



Value Chain and Government Support in Generating Innovation in the Creative Industry in Yogyakarta		Vol. 3, No. 2, 2026 (Pp. 13-20) https://journal.upy.ac.id/index.php/qrobss https://doi.org/10.31316/crobss.v3i2.9416
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Received: February 2026 Revised: March 2026 Accepted: April 2026 Online: May 2026	ABSTRACT Today, the innovation process is decentralized across a company's value chain and involves various actors. This study focuses on how the value chain enhances innovation and the government's impact on innovation in the creative industry in Yogyakarta. The research method used was qualitative, with data collected through interviews. The population in this study comprised the creative industry in the Special Region of Yogyakarta, with 13 creative industry actors from various business sectors serving as the sample. The results show that each stage of the value chain—creation, production, distribution, and commercialization—can generate innovation in the creative industry, and that government support at each stage can encourage it. As a result, innovation in the creative industry can be increased by optimizing activities at each value chain and with government support. Suggestions for future research include expanding the sample, particularly to sectors not yet examined in this study, to obtain more comprehensive results.	
Keywords: <i>Creative Industry, Innovation, Government Support, Value Chain</i>		

1. Introduction

The creative industry has undergone a significant transformation over the past 25 years. Digital transformation, user engagement, and collaboration have driven companies to leverage a wide range of internal and external resources to develop competitive advantages (Liu & Chiu, 2017). The creative industry draws on individual creativity, skills, and talents, contributing to society's well-being. In the 20th century, three innovation models emerged for how ideas can be transformed into final products or services: the closed innovation model, the interactive and closed innovation model, and the open and interactive innovation model (Ambos et al., 2021). Since 2000, value creation and appropriation have been understood as a system of boundary-spanning corporate activities, driven by a set of actors connected by transactional mechanisms (Climent & Haftor, 2021). To strengthen innovation capabilities, companies must leverage distributed knowledge pools both within and beyond their boundaries, as the key is not simply having ideas, but having access to them for the recombination process that leads to new products or services. The idea of a common innovation process, spread across multiple actors (including suppliers, consumers, and users) and locations, both inside and outside the focal firm, is interconnected in continuous information exchange and co-creation. This model recognizes the importance of both internal linkages, namely connections between individuals and organizational subunits within the firm's boundaries, and external linkages, namely connections involving external organizations and individuals.

The decentralized nature of innovation processes, which can be triggered at any stage of the value chain, encourages researchers to focus not only on innovations by the lead firm but also on those by other value chain actors. It is crucial for the industry to explore new strategies

regarding value chain management to foster innovation. Through outsourcing, the value chain is fragmented, and activities are distributed to locations and actors where they can be produced or executed most efficiently (Ambos et al., 2021). This certainly encourages value creation across each value chain. Studies on small-scale business value chain assessments are necessary to generate useful information for business sustainability (Fitriani et al., 2021).

Furthermore, government policies can support innovation in creative industries through subsidies, regulation, standardization, and protection at the regional and national levels (Liu & Xia, 2025). Key demand-side policies include measures to stimulate private demand for innovation, public procurement policies, pre-commercial procurement, innovation incentive prizes, standardization and standards, and regulations. These demand-oriented policies can foster an open innovation culture, promote new industries, and strengthen governance. Furthermore, environmental tools such as legal, financial, and tax systems can improve the regulatory environment for innovation. The Quadruple Helix model emphasizes the role of government as a combination of knowledge and democracy. Community development cannot be achieved without the government's role. Furthermore, the government is a leader in catalyzing the development of creative industry management businesses (Alfadri, 2025).

Previous research, such as that by Fitriani et al. (2021), examined the competitiveness of the cassava processing industry using a value chain approach. Segara et al. (2019) examined the influence of value chain activities on product quality and innovation. Heryani et al. (2020) formulated a creative industry development strategy for innovation. Unlike previous research, this study not only assesses the industry's value chain but also examines the government's role as a driving force for innovation in Yogyakarta's creative industry. The focus of this study is on how the value chain drives innovation and how the government influences it in the creative industry in Yogyakarta. Therefore, the results of this study serve as a source of information to increase the competitive advantage of the creative industry, especially in Yogyakarta. Yogyakarta, as a creative city, has great potential in the creative economy and culture, and a diverse creative ecosystem (kemenparekraf.go.id).

