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## **Culture-Led Development for Sustainable SMES: The Industrial and Personal Heritage Management in Indonesia and Brunei Darussalam**

Susminingsih Husien, Agus Fakhрина, Abdul Nasir bin Hj. Abdul Rani  
IAIN Pekalongan, Indonesia, IAIN Pekalongan, Indonesia,  
UNISSA, Brunei Darussalam

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### **Abstract**

*This paper focus on the Culture-Led Development (CLD) role on the exploration of industrial and personal heritage management that encourages the development of SMEs as it has been implemented in Indonesia and Brunei Darussalam. This qualitative research with an anthropology approach was conducted with semi-structured interviews beside the observation and documentation involving 13 SMEs entrepreneurs, who have produced traditional or handicraft items, in 2018. The empirical data was used to illustrate the implementation of culture in business development. The term heritage has been identical with the sustainability of SMEs. The CLD helps change the entrepreneurs' way of thinking as it promotes innovative products that are environmentally friendly and are able to elevate cultural values and tradition. This research finds that culture and heritage-based management have strong implications for the SMEs development.*

## **Pengembangan Berbasis Budaya Untuk Keberlanjutan UKM: Industri dan Manajemen Warisan Pusaka di Indonesia dan Brunei Darussalam**

### **Abstrak**

*Paper ini fokus pada peran Culture-Led Development (CLD) dalam rangka mendorong pengembangan UKM di Indonesia dan Brunei Darussalam. Penelitian kualitatif dengan pendekatan antropology diterapkan dengan menggunakan wawancara semi terstruktur, observasi dan dokumentasi terhadap 13 pengusaha UKM yang memproduksi barang kerajinan tradisional, pada tahun 2018. Data empiris mengilustrasikan implementasi budaya pada pengembangan bisnis. Term warisan pusaka identik dengan keberlanjutan UKM. Culture-Led Development (CLD) membantu mengubah pola pikir pengusaha untuk lebih inovatif memproduksi barang ramah lingkungan untuk mengangkat nilai-nilai budaya dan tradisi. Penelitian ini menemukan bahwa budaya dan manajemen berbasis warisan pusaka memiliki pengaruh yang kuat bagi pengembangan UKM.*

**Kata Kunci:** Culture-led development, UKM, Keberlanjutan, manajemen berbasis warisan pusaka

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*Author correspondence*

**Email:** [susminingsih62@gmail.com](mailto:susminingsih62@gmail.com)

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## A. Introduction

Researches on the contribution of culture in developing business in various countries have been conducted by experts.<sup>1</sup> In those researches, management approach has been the concern of the researchers since value is considered the most strategic aspect in building a culture within entrepreneurs or businessmen.<sup>2</sup> Studies concerning ancestral culture (heritage), for example, have been viewed from various perspectives, such as from identity<sup>3</sup>; creativity-driving force<sup>4</sup>; and social capital.<sup>5</sup> Culture has been manifested in buildings, places, fabrics, arts, and crafts. With this in mind, it is obvious that cultural heritage, which is of non-material value, makes itself connected to the economy of society. Perception about heritage encourages the consumers to make use of both their material and non-material resources.<sup>6</sup>

Dimension of the environmental change and conservation has been accommodated in the concept of heritage.<sup>7</sup> Although industrial world has developed very rapidly due to modern techniques, desires to preserve a culture-based industry are still well maintained by the entrepreneurs. Rate of the wage, conditions of the workers, historical values, archaic places or buildings are among

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<sup>1</sup> Tambunan, T. (2007). "Development of smes in a developing country: the Indonesian story", *Journal of Business and Entrepreneurship*, Vol. 19, Issue 2, pp. 60-78; Tambunan, T.T.H. (2011), "Development of small and medium enterprises in a developing country", *Journal of Enterprising Communities: People and Places in the Global Economy*, Vol. 5, Issue 1, pp.68-82; Thorsby, D. (1999), "Cultural capital", *Journal of Cultural Economics*, Vol. 23, Issue 1-2, pp. 3-12; Poullos, I. (2014), "Discussing Strategy in heritage conservation: Living heritage approach as an example of strategic innovation", *Journal of Cultural Heritage Management and Sustainable Development*, Vol. 4, Issue 1, pp. 16-34; Bandarin, F. (2011), "Why development needs culture", *Journal of Cultural Heritage Management and Sustainable Development*, Vol. 1, Issue 1, pp.15-25; Bjerke, B.V. (2000), "A typified, culture-based, interpretation of management of SMEs in Southeast Asia", *Asia Pasific Journal of Management*, Vol 17, Issue 1, pp. 103-132.

<sup>2</sup> de la Torre, M. (2002), *Assesing the Values of Cultural Heritage: Research Report*, The Getty Conservation Institute, Los Angeles, CA.

<sup>3</sup> Roders, A.P. (2013), "Cultural heritage management: power, values, and identity", *Antiquity*, Vol. 88, Issue 340, pp. 663-666.

<sup>4</sup> Bennet, D., Reid, A. and Petocs, P. (2014), "Creative worker's views on cultural heritage and sustainability", *Journal of Aesthetics and Culture*, Vol. 6, Issue 1, pp. 1-14.

<sup>5</sup> Murzyn-Kupisz, M. and Dzialek, J. (2013), "Cultural heritage in building and enhancing social capital", *Journal of Cultural Heritage Management and Sustainable Development*, Vol. 3, Issue 1, pp. 35-54.

