

Strategic Collaborations and Diversification: Pathways to Sustainable Growth in Bali's Tourism Village and Business Ecosystems

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Abstract: Tourism villages contribute significantly to Bali's economic development by promoting rural entrepreneurship. However, the sector faces challenges such as low product quality, ineffective marketing, and competition from low-cost imported products. This study explores collaboration and diversification strategies to ensure the economic sustainability of Bali's village tourism and rural businesses. Data were collected through observations, questionnaires, and in-depth interviews, then analyzed using the SWOT method to assess strengths, weaknesses, opportunities, and threats. The results highlight the importance of community involvement, partnership networks, creative product development, effective marketing, and long-term business management. Findings from four villages indicate that collaboration with local industries and sustainable tourism initiatives enhances community income. To support sustainable tourism and improve community welfare, it is recommended that the government and stakeholders strengthen the promotion of local products and maximize the cultural and economic potential of villages.

Keywords: collaboration; diversification; tourism village; local business

1. Introduction

The development of tourist villages has shown a significant upward trend over the years, particularly in terms of quantity. In 2023, 37.26% of villages in Bali had been developed into tourist villages (Bali Satu Data, 2023a), distributed across various regencies. Buleleng Regency accounted for the highest proportion, with tourist villages comprising 58% of the total villages in

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the area. The growth of tourist villages also has a positive impact on the local economic sector, especially micro-enterprises, which continue to grow every year. As of 2023, a total of 389,562 micro-enterprises have developed in Bali (Bali Satu Data, 2023b), driven in part by the growth of village-based tourism activities (Table 1).

Table 1. Data on the Number of Villages, Tourist Villages, and MSMEs in Bali 2023

No	Regency	Number of Sub-districts	Number of Villages	Number of Tourism Villages	Percentage of Tourism Village Development	Number of Micro Enterprises
1	Jembrana	5	41	7	17%	59743
2	Tabanan	10	133	25	18%	40859
3	Badung	6	46	17	36%	25894
4	Gianyar	7	64	32	50%	46914
5	Klungkung	4	53	18	34%	17295
6	Bangli	4	68	31	45%	29497
7	Karangasem	8	75	26	34%	33053
8	Buleleng	9	129	75	58%	66862
9	Denpasar City	4	27	6	22%	69445
Total		57	636	237	314%	389562

Sources: Bali Satu Data (2023a, 2023b, 2023c)

The development of tourist villages in Bali is closely related to the growth of micro-enterprises, although the impact varies from regency to regency. Gianyar Regency has undergone a rapid transformation in tourist villages, with 32 villages (50%) designated as tourist villages and 46,914 micro-enterprise units, supported by the arts, crafts, and creative economy sectors. Gianyar’s success shows how tourist villages can strengthen the local business ecosystem. In contrast, Klungkung Regency, despite having 18 tourist villages (34%), only recorded 17,295 micro-enterprise units, indicating that the development of tourist villages has not sufficiently driven the MSME sector. Accessibility and infrastructure challenges are still obstacles, especially in optimizing the potential of *Songket* weaving and marine tourism.

Karangasem Regency, with 26 tourist villages (34%) and 69,835 micro-enterprise units, shows a balance between the growth of tourist villages and MSMEs, especially in the craft and cultural tourism sector. Meanwhile, Buleleng Regency with the largest number of tourist villages (75 villages) still faces challenges in integrating tourism and MSMEs, as seen from the number of micro-

enterprises which is only 47,957 units. These four regions were chosen for this study because they represent various patterns of tourism village development in Bali—ranging from highly developed areas like Gianyar to those still facing challenges, such as Klungkung and Buleleng.

This article aims to foster collaboration and diversify MSME products in Bali to support sustainable economic growth in the tourism sector. MSMEs, or Micro, Small, and Medium Enterprises, play a crucial role in economic growth, job creation and poverty reduction. Studies show that increasing financial access and sustainable innovation can strengthen the role of MSMEs in Bali's tourism ecosystem (Rusliana et al., 2023; Swati & Ruby, 2023). In addition, tourism village awards and community-based tourism (CBT) approaches have been proven to foster local business development and generate direct economic benefits for rural communities (Krismawintari & Utama, 2019; Rosalina et al., 2024). However, the impact of MSMEs on tourism villages varies across regions, with challenges such as infrastructure, accessibility, and market limitations still requiring attention to optimize regional economic growth.

To achieve sustainable economic growth, this study explores optimal strategies in building partnerships between local businesses and the tourism sector through strategic collaboration and product diversification. The presence of MSMEs in tourism villages has great potential in creating authentic travel experiences and increasing the competitiveness of local businesses. By analyzing the impact of these strategies on business resilience and revenue generation, this study provides new insights into the effectiveness of diversification and collaboration in strengthening Bali's tourism ecosystem. These findings are in line with previous studies that highlight the importance of digitalization, cultural integration, and resource management in improving the sustainability of tourism villages and strengthening the role of MSMEs (Parwata et al., 2022; Rosalina et al., 2024; Sidik et al., 2021). Thus, this study provides concrete recommendations for stakeholders to develop innovative strategies that enhance synergies between the tourism sector and local businesses, fostering inclusive and sustainable economic growth in Bali.