2. Method

This study uses a qualitative approach, which seeks to understand the phenomena experienced by the research subjects through descriptive language (Moleong, 2019). Field research involves direct observation and interviews with creative business actors in Yogyakarta. This study uses informal interview techniques but incorporates a basic framework of questions. Therefore, the questions asked depend on the interviewer's spontaneity, but remain within the basic framework of questions that must be answered by the respondents. The population in this study was the creative industry in the Special Region of Yogyakarta, located in the regencies of Kulon Progo, Sleman, Bantul, and Yogyakarta City. Because the exact population size of industry players was unknown, the researcher used *convenience sampling*. The *convenience sampling* technique selects samples based on ease of access and the availability of respondents. A total of 13 creative industry players across various business sectors were selected as the sample. The data analysis method used in this study is the constant comparison method, which consists of data reduction, data categorization, synthesis, and the

development of a working hypothesis (Moleong, 2019). The following are the stages of data analysis:

Figure 1. Data Analysis Process



Source: Processed data (2026)

Data collection (coding) refers to the process of selecting, focusing, simplifying, abstracting, and/or transforming data that appear in written field notes, interview transcripts, documents, and other empirical materials. The next step in the analysis process is data display. In general, a display is an organized, compressed arrangement of information that enables conclusions and action. The final step in the analysis process is drawing conclusions and verifying them. From the beginning of data collection, qualitative analysts interpret the meaning of things by noting patterns, explanations, causal flows, and propositions (Milles et al., 2014).

3. Research result

3.1. Value Chain Processes Spark Innovation in the Creative Industries

Respondents in this study were MSMEs in the creative industry across various business sectors. The respondents' business subsectors included fashion, crafts, food and beverages, and interior design, based on the creative industry subsectors established by the Ministry of Tourism of the Republic of Indonesia. The following is a breakdown of the research sample by sector:

Table 1. Distribution of Sample Creative Industry Sectors

Business Sector	Amount
Fashion sector	5
Craft sector	2
Food and beverage sector	7
Interior design sector	1

Source: Data Proceed, 2026

In Table 1 above, the research sample comprises 5 MSMEs in the fashion sector, 2 in the crafts sector, 5 in the food and beverage sector, and 1 in the interior design sector. The value chains that occur in each of these business sectors also vary. The creative value chain is a series of processes for creating value, in which social, cultural, and economic transactions occur. The value chain in the creative industry in Yogyakarta is analyzed using the creation-production-distribution-commercialization stages (UNCTAD, 2024).

a. Creation stage

The value creation process in the fashion sector begins with market research, where analyzing emerging market trends can generate ideas for developing products that meet market demand. However, players in the creative industry also strive to maintain cultural values, such

as batik, lurik, and others, as added value in their products. The next step is the product conception stage, where creative industry players combine cultural values with current fashion trends. The concept is then discussed with artists, designers, and the production team to refine and refine the design. Finally, product samples are produced for market testing. Some are produced in limited quantities, while others are produced according to market demand.

Furthermore, value creation in the creative food and beverage industry occurs through market research, which generates ideas for differentiated products. Collaboration with suppliers, academics, and the government is key to success. Furthermore, entrepreneurs use local ingredients to produce food products that appeal to local and international markets. Meanwhile, value creation in the crafts or handicrafts sector involves market research to identify customer needs. This sector generally also produces customized products based on consumer preferences. Therefore, creative industry players in the crafts sector have *a database* of high-demand products ordered by customers. Furthermore, creative actors participate in *workshops* organized by the government or the private sector to enhance their skills and expertise, which can also help entrepreneurs generate ideas.