<sup>6</sup> Meng, J. (2011), "Understanding cultural influence on price perception: empirical insights from a SEM application", *Journal of Product and Brand Management*, Vol. 20, Issue 7, pp. 526-540; Loulanski, T. (2006), "Revising the concept for cultural heritage: the argument for a functional approach", *International Journal of Cultural Property*, Vol. 13, Issue 2, pp. 207-232.

<sup>7</sup> Pearce, S. (1999), "The construction and analysis of cultural heritage: some thought", *International Journal of Heritage Studies*, Vol. 4, Issue 1, pp. 1-9.

elements of the industrial heritage. Historical nuances, such as handicrafts, fabrics, and antiques, provide opportunities for the implementation of this industrial heritage.<sup>8</sup> Culture, both tangible and intangible, needs to be taken into account by the entrepreneurs in their decision making, as it has helped develop businesses and increase welfare and strengthen one's motivation when working<sup>9</sup>, provide energy for individual and social development functionally.<sup>10</sup>

Methodologically, this research uses in-depth surveys and interviews in accordance with the research object which collect by anthropology approach. It applies the sampling method. Qualitative data is based on facts in the field, which are dynamic and changing. Hence, the descriptive approach used is not to show that the data obtained is passive because it is of an analytical and critical approach with correlational perspectives.<sup>11</sup> As the focus of the research can be conducted only with a qualitative analysis, it employs theoretical studies, in-depth interviews, and FGDs with a number of key informants who understand the research problems. The qualitative analysis is used to reveal strategies having been implemented by the SME entrepreneurs. The strategies, which have depended on creativity and innovation in Pekanbaru and Brunei Darussalam and are in accordance with the research findings, are followed up with a SWOT analysis.

This research found the gap of mode of SMES development through the the human thought in the SMES of Indonesia and Brunei. The point is the innovation process to solve the business development in developing countries has been not much studies. Generally, many of SMES problems examined from financial, marketing, production and wage issues. The purpose of this study is to analyze the cultural process as a way of thinking of SMES entrepreneurs in Indonesia and Brunei to develop the innovation, searching of raw materials, production processes, improvement of human resources, product design/ model, type of

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<sup>8</sup> del Pozo, P.B. and Gonzalez, P.A. (2012), "Industrial heritage and place identity in Spain: from monuments to landscape", *The Geographical Review*, Vol. 102, Issue 4, pp. 446-464.

<sup>9</sup> Roders, A.P. (2013), "Cultural heritage management: power, values, and identity", *Antiquity*, Vol. 88, Issue 340, pp. 663-666.

<sup>10</sup> Loulanski, T. (2006), "Revising the concept for cultural heritage: the argument for a functional approach", *International Journal of Cultural Property*, Vol. 13, Issue 2, pp. 207-232. s

<sup>11</sup> Creswell, J.W. (1998), *Qualitative Inquiry And Research Design, Choosing Among Five Tradition*, Sage Publications, USA.

business, business networks, personality development and mentality of entrepreneur.

This research state that culture shapes the mentality and psychology of entrepreneur to adapt the business climate chages. In this context, the economic system does not stand alone but is integrated with the environmental system, which, in principle, demands the spiritual and industrial balance. The issue of business development is strongly related to a complicated mental process of the entrepreneurs.

### **B. Culture, industrial and personal heritage management**

Industrial heritage in business sector is a process of value transmission experienced by individuals (entrepreneurs) in response to changes in the business world. In this sense, culture drives people to create materials and objects, so they can live a sustainable life. From personal perspective, this phenomenon encourages society to manage resources that have existed in them (internal sources), so that they may control resources outside them (external sources). This industrial heritage emphasizes the importance of historical memories that have been recorded in the lives of certain generations in relation to their next generations. In addition to direct life experience through which humans live, culture in the form of historical memories is also passed on to the next generations.<sup>12</sup> It is the important element in a society and is the concern of every country. This notion has been evidenced by the policies issued by the countries to ratify and implement the UNESCO convention.<sup>13</sup>

Culture and heritage are two interrelated concepts. Both are related to the processes of environmental changes.<sup>14</sup> Individuals and communities, in this

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<sup>12</sup> Harvey, D. C. (2001), "Heritage pasts and heritage presents: temporality, meaning and the scope of heritage studies", *International Journal of Heritage Studies*, Vol. 7, Issue 4, pp. 319-338.

<sup>13</sup> Blake, J. (2014), "Seven years of implementing UNESCO's 2003 intangible heritage convention- honeymoon period or the "seven year itch?", *International Journal of Cultural Property*, Special Issue: Thinking About Cultural Property, Vol. 21, Issue 3, pp. 291-304; Roders, A.P. (2013), "Cultural heritage management: power, values, and identity", *Antiquity*, Vol. 88, Issue 340, pp. 663-666.