2. Literature Review

Previous studies on innovation and strategic collaboration in small and medium enterprises (SMEs) within rural tourism have identified persistent challenges alongside potential opportunities for growth and development. While tourism development has progressed, significant barriers to product innovation persist, including limited access to technology, inadequate skilled human resources, and insufficient government support (Najib et al., 2020;

York & Venkataraman, 2010). These constraints prevent local entrepreneurs from fully capitalizing on tourism potential by limiting their ability to develop unique and marketable products.

Although previous research has emphasized the importance of product innovation for local businesses, a comprehensive analysis of strategic collaboration in addressing these barriers remains limited. Bikse et al. (2016) and Najib and Kiminami (2011) highlight stakeholder engagement as a key driver of innovation, yet they do not deeply explore how collaboration across government, academia, and local businesses can systematically address these challenges. Similarly, studies by Sathish and Rajamohan (2012) and Weinstein and Cahill (2014) stress the importance of diversification in responding to shifting market demands but lack insights into how strategic collaboration can accelerate this process, particularly in resource-constrained rural settings.

Research by Weber et al. (2022) and León et al. (2023) indicates that effective cross-sector social collaboration—driven by strong leadership and reciprocal exchange—is crucial in achieving shared goals and generating social value. However, the application of such approaches in Balinese tourism villages remains under-explored, presenting a notable gap in the literature. Rosalina et al. (2024) emphasized that the Indonesian Tourism Village Award (ADWI) drives Bali's economic growth through collaboration, digitalization, and sustainability, thereby empowering MSMEs in rural areas. While the potential of collaboration and innovation is well acknowledged, empirical evidence on their integration to enhance product diversification and sustainability in tourism-related SMEs is still insufficient.

This study examines the role of cross-sector collaboration in fostering product diversification and enhancing the performance of SMEs in Balinese tourism villages. Through empirical evidence, it provides insights into SME strategies for adapting to market dynamics, ensuring long-term sustainability and competitiveness. Additionally, it highlights the significance of cross-sector partnerships in resource-constrained environments, addressing gaps in technology, skills, and market responsiveness. The findings contribute to a deeper understanding of strategic collaboration and diversification as key drivers of sustainable growth within Bali's tourism village and business ecosystems.

3. Method and Theory

This research adopts a qualitative method using a phenomenological approach to comprehensively investigate the synergistic impact of collaboration and diversification on local firms, thereby enhancing the growth of tourism

destinations. The data regarding local businesses in tourism villages was systematically gathered through questionnaires, in-depth interviews, informal observations, and comprehensive literature reviews (Creswell, 2021). The research areas consisted of four tourism villages, namely Sidetapa (Buleleng), Celuk (Gianyar), Gelgel (Klungkung), and Tenganan (Karangasem). The sample includes key stakeholders such as local business owners, government and industry representatives, tourists, as well as other SMEs operating in Buleleng, Gianyar, Klungkung, and Karangasem regencies. In addition, academic input was gathered from 15 public and private universities through Google Forms, ensuring a diverse and comprehensive set of perspectives.

This study focuses on four tourist villages—Sidetapa, Celuk, Gelgel, and Tenganan—selected for their unique characteristics and historical significance. Gelgel Village, famous for its *Endek* and *Songket* crafts was designated as a tourist village based on Klungkung Regent Regulation No. 8/2021 and No. 2/2017. Celuk Village, a center for jewelry crafts for more than a century (Putu, 2023), was only later recognized in 2020 with Gianyar Regent Regulation No. 762/E-02/HK/2020. Tenganan Village, an ancient cultural site, was designated through Karangasem Regent Decree No. 658/HK/2014. Meanwhile, Sidetapa Village, once an area of political conflict, is now starting to attract tourists.

Using descriptive and SWOT analysis, this study examines the internal and external factors that influence innovation and collaboration in local businesses. This research is grounded in the theory of collaboration and innovation, which examines how partnerships among local businesses, academics, government, and other stakeholders foster product innovation and strengthen competitiveness.

4. Results and Discussion

4.1 Local Product Potential in Four Tourism Villages in Bali

Villages in Bali have great potential in tourism based on culture and local wisdom, where local culture and customs can be packaged as tourist attractions that support the economy. The designation of tourist villages is based on the year they were officially recognized as tourism villages through the Regent's Decree (*Surat Keputusan Bupati*), although many had already functioned as tourist destinations prior to the decree. The observed villages and their details are presented in Table 2.