Likewise, the interior design sector relies on custom processes from customers. To improve employee skills, the creative industry provides training, as employee expertise is key to business success in this sector. Furthermore, players in the creative industry promote innovation by involving employees in brainstorming sessions and fostering an open work environment conducive to idea generation. Collaboration with customers is essential for generating product development ideas.

b. Production stage

At the production stage, creative industries in the fashion sector mass-produce products to meet market demand, while others produce in limited quantities. Production teams include not only employees but also local community groups. Therefore, quality control is necessary in the fashion sector to maintain customer trust. Similarly, production processes in the food and beverage sector are carried out by employees, some of whom collaborate with community groups such as the Women's Farmers Group (KWT). Meanwhile, creative industries in the crafts sector produce products according to market demand and specific customer orders. Creative industry players in the crafts sector do this by analyzing customer *databases* to determine which products are most in demand, by whom, and when they are needed. This is an efficient way to reduce the risk of unsold products. Furthermore, the production stage in the interior design industry is based on customer orders. Prior to production, MSMEs discuss these with employees and customers to ensure satisfactory results. To improve employees' skills, industry players across all sectors provide training during the production stage. This is an effort to maintain product quality. In the crafts and creative services sectors, production is based on specific customer orders.

c. Distribution stage

Distribution strategies consist of three types of network coverage: intensive, selective, and exclusive (Bygrave, 2014). At the distribution stage, the fashion sector distributes exclusively through outlets or boutiques owned by MSMEs. However, since the 2019

pandemic, the creative industry has adopted online distribution via marketplaces and social media platforms such as TikTok, Facebook, Instagram, and WhatsApp to manage customer relationships. Technology can expand the distribution reach of their products to various regions, including international markets. Furthermore, distribution is carried out through sales at exhibitions and opening workshops that educate customers, as well as through partnerships with tourism services. Similarly, distribution in the creative industry's craft sector occurs both offline and online through independently managed outlets and exhibitions. Online distribution in the craft sector is carried out through the Sibakul marketplace of the Yogyakarta Special Region Cooperatives and MSMEs Office (Dinkop DIY). Product distribution in the craft sector MSMEs also involves resellers to reach a wider customer base. In the creative food and beverage industry, distribution is intensive, with products available at outlets across several locations. They also distribute online through GoFood, GrabFood, and Shopee Food. For MSMEs in the interior design sector, distribution is done directly to customers.

d. Commercialization

The commercialization phase is undertaken to deliver value to customers. The commercialization phase in the creative fashion industry is carried out through promotions, exhibitions, workshops, collaborations, and cultural galleries. Since the pandemic, promotions have also been carried out through social media and marketplaces, as well as siBakul, which is managed by the Yogyakarta Cooperatives and MSMEs Office. Online promotions make it easier for players in the creative industry to communicate their value to the wider community. Similarly, player promotions in the craft sector are conducted both online and offline. Business actors actively promote through collaborations with academics, government, and the community, so they can contribute and deliver value at all levels of society. In the food and beverage sector, promotions are carried out by selecting outlets in strategic locations, such as near campuses, and by hosting exhibitions, educational tours, and seminars in collaboration with academics to introduce their innovative products. Promotions are also carried out online through GoFood, GrabFood, and ShopeeFood by offering discounts.

From the discussion above, the value chain process in the creative industry, which includes the creation, production, distribution, and commercialization stages, differs across creative industry sectors. Each stage of the value chain in all sectors has successfully created innovation through various activities. Activities such as market research, use of customer databases, product conception, collaboration, and training can increase innovation in the creative industry by fostering idea generation. Furthermore, in production, using databases can make the process more efficient by analyzing data to predict customer needs. In addition, collaboration with community groups and quality control make the production process more effective. In the distribution process, the creative industry in Yogyakarta distributes products through outlets, resellers, and direct orders. Some creative industry players have used e-commerce as a product distribution channel, thereby achieving wider reach, lower costs, and greater transparency. The implementation of e-commerce can minimize costs in the goods distribution flow (Khairunnisa et al., 2023). Digital transformation helps MSMEs in achieving customer experience (Ebhotu et al., 2024). Similarly, in the commercialization process, the creative industry in Yogyakarta has implemented digital marketing through social media and

marketplaces. Digital marketing broadens product reach and increases sales internationally. This aligns with previous research indicating that digital marketing can improve the competitiveness of MSMEs (Arumsari et al., 2022; Jamiat & Supyansuri, 2020).