<sup>14</sup> Randall, M. (1999), "Economics and heritage conservation: concepts, values, and agendas for research", in Randy Mason (Ed.), *Economics and Heritage Conservation*, The Getty Conservation Institute, Los Angeles.

context, are the recipients, transformers, and creators of the culture.<sup>15</sup> Cultural preservation is as crucial as the sustainability of human life. Culture will exist if natural conservation is endeavored.<sup>16</sup> Meanwhile, cultural values apply in line with the changing ways of life, ways of thinking<sup>17</sup>; ways of consuming<sup>18</sup>; ways of communicating<sup>19</sup>; ways of producing<sup>20</sup>, and business.<sup>21</sup>

Humans are individual beings who always learn something. In this learning process, they are bound to their environment. The bond is essential for their psychological existence. Humans exist in two poles, i.e. individual and social poles, and, hence, it is clear that human existence is at the two different psychological developments, or what is so-called with the development paradox. In individual level, they want to express, dream, develop, and grow according to the internal impulses residing in them (the drive to grow). In the other hand, however, humans are also social beings who have to adjust themselves to and blend with their community. They also want to be recognized and respected in the community.

Culture is rooted in every activity of human life, e.g. economy, social, and politics.<sup>22</sup> The process of strengthening motivation in individuals is actually evidence that culture has a functional role.<sup>23</sup> One's culture contains trust or

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<sup>15</sup> Konsa, K. (2013), "Heritage as a socio-cultural construct: problems of definition", *Baltic Journal of Art History*, Vol. 6, pp. 123-149, doi 10.12697/BJAH.2013.6.05.

<sup>16</sup> Kamel-Ahmed, E. (2015), "What to conserve? heritage, memory, and management of meanings", *International Journal of Architectural Research*, Vol. 9, Issue 1, pp. 67-76.

<sup>17</sup> Nuckolls, J. (1998), "Culture in mind: cognition, culture, and the problem of meaning", *Philosophical Psychology*, Vol. 11, Issue 4, pp. 548-551.

<sup>18</sup> Rohman, F. & Ismail, T., 2013, "Consumption Ritual in Javanese Wedding Ceremony: Ethnography Research in Indonesian Regency-Kabupaten Ngawi", *Asia Pasific Management and Bussiness Application*, Vol. 2, Issue 2, pp. 63-84; Warde, A. (2005), "Consumption and Theories of Practice", *Journal of Consumer Culture*, Vol. 5, Issue 2, pp. 131-153; Lazzer, G.P. (2016), "Consumption epiphany: from abstract to material", *Italian Sociological Review*, Vol. 6, Issue 1, pp. 131-149.

<sup>19</sup> Kreuter, M.W. and McClure, S.M. (2004), "The role of culture in health communication", *Annual Review of Public Health*, Vol. 25, ProQuest, pp. 439-455.

<sup>20</sup> Lee, N.J.Y. (2014), "Popular culture co-productions and collaborations in East and Southeast Asia", *Southeast Asian Studies*, Vol. 3, Issue 2, 439-441.

<sup>21</sup> Craft, J.L. (2018), "Common thread: the impact of mission on ethical business culture: a case study", *Journal of Business Ethics*, Vol 194, Issue 1, pp. 127-145; Meads, C.A.A. and Sharma, P. (2008), "The soci-cultural role of brand in bussiness value creation", *Design Management Review*, Vol. 19, Issue 2, pp. 29-37.

<sup>22</sup> Bandarin, F. (2011), "Why development needs culture", *Journal of Cultural Heritage Management and Sustainable Development*, Vol. 1, Issue 1, pp.15-25.

<sup>23</sup> Loulanski, T. (2006), "Revising the concept for cultural heritage: the argument for a functional approach", *International Journal of Cultural Property*, Vol. 13, Issue 2, pp. 207-232.

spiritual element. Here, religion plays the role of creating intrinsic motivation in individuals<sup>24</sup> when they make decisions. The subjective individual understanding of religion, which influences individuals' perceptions of the environmental changes, in turn, requires them to make flexible and varied decisions. Later, the dynamic and elastic aspects of culture encourage the process of business preservation because these two aspects are at the same importance as technology and finance in the business world.<sup>25</sup>

### C. Culture as the lead in developing SMEs

#### 1. Indonesian case

In Indonesia, SMEs still have various shortcomings because of financial and non-financial factors, such as marketing and availability of raw materials.<sup>26</sup> Some cities in the country get awards for the creative city in several types of small and medium businesses, including batik, handicrafts, traditional culinary, sculpture, and woven cloth. Those types of product are examples of a commodity with a high market value. Heritage-based commodities carry a value of satisfaction for the consumers because they bring historical memories.<sup>27</sup>

As in any other developing countries, SMEs are also associated with the government efforts in overcoming various economic and social problems, such as reducing unemployment, eradicating poverty, and developing equity. As a form of effort in overcoming these problems, the Indonesian government always supports and fosters the existing SMEs. In this case, the government established two institutions that specifically build and develop the SMEs, namely the Ministry of

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<sup>24</sup> Aydemir, M. and Egilmez, O. (2010), "The Relationship between the Religiosity and the Ethical Attitudes of Managers: An Empirical Study", *2<sup>ND</sup> International Symposium on Sustainable Development*, June 8-9-2010, Sarajevo, pp. 247-253, available at: [http://eprints.ibu.edu.ba/169/1/ISSD2010\\_Economy\\_Management\\_p247-p253.pdf](http://eprints.ibu.edu.ba/169/1/ISSD2010_Economy_Management_p247-p253.pdf) (accessed 25 January 2018).

<sup>25</sup> Loulanski, T. (2006), "Revising the concept for cultural heritage: the argument for a functional approach", *International Journal of Cultural Property*, Vol. 13, Issue 2, pp. 207-232.

<sup>26</sup> Tambunan, T.T.H. (2011), "Development of small and medium enterprises in a developing country", *Journal of Enterprising Communities: People and Places in the Global Economy*, Vol. 5, Issue 1, pp.68-82.