Table 2. Details of Villages Observed

No	Village	Regency	Popula- tion	Designa- tion Year as Tourist Village	Iconic Product	Iconic At- traction	Category
1	Gelgel	Klungkung	5180 people	2017	<i>Endek</i> and <i>Songket</i> woven cloth	Historical value and the center of the Balinese kingdom	Develop- ing
2	Celuk	Gianyar	4222 people	2020	Silver and gold jewelry	Celuk Sil- ver Class	Novice
3	Tenganan	Karangasem	4627 people	2014	Tenun <i>Grings- ing</i>	Weaving, ancient village, Mekare- kare"/ geret pan- dan	Devel- oped
4	Sidetapa	Buleleng	5726 people	2017	Bamboo craft	Bale Ga- jah Sekaa Roras Tump- ang Salu, bamboo weaving, ancient village	Novice

Source: Research, 2024

The four tourist villages picked as the research locations have iconic products that not only reflect its rich local culture, but have also become a high-value commodity in recent years. Interviews with micro-entrepreneurs in these four villages revealed that the average monthly visitor count was 120 in Sidetapa, 3,000 in Celuk, 600 in Gelgel, and 2,400 in Tenganan. Visits in Sidetapa and Gelgel were dominated by individuals, while Celuk and Tenganan received more groups. Through diversification and innovation, these products make a significant contribution to village economic growth and create sustainable entrepreneurial opportunities.

1. Sidetapa in Buleleng is famous for its woven basket products which were originally used for household use and traditional ceremonies. Along with the increasing demand for ethnic-inspired design in guesthouses, restaurants, and hotels, craftsmen in Sidetapa have begun to develop

product variations such as decorative lamps, room partitions, and woven decorations (Figure 1). This diversification opens up opportunities for collaboration with interior designers and the hospitality industry, thereby increasing the competitiveness of local products and encouraging the growth of a community-based creative economy.



Figure 1. Iconic Products of Sidetapa Village (Photo: Komang Krishna Darmawan)

2. As Bali's hub for silver craftsmanship, Celuk continues to innovate in jewelry design and production techniques. Signature motifs such as *Liman Paya*, *Buah Gonda*, *Bunbunan*, and *Jejawan* that have been registered for Geographical Indication (GI) as the distinguishing characteristics of Celuk jewelry products (Figure 2). In response to the growing market demand for one-of-a-kind jewelry pieces that blend traditional and modern elements, craftsmen in Celuk have begun developing new manufacturing techniques, such as filigree work and the incorporation of natural stones. Partnerships with the fashion industry and e-commerce platforms have also expanded the marketing reach of Celuk silver products to the international market.

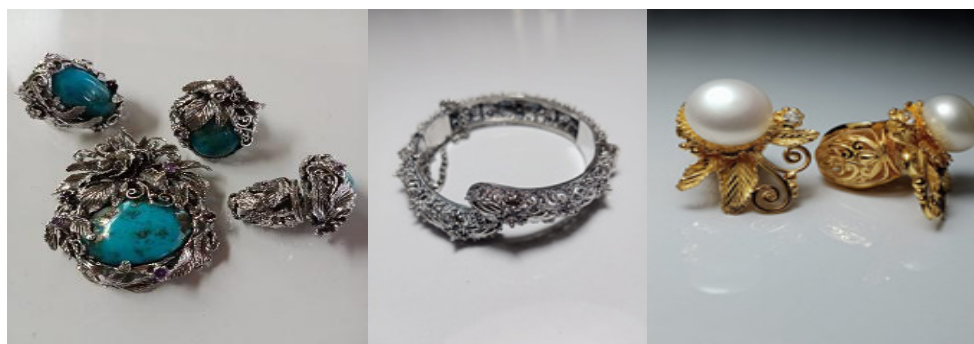


Figure 2. Iconic Products of Celuk Village (Photo: I Ketut Sida Arsa)

3. Tenganan has established itself as the premier producer of *Gringsing* woven cloth, one of Indonesia's most expensive textiles, crafted using the intricate *double ikat* technique (Figure 3). This product not only has high artistic value, but has also received protection through Geographical Indication (GI). Unlike other tourist villages that continuously innovate in motifs and manufacturing techniques, Tenganan preserves the authenticity of its production process and the traditional values passed down through generations. This consistency enhances the exclusivity of *Gringsing* woven cloth in the market, making it highly sought after by collectors and premium textile enthusiasts both domestically and internationally.



Figure 3. Iconic Products of Tenganan Village (Photo: Komang Krishna Darmawan)

4. With its historical ties to the Balinese kingdom, Gelgel Village remains a central hub for the production of *Songket* and *Endek* woven fabrics (Figure 4), which are widely used in traditional ceremonies and royal events across Bali. Woven fabrics from Gelgel remain in demand due to their traditional manufacturing techniques and patterns. While preserving its cultural heritage, Gelgel craftsmen have also started expanding market opportunities by adapting motifs and colors to suit modern fashion trends, producing both traditional attire and casual clothing made from *Endek* fabric.



