strategies were therefore grounded in each partner's existing resources and local market context. However, the evaluation was conducted immediately after the activity and relied on observations, interviews, documentation, and participant feedback. Future follow-up should assess whether the proposed strategies are implemented consistently and whether they lead to measurable changes in sales, price premiums, digital engagement, repeat purchases, local supplier participation, and community income.

CONCLUSION

This community service program demonstrated that strengthening value creation and social responsibility can effectively enhance the competitiveness of local creative economy enterprises in Lombok. Through participatory capacity-building activities and business mentoring, the partner enterprises—NUTSAFIR Cookies and Dwi Kristy Mutiara—improved their understanding of product differentiation, branding, storytelling, and sustainable business practices. These improvements increased their readiness to create higher-value products while strengthening their competitive position in the creative economy sector.

Furthermore, the program showed that integrating economic, social, and cultural values provides a sustainable approach to community empowerment. The combination of value creation and social responsibility not only supports business development but also encourages stronger collaboration with local communities and the preservation of Lombok's cultural identity. This community empowerment model has the potential to be replicated in other tourism-based regions to promote sustainable creative economy development and strengthen the competitiveness of local MSMEs.

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