<sup>27</sup> Tunbridge, J. and Ashworth, G. (1996), *Dissonant heritage: the management of the past as a resource in conflict*. Chichester, John Wiley and Sons, England.

Cooperative and SMEs and the Creative Economy Agency (*Badan Ekonomi Kreatif/Bekraf*).

Through Bekraf, the Indonesian government has proposed policies as follows. First, it facilitates the development of researches and education concerned with the national creative economy. Second, it facilitates the capital access for the national creative economy to funding sources and developing alternative sources of new funding. Third, it builds and optimizes infrastructures that support the realization of the national creative economy ecosystem. Fourth, it grows, mobilizes, improves, and optimizes various marketing points for the national creative products and services at domestic and abroad. Fifth, it builds public awareness and appreciation of intellectual property rights and optimizes economic benefits for the holders of intellectual property rights. Sixth, it builds and strengthens cooperation, and creates synergies between institutions and regions to support the development of the national creative economy. Seventh, it builds a clean, effective, democratic, and reliable government. Three strategies have been implemented by Bekraf. The first is named the top-down strategy, i.e. by determining the superior subsector and priority subsector. The superior subsector is the subsector which has a very large contribution in the PDB Bekraf, while the priority subsector is the subsector that can be the deterrent of other development sectors. The superior subsector includes craft, culinary, and fashion, while the priority subsectors include film and animation, games and applications, and music. The second is named the bottom-up strategy. In this strategy, Bekraf implements activities which are aspirations of the economic actors. To realize an effective, efficient, and excellent support, the proposals will be selected by a competent team called the *kurasi* team. The third strategy is to ensure that all Bekraf activities run coherently towards the development of the eco-ecosystem.<sup>28</sup>

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<sup>28</sup> Bekraf, *Rencana Strategis Badan Ekonomi Kreatif*. Available at <http://www.bekraf.go.id/berita/page/17/rencana-strategis-badan-ekonomi-kreatif-2015-2019> (accessed 20 December 2018).

It is unsurprising when, later, the SMEs give such an important role to the Indonesia's economic growth.<sup>29</sup> In 2015, for instance, the number of the SMEs in Indonesia reached 60.7 million business units, with a growth rate of 2.4 percent during 2011 - 2015. In line with this growth, the workforce absorption by the SMEs in the same period also continued to increase, i.e. with an average of 5.9 percent and with the total workforces above 132.3 million in 2015.<sup>30</sup> Hence, it is predictable that, with such growth, the SMEs contributed 61.41 percent or Rp. 6,228,285.0 billion of the total National GDP (Rp. 10,141,340.0 billion) in 2015. The contribution of the SMEs in the National GDP can be seen in Table 1 below.

Table 1  
SMEs Contribution in the National GDP in 2013-2015

Year	National GDP Value (in billion IDR.)	SMEs Contribution in National GDP (in billion IDR.)	Percentage
2013	8.241.864,3	4.869.568,1	59,08
2014	9.014.951,2	5.440.007,9	60,34
2015	10.141.340,0	6.228.285,0	61,41

Source: SMEs and Cooperative affairs, 2016

The development of culture-based enterprises becomes a business identity in Indonesia, especially in Cirebon, Pekalongan, Batang, Semarang, Jepara, Yogyakarta, Solo, and Malang. This business represents Javanese culture because of their work ethics as the Javanese people. The Javanese can hardly be separated from symbolism in many ways. Belief, language, and behavior are full of symbols of the Javanese spiritualism.<sup>31</sup>

Batik is an example of the cultural heritage serving not only as a symbol but also as a main commodity in Indonesia. Types of batik business are spread in several provinces in Indonesia, as listed in Table 2.

<sup>29</sup> Tambunan, T. (2007). "Development of smes in a developing country: the Indonesian story", *Journal of Business and Entrepreneurship*, Vol. 19, Issue 2, pp. 60-78.

<sup>30</sup> Kementerian PPN/Bappenas (2016), *Penguatan UMKM Untuk Pertumbuhan Ekonomi Yang Berkualitas*. Jakarta: Warta KUKM. Available at <https://www.coursehero.com/file/34745507/Dafpusdocx/> ( accessed 23 December 2018).

<sup>31</sup> Farela, A. (2017), *A Short History of Java, Sejarah Singkat Tentang Pulau Jawa, Kultur, Manusia dan Budayanya*, Ecosystem Publishing, Surabaya.



Table 2  
Percentage of the Distribution of Hand-drawn Batik Industries  
in Java Island in 2015-2017

No.	Province	Percentage
1.	East Java	20 %
2.	Central Java	30 %
3.	DIY	15 %
4.	DKI	8 %
5.	West Java	21 %
6.	Banten	6 %
7.	Amount	100 %

Source: Trade, industry and cooperative services, 2010

Based on Table 2, Central Java has the highest percentage (30%) compared to other provinces. The high percentage of the number of batik industries in Central Java shows that the province is still the center of batik industry led by Muslim women in Java. While West Java was ranked second after Central Java, i.e. 21%, and was followed by East Java (20%), Yogyakarta Special Region (15%), the Capital City of Jakarta (8%), and Banten Province (6 %). The SMEs contribute to Indonesian economy. The influence of the SMEs existence is seen not only in economic sector, but also in social, cultural, educational, and health sectors. The field of the SMEs developed is very diverse ranging from crafts, trade, culinary, animal husbandry, agriculture, plantations, and so on. The SMEs are also spread evenly in all provinces in Indonesia. Statistics shows that the number of the SMEs in Indonesia reaches 57,895,721 units. This number is very significant in workforce absorption, exceeding 114,144,082 people as presented in Table 3 below.