Figure 4. Iconic Products of Gelgel Village (Photo: Putu Andhika Putra)

Strategic collaboration and diversification are crucial for sustaining the economic growth of Bali's tourist villages. Despite a decline in the regeneration of their successors, communities continue the production of high-demand products for local and global markets. Geographical Indication (GI) certification also adds protection for the exclusivity of such traditional craft. However, challenges like limited access to technology, a lack of skilled labor, and high production costs due to imported raw materials hinder innovation (Najib & Kiminami, 2011; York & Venkataraman, 2010). While stakeholder engagement fosters innovation (Bikse et al., 2016; Najib & Kiminami, 2011), the role of systematic collaboration between government, academia, and businesses in accelerating product diversification remains underexplored (Sathish & Rajamohan, 2012; Weinstein & Cahill, 2014). León et al. (2023) and Weber et al. (2022) highlight that cross-sector collaboration, strong leadership, and reciprocal exchanges drive social value, yet its application in Bali's rural tourism remains limited. This study explores how strategic collaboration fosters product diversification and strengthens SME competitiveness, providing insights into overcoming resource constraints through partnerships among government, academia, and businesses to ensure long-term sustainability.

Despite challenges in artisan regeneration, home industries in these four villages have remained resilient and continue to meet market demand. They still provide job opportunities for local residents, with an average daily wage of around IDR100,000, aligning with the Regional Minimum Wage (UMR). The unique value of the products, both in production techniques and designs, makes these villages still attractive to tourists who come not only to learn about the culture, but also to buy products directly from the artisans. Upto the present day, domestic and foreign tourists still visit these villages, contributing to the local economy and maintaining the sustainability of the culture-based craft industry in Bali.

A thorough examination of the four tourism villages revealed that local products play a crucial role in driving their growth and development. The traditional products of *Brem Buah* and bamboo weaving in Sidetapa have been successfully integrated into edu-tourism, generating significant economic benefits for the local community (Widiastini et al., 2023). The integration of *Tenun Bambu* product sales with educational tourism in Sidetapa produced significant economic advantages for the local community. Tourists not only purchased the products but also paid for the opportunity to learn about their production process. This initiative helped preserve local culture and traditions by ensuring the transfer of skills, such as bamboo weaving, across generations while also increasing recognition on a broader scale. The community benefited from economic empowerment through employment, especially for women

(Widiastini et al., 2023). The use of social media marketing has also broadened the market presence of these local items, extending the reach to both national and international markets.

In Celuk, a number of artisans have emerged as key players in the production of silver and gold jewelry, making them highly desirable among tourists (Arsa & Widiastini, 2018). Jewelry products such as rings, bracelets, and necklaces attract visitors here. This trend underscores the significant contribution of the community to the local economy and demonstrates Celuk's ability to accommodate diverse tourist preferences. The jewelry, akin to a cultural artifact, offers visitors a unique cultural experience while simultaneously empowering the local community by promoting economic independence. The success of these artisans highlights the importance of creating customized and culturally distinctive products, reinforcing the notion that indigenous crafts remain integral to Bali's appeal as a global tourism destination.

Gelgel and Tenganan are renowned for exquisite woven fabrics, attracting fashion enthusiasts. These items boost local economic revenue while enhancing the cultural distinctiveness of the villages. Traditional textiles not only strengthen the local economy by attracting tourists and customers but also contribute to the cultural identity of the communities. The elaborate designs and its high-quality craftsmanship have been passed down from generation to generation. Tourists visiting these communities frequently purchase them as gifts or fashion items, ensuring a steady income for local artisans. This demand not only sustains traditional weaving practices but also promotes cultural heritage. Additionally, the global interest in sustainable and ethically produced apparel has fueled the popularity of these handcrafted fabrics, aligning with the growing trend of responsible travel. The success of the textile industries in Gelgel and Tenganan highlights the significant potential of local products to drive economic development and cultural preservation in tourism villages.

4.2 Impact of Collaboration and Local Product Diversification

The success of tourism village development depends on strategic collaboration between local businesses, communities, and industry stakeholders. In the context of the four villages studied, collaboration has had a positive impact in maintaining the local economy (Susanti & Hardina, 2021). In Sidetapa, collaboration between weavers and interior designers has facilitated product diversification for guesthouses, restaurants, and hotels. Support from local partners such as with training and digital marketing has benefitted them (Arsa et al., 2021).

In Celuk, collaboration between silver craftsmen, designers, and exporters allows for innovation, and protection through Geographical Indications

(GI). The supply of silver from Sumatra, Kalimantan, and Java also requires coordination with suppliers (Siagian & Cahyono, 2021). As Gelgel weavers supply the Balinese royalty, a steady demand for *Endek* and *Songket* weaving is secured. Meanwhile, demand for traditional cloth from the fashion industry has pushed them to innovate to meet global market trends (Purwaningsih et al., 2020).

In Tenganan, the sustainability of the highly valued *Gringsing* weaving depends on partnerships with textile collectors and cultural institutions that promote its unique *double ikat* technique to an exclusive market (Sari et al., 2022). Domestic and international tourists continue to visit these villages, reinforcing the craft industry's competitiveness and sustaining the local economy (Rahmiyati & Rahim, 2015). Additionally, collaboration with the government and academics has facilitated access to wider markets, secured business permits and product certifications, and provided promotional support through local and international exhibitions (Mahendrayani & Suryawan, 2018).