3.2. Government Support Drives Innovation in the Creative Industry

Forms of government support at each stage of the value chain are as follows:

a. Creation stage

Creative industry players in the Special Region of Yogyakarta receive government support through various programs. Several MSMEs actively participate in Bank Indonesia's MSME Go Digital program. They also participate in training programs on business management, such as bookkeeping and financial management, through Bank Indonesia's siApik program. These activities were enjoyed by many actors in the creative industry who participated in this study. Furthermore, most MSMEs actively participate in business incubation programs offered by the Yogyakarta Cooperatives and the MSME Office. Therefore, training and mentoring from the central and regional governments can increase innovation among MSMEs in the creative industry. However, MSMEs in the interior design and t-shirt printing sectors did not receive government support at this stage.

b. Production stage

The government provides training and *workshops* for MSMEs, some of which have been found beneficial. Creative industry players also receive support in the form of business funding, which can be used as working capital through the People's Business Credit (KUR) funding scheme, cooperatives, or incentives. The legal framework for the creative industry is also considered easy to manage through the *One Stop Service system*. There is also a funding program for MSMEs to obtain Intellectual Property Rights (IPR) permits, which MSMEs can use to register trademarks. This is crucial for protecting creative industry players' ideas from easy copying.

c. Distribution stage

At this stage, the government, through the DIY Cooperatives and MSMEs Office, provides support by providing a marketplace for MSMEs in the province, namely Sibakul. Through Sibakul, creative industry players can distribute their products internationally. Furthermore, the DIY Cooperatives Office offers incentives, including free shipping worldwide. This significantly helps the creative industry distribute its products to various countries. The government is also actively hosting international exhibitions to open opportunities for collaboration with the creative industry and international customers, resulting in several MSMEs distributing their products internationally. However, this support has not been felt by MSMEs in the interior design and printing services sectors.

d. Commercialization stage

The government also provides support through promotional activities such as local and international exhibitions and incentives for the use of online promotional media. The Yogyakarta Cooperatives and MSMEs Office has created the Sibakul app, which businesses can use to promote and trade their products internationally.

Government support for the creative industry in Yogyakarta can be a strength for MSMEs. Government support includes training, business management assistance, exhibitions, digital promotions, streamlined legal administration services, IPR licensing subsidies, and MSME funding. This form of support can help MSMEs improve their business innovation, so that performance improvements can be felt. This is in line with research by Fitriana et al. (2024), which shows that government support can improve the relationship among capital availability, innovation performance, and change strategies in MSME performance. According to research by Liu & Xia (2025), government subsidies significantly increase the average and overall quality of innovation. However, government support has not been felt by MSMEs in the interior design sector, so this is a challenge for the government, especially local governments, to socialize business development programs across sectors and locations, not only in the city. Support in the form of one-stop licensing services and IPR licensing incentives needs to be increased to enhance the creative industry's sense of security and foster innovation.

4. Conclusion and Suggestions

Each stage of the value chain, from creation to production, distribution, and commercialization, can drive innovation in the creative industry, though the context varies by sector. Collaboration, the creation of a creative climate, and training conducted during the creative stage can help the creative industry continue to foster innovation. Employee training, quality control, and collaboration with community groups can increase productivity in the creative industry. The use of technology, already adopted by some players in the creative industry, can help organize appropriate production strategies based on customer analysis. Online distribution and promotion provide added value for MSMEs in the creative industry by offering a broader promotional reach. However, offline promotion continues through exhibitions, collaborations with various partners, and tie-ups with educational tours to educate customers about the products. Government support at every stage of the value chain can encourage innovation in the creative industries. Support through various activities, such as training, workshops, and business incubation, helps increase innovation by fostering ideas among creative industry players. Business management assistance can help creative industry players improve their business performance, while ease of compliance and access to funding also help them increase their productivity. Local and international exhibitions, along with the development of digital promotional networks, can increase international sales in the creative industry. The implication is that innovation in the creative industry can increase by optimizing activities across the value chain, and with government support. It is hoped that the creative industry in Yogyakarta can strengthen each value chain process to encourage innovation with technology and human resource development. The government can increase support for the creative industry in Yogyakarta by simplifying legal processes and intellectual property rights (IPR), as well as expanding program outreach across all sectors. Suggestions for future research include expanding the sample, particularly to sectors not yet explored in this study, to obtain more comprehensive results.

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