Table 3  
Number of Indonesian SMEs and Workforce Absorption in 2017

No.	Indicator	Unit	2013
1	MSME number	Unit	57 895 721
2	Growth of MSME number	Percent	2.41
3	MSME workforce number	People	114 144 082
4	Growth of MSME workforce number	Percent	6.03
5	MSMEs GDP contribution (constant price)	Billion IDR	1 536 918.80
6	Growth of MSMEs GDP contribution	Percent	5.89
7	MSMEs export value	Billion IDR	182 112.70
8	Growth of MSMEs export value	Percent	9.29

Sumber: BPS & trade, and cooperative office, 2017

SMEs in Indonesia are developing due to several factors. The first is the capital, which is affordable. The second is the labors, from whom the SMEs do not demand formal education and specific skills. In this case, skills and knowledge of the SME employees are generally carried out based on experience (learning by doing) related to historical factor (path dependence), especially in businesses related to culture, such as handicrafts, woven cloth, musical instruments, batik cloth, sculptures, and traditional food. The third is the cheap and easy facilities, unlike infrastructures in large companies. Usually, the SMEs are carried out in people's homes since they are sort of home industry. The fourth is the social capital, which is based on kinship and neighboring relations to strengthen the resilience of the SMEs from economic crises.<sup>32</sup>

For example, the working relation of batik industry in Pekalongan, Laweyan, and Cirebon is on the basis of contract and subcontract system. Entrepreneurs who own the order look for their work partners (other entrepreneurs) at production level. Networking plays a significant role in the success of goods ordering transactions. The entrepreneurs usually know the

<sup>32</sup> Berry, A., Rodriguez, E. and Sandee, H. (2001), "Small and medium enterprise dynamics in Indonesia", *Bulleting of Indonesian Economic Studies*, Vol. 37, Issue 3, pp. 363-384; Sutopo, I. (2011), "Produktivitas dan Ketahanan Bisnis Industri Kecil (Studi Empiris Industri Batik Tulis Trusmi Kecamatan Plered Kabupaten Cirebon)." *Dinamika Keuangan Dan Perbankan*, Vol. 3, Issue 1., pp. 102-112.

performance records of their prospective work partners through previous employment contracts. With *by order* system, which is later followed up with suborder or subcontract system, the order fulfillment activities may be done at the employer's houses or at the employees' own homes, well known with the *putting out* system.<sup>33</sup>

All batik industries found in Laweyan city are also owned by Javanese people. The famous batik production from the area is the printed batik (*batik cap*), which is relatively cheap. The term cheap has become a means of promotion to attract the consumers' attention to leave batik halus (*batik tulis*, hand-drawn batik), which is expensive. The batik tulis production system has become very long and slow. With the discovery of *cap* (stamp) system, a change in industrial character emerges, and the change is also parallel to the development of production from the "craft" and "carpentry" system.<sup>34</sup>

Batik industries in Pekalongan city are fairly fluctuating. The batik of Pekalongan began to grow in the 1680s through inter-island trade. In the 1830s, there was an invention of direct printing technology in Europe, which produced artificial batik in a very short time, and it shook the development of batik in Pekalongan. Later, in 1930s, the increasing numbers of orders for printed batik provided a chance for the Pekalongan batik to rise. However, at the same time, the Pekalongan batik entrepreneurs went bankrupt because of the high cost of *mori* as an impact of world inflation. Besides that, the coming of the screen printing industry did make *batik tulis* (hand-drawn batik) and *batik cap* (stamped batik) of Pekalongan in trouble. This situation gradually made the relation between employers and workers more economics-based. The workers will be more realistic concerning the wage system appropriate to their expectation; they no longer consider the social ties, both familial and neighboring relation. In principle, the workers will look for employers who are able to provide them more expensive wages. Vice versa, the employers will look for subcontracted workers who are

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<sup>33</sup> Setyarini, V.E. (1994). *Sistem Borongan Bagi Buruh Batik Wanita Studi Kasus di Perusahaan Batik Sumiharjo*, Research report, Fakultas Sastra: Universitas Gadjah Mada, Yogyakarta; Nugroho, P. (2013), "A Socio-Cultural Dimension of Local Batik Industry Development in Indonesia", paper presented in The 23<sup>rd</sup> Pacific Conference of The Regional Science Association International (RSAI) and The 4<sup>th</sup> Indonesian Regional Science Association (IRSA) Institute, Bandung, Indonesia.

<sup>34</sup> Soedarmono, (2006), *Mbok Mase Pengusaha Batik di Laweyan Solo Awal Abad 20*, Yayasan Warna Warni, Jakarta.

willing get paid based on the wages offered. The interesting point, in this case, was the social system that was not influenced by the fluctuations of the wage rate and business orders. It meant that social relations in batik industries and the surrounding community were not affected by the turbulence of business transactions.