Diversification and collaboration have strengthened economic resilience in Bali's tourist villages. Product diversification helps businesses adapt to market demand, as seen in Gelgel's expansion into international fashion (Dewi et al., 2013). Collaboration with academics and the government provides training and marketing support, enhancing business growth. Cross-sector partnerships boost income and stability through cultural festivals and exhibitions that increase global market exposure (Wijayanti, 2022). Strengthened networks with exporters improve efficiency, reducing costs and raising profitability (Purnomo et al., 2020).

4.3 Factors for Collaboration and Local Product Diversification Success in Tourism Villages in Bali

The success of collaboration and product diversification in Balinese tourist villages depends on several key factors. Sufficient capital (Puspitaningrum & Lubis, 2018; Raharjo & Rinawati, 2019), active community participation (Dewi et al., 2013), effective communication, and clear regulations (Al Fajri, 2019; Tyas et al., 2020) are essential for sustainable development. Local businesses provide raw materials and production, while community involvement, including local and foreign workers, supports the supply chain (Mittal et al., 2017; Pech et al., 2021). The long-term sustainability of tourist villages relies on strong local support, ensuring integration between businesses and community-based tourism.

Local entrepreneurs must have the skills and competencies needed to manage their businesses effectively. They must also ensure their products are in demand with tourists. Therefore, financial assistance and access to capital

injections can be facilitated through strategic partnerships that focus on product development and marketing training (Abdi et al., 2021; Waruwu et al., 2020). Infrastructure development can also increase business in the region (Bangsawan et al., 2021; Susanti & Hardina, 2021).

Local community support is essential in fostering a collaborative environment where all parties benefit. The success of tourism village development depends on this synergy, leveraging each participant's skills to create a sustainable and thriving destination. Product diversification drives the growth of Bali's tourism villages. Local entrepreneurs must adapt to market trends (Arsa et al., 2021; Siagian & Cahyono, 2021; Widiastini et al., 2023), implement strong branding (Purwaningsih et al., 2020; Sari et al., 2022), and collaborate with stakeholders for effective marketing (Widiastini, 2012; Mahendrayani & Suryawan, 2018). Expanding market access through networking and promotional strategies is crucial for competitiveness. Additionally, technology integration improves efficiency and quality (Hardilawati, 2020; Rahmiyati & Rahim, 2015). Strengthening partnerships between government, academia, and businesses enhances economic stability and innovation in Bali's culture-based tourism sector.

Transparent communication between local entrepreneurs and tourism stakeholders is essential to foster effective partnerships. Expectations, goals, and development plans must align with their needs in mind (Noor & Zulfiani, 2021; Wijayanti, 2022). Efficient collaboration depends on a clear division of roles, regulations, obligations, and rights for all parties involved. The implementation of strict and unambiguous regulations reduces potential obstacles and encourages stronger partnerships between local business owners and tourism stakeholders (Mulyani et al., 2021; Purnomo et al., 2020).

Entrepreneurs must continue to improve their skills in order to provide high-quality products and services that can compete in the global market. Collaboration and product diversification not only provide substantial economic and social benefits for tourist villages, but also increase the competitiveness of Bali's tourism industry as a whole. Effective collaboration of government, academics, and businesses can further improve economic stability and innovation in the cultural tourism sector in Bali.

4.4 The Role of Government, Academics, and Entrepreneurs in Inspiring Collaboration and Diversification of Local Products in Tourism Villages in Bali

The establishment of tourist villages in Bali under the regent's regulation has led to the growth of more than one hundred such villages, each developing through strategic collaboration with various stakeholders. In Sidetapa, support from the government and academics has driven the diversification of woven

products, expanding from traditional baskets to decorative elements for homestays, restaurants, and hotels. This shift has increased the products' market value and competitiveness, allowing artisans to reach a wider audience. Celuk, renowned for its silver jewelry craftsmanship, benefits from technical assistance and design training involving academics and the private sector. This support enables artisans to refine traditional techniques, adopt innovative manufacturing processes, such as filigree and stone inlays, and expand their reach into international markets. The growing demand for customized and culturally distinctive jewelry has further strengthened Celuk's position in Bali's creative economy.

In Gelgel, financial assistance and private sector mentoring have played a crucial role in sustaining artisans' livelihoods. Despite having to import raw materials like yarn, these weavers maintain high-quality production, ensuring their fabrics meet both traditional ceremonial and modern fashion demands. The integration of contemporary designs into traditional weaving patterns has allowed Gelgel artisans to access broader markets while preserving their heritage. Meanwhile, Tenganan has successfully maintained the exclusivity of its *Gringsing* woven fabric, one of Indonesia's rarest textiles, through Geographical Indications (GI) protection. This ensures authenticity and prevents mass production, preserving the centuries-old weaving technique. Additionally, academic institutions have contributed to promoting the cultural significance of *Gringsing* weaving, elevating its value in both domestic and international markets. By safeguarding traditional knowledge and leveraging cross-sector collaboration, Tenganan continues to attract collectors and high-end textile enthusiasts, strengthening its economic sustainability.

The *Sapta Pesona* (Seven Charms) principle serves as the foundation for creating memorable tourist experiences by ensuring destinations are safe, orderly, clean, refreshing, beautiful, hospitable, and memorable (Nurjaya & Kanca, 2020; Rustiarini & Sujana, 2021). Research findings show that the rising demand for local products from rural communities opens opportunities for expanding domestic and international markets (Purwanto, 2021; Rahatmawati et al., 2020). Collaboration between the government and local partners, including financial assistance and technical training, has been shown to increase production capacity and product competitiveness (Łasak, 2022; Wakkee et al., 2015). Additionally, the involvement of academics plays a crucial role in driving innovation and improving product quality. With this collaborative approach, tourism villages not only strengthen the local economy but also build a safe, well-organized, clean, and culturally rich business ecosystem that is globally competitive.

This study involves a survey of 97 academics from 15 universities in Bali to analyze their role in the development of local tourism-supporting products

in tourist villages. The survey aimed to evaluate academics' contributions to innovation and the competitiveness of local businesses in the four studied villages of Sidetapa, Celuk, Gelgel, and Tenganan. The study also aimed to identify the strengths, weaknesses, opportunities, and threats (SWOT) affecting these villages through targeted analysis. The results indicated that all internal academic factors, such as expertise and resources, were classified as strengths, with no weaknesses identified. The greatest opportunities stemmed from external factors, including rising market demand and supportive policies. This analysis highlights the vital role of academics in enhancing local product quality and ensuring the sustainability of tourist villages while addressing external challenges. These findings provide strategic insights to strengthen collaboration between academics, government, and local communities in maximizing the potential of tourist villages. Based on the data, no weaknesses were found in the academic indicators analyzed, as all internal factors were categorized as strengths, as reflected in Tables 3 and 4.

Table 3. Internal Indicators as Strengths and Weaknesses

No	Internal	Mark	Information
1	Research ability, expertise, and knowledge in relevant fields.	3.72	Strength
2	Level of collaboration, networking and partnership between academic institutions and industry stakeholders.	3.61	Strength
3	Provision of intellectual property rights support and guidance.	3.45	Strength
4	Fostering an entrepreneurial culture in academia.	3.54	Strength

Based on the provided data, it seems that no threats were identified for academic involvement, as all external factors are perceived as opportunities rather than threats.

Table 4. External Indicators as Opportunities and Threats

No	External	Mark	Information
1	Market demand and trends.	3.35	Opportunity
2	Technological factors, namely technological advances, availability and accessibility of digital infrastructure.	3.61	Opportunity
3	Socio-cultural factors.	3.43	Opportunity
4	economic factor	3.42	Opportunity
5	Government support and incentives.	3.48	Opportunity
6	Policy and legal factors.	3.43	Opportunity
7	Environmental factor.	3.42	Opportunity

Table 5. Internal Factor Analysis Summary (IFAS)

No	Internal	Weight	Mark	Total
1	Research ability, expertise, and knowledge in relevant fields.	0.26	3,72	0,97
2	Level of collaboration, networking and partnership between academic institutions and industry stakeholders.	0.25	3,61	0,91
3	Provision of intellectual property rights support and guidance.	0.24	3.45	0,83
4	Fostering an entrepreneurial culture in academia.	0,25	3.54	0.88

Table 6. External Factor Analysis Summary (EFAS)

No	External	Weight	Mark	Total
1	Market demand and trends.	0.14	3.35	0.47
2	Technological factors, namely technological advances, availability and accessibility of digital infrastructure.	0.15	3.61	0.54
3	Socio-cultural factors.	0.14	3.43	0.49
4	economic factor	0.14	3.42	0,48
5	Government support and incentives.	0.14	3,48	0,50
6	Policy and legal factors.	0.14	3.43	0.49
7	Environmental factor.	0.14	3.42	0.48

Academics play a significant role in enhancing local products in tourism villages through various community service initiatives. IFAS and EFAS in Tables 5 and 6 focused on the role played by academics in the development of tourism villages, specifically in business and local products. In addition, further analysis was carried out to determine the score for each indicator. This was aimed to obtain a summary of both internal and external indicators. The scores of the external factors for the role of academics in the development of tourism villages, specifically in local businesses and products, is shown in Table 6. However, through community service programs, academics benefited the community. This was influenced by several external factors, namely market needs, technology, community socio-culture, economy, environmental and government support and policies. For instance, active participation involved empowering local business groups, demonstrating how academic support can uplift community-driven enterprises.

For over three years, assistance was provided for the development of Bali Aga villages (Widiastini et al., 2020; Widiastini et al., 2023), improving the quality and quantity of tourism products. Similarly, support for two villages in Tabanan Regency enhanced product packaging to boost tourism activities (Karta et al., 2021). In Indonesia, lecturers are required to conduct community service programs annually, further contributing to local business development.

Piwowar-Sulej and Podsiadły (2022) highlighted that academic publications emphasize public education in innovation, while innovation, business management, and technology adoption have been reported to drive business growth. In Bali, several community service initiatives have supported local entrepreneurs, reinforcing their role in sustainable development.