The change in the way of thinking about sustainable business is very appropriate for entrepreneurs or businessmen in Indonesia. The basis of the change is the environmental or ecological conditions. It should be underlined here that there are four main assumptions in human ecology. *First*, all organisms bring an impact on their environment, both organic and inorganic. These organisms are part of the ecological system whose existence also affects other organisms. Interactions between organisms and their environment affect the volume and quality of the existing resources, output or waste, and process of creating new resources. *Second*, human ecosystem is open, which means that the ecosystem is influenced by external factors, such as eco-biological and socio-cultural factor. Related to this principle, it is uneasy to understand an assumption stating that human ecosystem is autonomous and transcendent. The inside and outside changes of the ecosystem do not stand alone. The separation between term "inside" and "outside" is only an analytical sense, not ontological. Basically, nothing is separated from the human ecosystem.

*Third*, in fulfilling the biological life, humans need to create and change the power of their environment using materials, energy, and knowledge systems that are in line with their status as social beings. All of those materials are in the context of balance and sustainability on both sides of the ecosystem. Inequality of ecological and social processes will lead to imbalances in both human-to-human relations and human-to-environment relation. Negative consequences that may arise from the imbalance between the social and ecological processes are such as the climate change, the decrease of the ozone layer, the reduced biodiversity, floods, droughts, and other various environmental problems. *Fourth*, humans are distinguished from other creatures based on their ability to regulate, manipulate, and control their natural environment. They have a mechanism that allows them to be able to adapt their environmental conditions. Unlike other organisms, human

adaptation mechanisms are not biological through genes mutations, but cultural through behavioral mutations.<sup>35</sup>

## 2. Bruneian case

Brunei is a community of various religions and beliefs. Most of Brunei's citizens are Muslim. They exhibit Malay characteristics and practice Malay cultures inherited from their ancestors since ancient times. It has been mentioned in the Undang-Undang Taraf Kebangsaan Brunei 1961 (the Brunei Constitution of Nationality Standard 1961) that the country consists of 7 ethnic groups. These people live and practice their cultures, beliefs, and dialects. The 7 ethnic groups include Brunei Malays, Belait Malays, Murut Malays, and Bisaya Malays. The Brunei people are the driving force for the aspirations of the country that hold Malay Islamic Beraja philosophy to realize a Dhikr State.<sup>36</sup>

According to Zuzneli Zubir, in the past, Minangkabau (Indonesia) had a connection with Brunei. The first connection, according to the Indonesian historian, was through the propagation of Islam. Islam spread to Minangkabau around the 14<sup>th</sup> and 15<sup>th</sup> centuries. The Brunei-Minangkabau relation can also be seen through similarities in cultures.<sup>37</sup> Brunei government has laid emphasis on the SMEs development as a strategy to foster economic growth, to enhance opportunities for supplementing income and reducing unemployment, and, hence, to alliviate poverty. The government's concern on economic diversification has led to the provision of some facilities to encourage the growth of the MSEs. Among the policies set up by the government are financial policy, fiscal policy, economic development policy, and human resources development. It is undeniable that Brunei Darussalam was positioned in a safe zone in the terms of socio-economic sector. However, this situation would have changed if the socio-economic sector depended on oil and gas profits, while the development of the Brunei people was in progress. It required the additional various economic sources to accommodate the increasing needs. Basically, Brunei people are competent in various fields. The people ran their economic activities based on their

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<sup>35</sup> Lawrence, R.J. (2003), "Human Ecology dan Its Applications", *Landscape and Urban Planning*, Vol. 65, pp. 31-40.

<sup>36</sup> Ismail, A. H. A. A.S.P.A.H., Yahaya, M.H., Mokhtar, A.B., Ahim, R., Abdullah, R., Abdullah, R. (2015), *Ensiklopedia Negara Zikir, Jilid 1*, UNISSA Press, Brunei Darussalam.

<sup>37</sup> Yunos, R. (2017), *The Golden Islamic Heritage of Brunei Darussalam, A Collection of Selected Historical Articles*, UNISSA Press, Brunei Darussalam.

accomplishment in various fields. The rural community was accomplished in agriculture and handicrafts fields, the Bandar community was accomplished in business and carpentry fields, the Chinese community was accomplished in trading and mining fields, and the others. Those accomplishments must have been empowered, so that Brunei economy could rise from various resources. For this reason, the kingdom launched *Satu Mukim Satu Produk* (One Village One Product) program. This program means that each *mukim* (village) has its own economic resources, which are different from other *mukim* (villages). It has been received well by the villagers even it attracts their interest and awareness to do some useful activities, such as planting fruit trees, livestock, spice industry, ingredients, crackers, handicrafts and other various products according to the community expertise.<sup>38</sup>

The economic policy of the Brunei government has been able to overcome the unemployment rate. This fact is shown in the following Table 4.

Table 4  
Total Labor Force, Number Employed, and Unemployment Rate 2007-2011

<b>Labour</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Labour Force (thousand)</b>	184.8	188.8	194.8	198.8	185.9
<b>Male</b>	111.8	114.4	117.0	121.2	109.8
<b>Female</b>	73.0	74.4	77.8	77.6	76.1
<b>Employed (thousand)</b>	178.5	181.8	188.0	193.5	182.7
<b>Male</b>	109.1	111.2	114.0	118.8	108.4
<b>Female</b>	69.4	70.6	74.0	74.7	74.3
<b>Unemployed (thousand)</b>	6.3	7.0	6.8	5.3	3.2
<b>Male</b>	2.7	3.2	3.0	2.4	1.4
<b>Female</b>	3.6	3.8	3.8	2.9	1.8
<b>Labor Force</b>	67.8	67.8	68.2	68.0	66.4
<b>Participation rate (%)</b>					
<b>Male</b>	77.6	77.7	77.4	76.4	75.7
<b>Female</b>	56.9	56.7	57.5	58	56.4
<b>Unemployment</b>	3.4	3.7	3.5	2.7	1.7