The development of tourism villages requires active collaboration between the government, academics, and local entrepreneurs to create synergy in improving the quality of products and the competitive advantage of local culture-based tourism. The government plays an important role through providing financial support, infrastructure development, and policies that facilitate the growth of tourism villages. For example, the *Anugerah Desa Wisata Indonesia* (ADWI) award has encouraged village development through cross-sector collaboration and digitalization (Rosalina et al., 2024). Academics contribute with market research, product innovation, and community empowerment to improve the quality and diversification of local tourism products (Juliarta et al., 2023; Krismawintari & Utama, 2019).

These interrelated commitments symbolize a unified drive towards general development, with a focus on local culture, including strengthening the backbone of the tourism industry. Table 7 shows the matrix of the roles of the government, academics, and local entrepreneurs in supporting local business products and the development of tourism villages. The results of the study show that local entrepreneurs in tourist villages are at the forefront of producing products that reflect local identity, such as bamboo crafts, *Songket*, and traditional culinary, which contribute significantly to tourist attractions (Karta et al., 2021; Widiastini et al., 2022). These findings emphasize the importance of an innovative approach involving various stakeholders to create a sustainable and competitive tourism ecosystem, as exemplified in Jatiluwih Village (Krismawintari & Utama, 2019). This joint effort enriches village communities through innovation, increases destination appeal, and strengthens local economic resilience in facing challenges, including the impact of the COVID-19 pandemic (Juliarta et al., 2023; Purwanto, 2021).

The existence of such traditional village craftsmen plays a pivotal role in supporting the local economy and preserving culture. However, they face challenges such as a saturated market and increasing competition. Research shows that support through formal training and collaboration can improve the quality and competitiveness of products (Krismawintari & Utama, 2019; Rosalina et al., 2024). These villages have succeeded in creating new economic opportunities by targeting niche markets looking for authentic and high-quality products, such as jewelry, bamboo products, and traditional textiles. In addition to increasing income, this strategy strengthens cultural heritage and encourages

sustainable economic growth in tourist areas (Karta et al., 2021; Widiastini et al., 2022). Cross-sector collaboration also fosters innovation, empowers local entrepreneurs, and creates positive impacts for the wider community (Juliarta et al., 2023). This support builds the competitiveness of tourist villages at national and international levels, making local products a unique identity.

Table 7. Matrix of Roles of Government, Academics and Entrepreneurs in Supporting Local Business Products and Tourism Village Development

No	Roles	G	A	E
1	Implement regulations and policies that support the development of local businesses in tourism villages.	√		
2	Providing capital assistance and training to local entrepreneurs in tourism villages.	√	√	
3	Initiating collaboration between entrepreneurs, communities and local government agencies.	√	√	√
4	Develop tourism supporting infrastructure and facilities in tourism villages (for example academician do community services).	√	√	
5	Perform promotion and marketing of local business products in tourism villages both home and abroad.	√	√	
6	Introducing and promoting local products in these villages to tourists.	√	√	√
7	Manufacturing local products that have added value, in accordance with market demand.		√	√
8	Offer support and cooperation to local entrepreneurs in tourism villages.	√	√	√
9	Increasing awareness of the importance of developing tourism villages to improve welfare through local businesses.	√	√	√
10	Establish cooperation with local entrepreneurs in tourism villages to expand market reach.	√	√	√
11	Develop unique local products.	√	√	√
12	Maintain the quality and authenticity of local products produced.			√
13	Develop a local product distribution network in order to reach a wider market.			√
14	Provide support to local entrepreneurs in tourism villages to improve the quality and quantity of production.	√	√	√

Notes: G (Government); A (Academics), E (Entrepreneurs)

4.5 Challenges in Collaboration and Diversification of Local Products in Tourism Villages, and Efforts to Overcome These Difficulties

The villages of Sidetapa, Celuk, Gelgel, and Tenganan have their own unique characteristics and challenges. In Sidetapa, the integration of traditional

goods such as *Brem Buah* and *Tenun Bambu* in educational tourism boosts the local economy. Celuk and its jewelry faces challenges of market saturation, competition, and regulation, thus requiring formal support for income stabilization and better tourism experiences. Gelgel and Tenganan, with their traditional woven fabrics, play an important role in preserving culture while boosting the local economy. Strategies are needed to overcome limitations in market access, product diversification, and sustainability.

The SWOT analysis matrix in Table 8 identifies challenges and opportunities related to collaboration and local product diversification in tourism communities, perceived by academic, government and local business owners. Although the survey results on internal and external factors regarding the role of academics in developing local products for tourism did not indicate any weaknesses or threats, interviews with five respondents—selected based on a Google Forms survey on MSME collaboration and product diversification in Bali’s tourist villages—revealed several challenges. These findings were further examined through a SWOT analysis to gain a more comprehensive understanding.