Source: Brunei Darussalam Statistical Year Book, 2011

Table 4 above shows that, in the span of 5 years, the Brunei Darussalam government has succeeded in reducing the unemployment rate from 3.4% in 2007 to 1.7% in 2011. Brunei Darussalam's vision is that by 2035, it will be recognized

<sup>38</sup> Rose binti Abdullah, (2015), *Poverty and Microfinance in Brunei Darussalam*, Unissa Press, Brunei Darussalam

globally for the accomplishments of its well-educated and highly skilled people, its quality of life and its dynamic and sustainable economy. The policy directions under social security strategy are, first, to provide an economically sustainable social system for those who are least able to cater for themselves; second, to strengthen the programs that could help foster the spirit of entrepreneurship and self-reliance among the Bruneian; and third, to provide opportunities for workers in the private sector to enjoy a similar sense of security as those in the public sector. Programs run by YDR include motivational seminars, business and job skills enhancement workshops, and a business micro grant scheme. To date, through its business grant scheme, YDR has disbursed grants in the form of equipment to 45 recipients from Pusat Pembangunan Belia (a training centre) and Taman Nurhidayah (a welfare centre) (BEDB, 2013) and has helped start 102 new business since 2008 (BEDB, 2013). The types of business include bakery, tailoring, food kiosks, catering services, beauty salon, weaving, car washing, plant nursery, fish mongering as well as air-conditioning maintenance and repair. The program was able to help the entrepreneur start micro businesses although the numbers are still small. The source of funds for the second batch of YDR project was a donation from Islamic Bank of Brunei Darussalam (BIBD) amounting to BND\$300,000.<sup>39</sup>

#### **D. Innovation and sustainability in industrial heritage**

Innovation has become the output of entrepreneurial adaptation behavior,<sup>40</sup> and the efforts to apply new ideas to the development of a product.<sup>41</sup> conducted by entrepreneurs at regional, national, and cross-country levels.<sup>42</sup> It is a business

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<sup>39</sup> Rose binti Abdullah, (2015), *Poverty and Microfinance in Brunei Darussalam*, Unissa Press, Brunei Darussalam.

<sup>40</sup> Terziovski, M. (2010), "Innovation practice and its performance implications in small and medium enterprises (SMEs) in the manufacturing sector: a resource-based view", *Strategic Management Journal*, Vol. 31 Issue 8, pp.892-902; Maritz, A. and Donovan, J. (2015), "Entrepreneurship and innovation; setting an agenda for greater discipline contextualisation", *Education + Training*, Vol. 57, Issue 1, pp. 74-87.

<sup>41</sup> [Schumpeter, J.A. \(1934\). \*The Theory of Economic Development\*. Harvard University Press, Cambridge, MA.](#)

<sup>42</sup> Sternberg, R. (1999), "Innovative Linkage and Proximity: Empirical results from recent surveys of small and medium Sized Firms in German Regions", *Regional Studies*, Vol. 33, Issue 6, pp. 529-540.

culture of the entrepreneurs to deal with consumer trends.<sup>43</sup> Consumer behaviors have shifted not only because of the function of goods but also because of the aesthetic value of goods. Culinary, fashion, equipment, handicrafts, and traditional fabrics as commercial objects of historical value are now increasingly in demand by the consumers.<sup>44</sup> One innovation of the international trend is innovations related to the environmentally friendly products, such clothing products and household and office appliances.<sup>45</sup>

Sustainable business is one that is profitable.<sup>46</sup> Ability to respond changes in the business environment forms a new business culture.<sup>47</sup> Basically, culture is owned by all business components, i.e. producers, consumers, agents, and the government. It may become a business management strategy.<sup>48</sup> In many developing countries, the government provides support to small and medium enterprises (SMEs) through policies, resources, skills, training, increased banking access, domestic and foreign marketing<sup>49</sup>, and copyright registration.<sup>50</sup>

In Indonesia and Brunei, CLD is understood as a transmission process of thinking of the SME entrepreneurs. The cognitive role of the entrepreneurs is to continue the role of ideas or imagination. A person's imagination begins when

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<sup>43</sup> Thomas, K. (2000), "Creating regional cultures of innovation? The regional innovation strategies in England and Scotland", *Regional Studies*, Vol. 34, Issue 2, pp. 190-198.

<sup>44</sup> [Haryanto, J.O. and Priyanto, S.H. \(2013\), "Recent future research in consumer behavior: a better understanding of batik as Indonesian heritage", \*Journal of Arts, Science and Commerce\*, Vol. 4, Issue 4, pp. 32- 40.](#)

<sup>45</sup> [Wong, K.S. \(2012\), "The influence of green product competitiveness on the success of green product innovation, empirical evidence from the Chinese electrical and electronic industry", \*European Journal of Innovation Management\*, Vol. 15, Issue 4, pp. 468-490.](#)

<sup>46</sup> Kiron, D., Kruschwitz, N., Reeves, M. and Goh, E. (2012), "The benefits of sustainability-driven innovation", *MIT Sloan Management review*, Vol. 54, Issue 2, pp. 69-73.

<sup>47</sup> Bandarin, F. (2011), "Why development needs culture", *Journal of Cultural Heritage Management and Sustainable Development*, Vol. 1, Issue 1, pp.15-25.

<sup>48</sup> Johnson, G. (1992), "Managing strategic change-strategy, culture and action", *Long Range Planning*, Vol. 25, Issue 1, pp. 28-36.

<sup>49</sup> Bagchi-Sen, S. (1999), "The small and medium sized exporters' problems: an empirical analysis of Canadian manufactures", *Regional Studies*, Vol. 33, Issue 3, pp. 231-245.

<sup>50</sup> Robson, P.J.A. and Bennet, R. (1999), "Central Government Supports to SMEs compared to Business Link", *Regional Studies*, Vol. 33, Issue 8, pp. 779-797; Sinaga, S. (2013), "Management and Programs of Intellectual Property Rights for Small Medium Enterprises in Indonesia", *International Journal of Arts and Sciences*, CD-ROM, Vol. 6, Issue 2, pp. 615-636; Gao, Y. and Hafsi, T. (2015), "Government intervention, peers' giving and corporate philanthropy: evidence from Chinese private SMEs", *Journal Business Ethic*, Vol. 132, Issue 2, pp. 433-447.



culture is still in the form of knowledge.<sup>51</sup> Later, the logical and analogous processes make one create shapes, movements, colors, lines, models, and even songs. From the knowledge stage, CLD brings the entrepreneurs from the abstract to the concrete realm. As a matter of facts, the thinking progress of the SME entrepreneurs in Indonesia and Brunei Darussalam is due to the economic demands and the spirit of preserving history through the creation of goods. Here, CLD makes SME entrepreneurs change their perspective and increase their self-confidence. The educational success of the entrepreneurs in both countries, through formal or non-formal educational institutions such as family, social environment, and activities facilitated by the governments, depends on their ability *to think*. To think means to use reason to consider and decide something. The process of deciding involves the values of morality, ethics and aesthetics that are prevalent in cultural dimension. The logical and ethical thinking of the SME entrepreneurs is complementary. Logical thinking means that the business must involve competitive-imaginative-innovative benefits, while ethical thinking means that it must be based on the appropriateness and humanity. Both are presented in innovative behaviors.

In detail, the CLD experienced by the entrepreneurs includes several stages. First, the entrepreneurs theologially need to understand the facts about themselves in relation to their actions in making decisions on a business. As human beings, they see themselves not as a mere noble and rational being, whose position is above other creatures. Instead, they think of themselves as part of the whole universe, whose limited mind is always questioning the unresolved mysteries in life. In the business context, the entrepreneurs realize that they will not exist without the consumers and the suppliers of raw materials, i.e. the universe and his Creator. All become an integral part in the business context. More importantly, the entrepreneurs will experience the metaphysical stage when problems related to business sustainability need immediate solution, as in the scarcity of raw materials

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<sup>51</sup> Glendinning, B. (2002), "Heritage as knowledge: capital or culture?", *Urban Studies*, Vol. 39, Issue 5-6, pp. 1003-1017.

or the increase of their prices. At this moment, they need to look for substitution of the materials or the techniques immediately.

Second, metaphysically, the entrepreneurs need to change their business paradigm. Aside from pursuing profits, they also realize that business is inseparable from natural phenomena. They need to preserve the environment and initiate good connection between business and nature, as well as between the entrepreneurs and their partners, e.g. workers and consumers. With cultural approach, the entrepreneurs do not merely focus on themselves, but also the environment. With this framework, they reach a degree of existential beings. CLD encourages entrepreneurs to consider and develop business as a social activity (socio-preneurship).

Third, the entrepreneurs begin to use their thinking awareness that has transitioned metaphysically to observe the symptoms of business change. Their rationality is no longer subject to demand and supply law because the rational indicators have shifted to the importance of maintaining harmony and environmental sustainability rather than material interests. Actions to create products and services that are environmentally friendly and culturally oriented are more rational than those to pursue financial benefits by neglecting the environmental damage, both physically and mentally.

## **E. Conclusion**

This study found that CLD is essentially reflected in their innovative thoughts that involve industrial and personal heritage approaches managed by their own personalities. Changes in the business environment, limited human resources and raw materials, demands for economic needs, and survival are the internal and external triggers for the entrepreneurs to maintain their existence, family, and business. Their thoughts and actions help create history for the business development in both countries. The historical process carried out by the SME entrepreneurs has made items with heritage, value such as archaic cloths and equipments, accessible not only by limited groups such as the royal family but also by any social group. The entrepreneurs have made those items commodities that can be produced and owned by common people by considering the spiritual

motivation, good or bad judgment, and aesthetic manifested in the cultural imagination.

All goods and services produced to meet human needs are extracted from the nature, such as from mining, agricultural or fishery materials. Most of the production and innovation systems have been directly extracted by the natural resources and the environmental services. It is here that the process of the entrepreneur's mind development becomes very important for the building of culture-based entrepreneurship. Every entrepreneur must experience a mind development due to his status as a human being. The spiritual values, which exist among the domination of studies about profits and losses, product diversification, mathematical marketing, and promotion strategies in the developing countries such as Indonesia and Brunei Darussalam, affect the concept of business management. At this point, culture, serving as a driving force, leads the entrepreneurs to develop motivation and innovation for the sustainability of their businesses.

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