Table 8. SWOT Analysis Matrix for Academic, Government and Local Entrepreneur

Strengths	Opportunities
<ul style="list-style-type: none"> • Unique cultural heritage • Natural resources • Skilled local workforce • Established network of suppliers and distributors. 	<ul style="list-style-type: none"> • Increasing demand for local and sustainable tourism • Growing trend of experiential tourism • Increasing digitalization • Government support programs
Weakness	Threats
<ul style="list-style-type: none"> • Lack of capital, limited access to technology • Low brand awareness • Inadequate infrastructure • Inadequate management and marketing skills 	<ul style="list-style-type: none"> • Competition from larger enterprises • Changing consumer preferences • Environmental degradation • economic instability • Regulatory hurdles.

The SWOT analysis matrix is used to identify opportunities and challenges in cooperation and diversification of local products in tourist villages, as well as formulate relevant strategies. The Strength-Opportunity (SO) strategy capitalizes on local advantages, such as cultural heritage and handicrafts, to meet tourist demand for culinary products and souvenirs (Healy, 1994; Nisha & Khan, 2016; Soukhathammavong & Park, 2019). By offering authentic experiences, this approach enhances tourist visits. Meanwhile, the Strength-Threat (ST) strategy

mitigates market challenges by leveraging skilled local labor to provide quality services at competitive costs (Hartanto et al., 2022). Additionally, mentoring and training programs focused on improving product quality and quantity have proven effective (Chia & Liang, 2016; Sriyana & Sari, 2018).

To address weaknesses, the Weakness-Opportunities (WO) Strategy proposes digital marketing and branding initiatives, in line with the trend of experience-based tourism, to increase market appeal and local product recognition (Hung & Khlystov, 2011; Kotler & Gertner, 2002; Yamagishi et al., 2021). Meanwhile, the Weakness-Threats (WT) Strategy emphasizes the importance of investing in technology and infrastructure to reduce market risks and increase competitiveness (Chibelushi & Costello, 2009; Klein & Todesco, 2021). Collaboration with stakeholders is also needed to help local businesses face regulatory challenges.

The research results support that a collaborative and innovative approach based on SWOT analysis can strengthen the competitiveness of tourism villages, create new economic opportunities, and encourage local economic sustainability. For example, support from the government and academics in Gelgel and Tenganan Villages has helped improve the quality of local crafts, such as *Songket* weaving, which is now attracting attention from national and international markets (Juliarta et al., 2023; Rosalina et al., 2024; Widiastini et al., 2022). This strategy not only preserves cultural heritage but also encourages sustainable economic growth for local communities.

WO (Weakness-Opportunities) strategies focus on addressing internal weaknesses, such as limited brand recognition, by leveraging external opportunities such as the experiential travel trend. Implementing strategic marketing and branding initiatives helps increase visibility and competitiveness, turning weaknesses into strengths to drive growth (Hung & Khlystov, 2011; Kotler & Gertner, 2002). In this context, investing in expanding markets and promoting local culture-based tourism experiences is a key step. In contrast, WT (Weakness-Threats) strategies are defensive, aiming to protect the organization from external threats, such as regulation or market competition, while addressing internal weaknesses such as lack of technology (Chibelushi & Costello, 2009; Klein & Todesco, 2021). These efforts involve infrastructure investments and collaboration with stakeholders to stabilize the business and reduce risks.

5. Conclusion

Local entrepreneurs in Bali's tourist villages—Sidetapa, Celuk, Gelgel, and Tenganan—have made significant contributions to tourism development by leveraging local natural resources, cultural heritage, skills, and strategic collaborations. While these four villages continue to preserve their unique iconic

products, setting them apart from other tourism villages, they also actively foster strategic partnerships with the government, academia, and businesses to enhance economic stability and drive innovation in Bali's culture-based tourism sector.

Sidetapa has successfully diversified its woven products beyond traditional baskets to include interior decorations used in guesthouses, restaurants, and hotels. Celuk, renowned for its silver craftsmanship, has introduced innovations in jewelry design and production techniques, now widely marketed through collaborations with designers and digital platforms. Gelgel sustains the heritage of *Endek* and *Songket* weaving with support from private sector initiatives and academic institutions, particularly in design training and global marketing strategies. Tenganan continues to preserve *Gringsing Weaving*, which has received Geographical Indication (GI) protection, enhancing its value and competitiveness in the exclusive market. These four villages exemplify how community involvement, product innovation, digital marketing, and strategic networks can strengthen the competitiveness and sustainability of the tourist village economy.

Despite progress, there are still several challenges, such as limited raw materials and labor in Celuk, Gelgel's dependence on imported yarn, and the decreasing number of craftsmen in Tenganan and Sidetapa. Local entrepreneurs have adapted through innovation, digital technology, and external support to overcome these obstacles, resulting in successful product diversification. In addition, community involvement in production and marketing and the application of sustainability principles have strengthened the competitiveness of tourist villages. This study recommends further exploration of the application of technology to improve global competitiveness and compare collaboration patterns between tourist villages in Bali and similar destinations in other areas. Additional research is needed to measure the long-term impact of these strategic collaborations on the economic, social, and environmental sustainability of tourist villages.

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