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A STRATEGIC FRAMEWORK FOR THE ADVANCEMENT OF DIGITAL CREATIVE INDUSTRY IN INDONESIA

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Abstract: Indonesia's digital creative industry is a key driver of national economic growth, thanks to a young population that is comfortable with technology. But even though it has a lot of potential, the industry has ongoing structural problems that make it hard to stay competitive in the long run. These include a big gap between the skills that schools teach and what businesses need, uneven digital infrastructure, weak protection of intellectual property, and broken governance. People want free content and businesses that compete on price, which makes it even harder for businesses to innovate and stay in business. This study presents a strategic framework aimed at fortifying the industry, utilizing Porter's Diamond Model as the analytical foundation. We use a quantitative explanatory approach backed by secondary data to look at factor conditions, demand conditions, related and supporting industries, firm strategy and competition, and the effects of government and chance. The results show that we need a development strategy that is based on four pillars: improving human capital, digital infrastructure, and ecosystem support; boosting innovation and business competitiveness; and making regulatory coordination more efficient. By following these steps, Indonesia can become a leader in the global digital economy by creating a more competitive, inclusive, and sustainable creative ecosystem.

Keywords: *Digital creative industry; Competitiveness; Porter's Diamond Model; Strategic framework*

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1. Introduction

The digital creative industry is booming in the world economy. The industry brings together cultural production, new ideas, and business that is based on technology. People in Asia think that creative industries are engines of growth. They can create beneficial jobs, spread cultural influence, and help everyone grow (Asian Development Bank, 2024). This change is happening in Indonesia. In 2021, its digital economy constituted about 42% of the regional market, making it the largest in Southeast Asia (Sapulette & Muchtar, 2023). The internet's rapid spread and the youth's proficiency with technology contribute to this growth. This situation opens up a lot of doors for creative business ideas and competition from around the world (Syahbudi et al., 2023).

The digital creative industry in Indonesia has a lot of potential, but it still has problems with its structure that make it difficult to grow. There are big gaps between what businesses

need and the people who can do it because not everyone can receive adequate education and training (ADB, 2024; Wibowo et al., 2024). The uneven distribution of digital infrastructure across the archipelago exacerbates access and productivity disparities (Sapulette & Muchtar, 2023). Furthermore, weak protections for intellectual property and poorly organized government structures make it less likely for new ideas to come up and limit the industry's ability to grow around the world (Dellyana et al., 2023; Hosseini & Meybodi, 2023). The content quality is still not consistent, which makes it hard for Indonesian businesses to meet international standards (Judijanto et al., 2025).

The role of micro, small, and medium enterprises (MSMEs) make it even harder for the industry to grow. In Indonesia's creative economy, MSMEs account for 99% of businesses and 97% of jobs. However, their exports are still much lower than those of businesses in other countries (Syahbudi et al., 2023). Digital transformation presents businesses new ways to grow and work better (Judijanto et al., 2025), but many MSMEs still have trouble getting money, using new technologies, and going global (Aripin et al., 2024). This study needs a framework that combines business skills, digital infrastructure, and advantageous rules to solve these problems.

The Indonesian government has started programs to help the digital creative industry grow. Some of these are campaigns to teach people how to use technology, policy incentives, and changes to institutions (Dellyana et al., 2023). But these projects underperformed because of agency dysfunction and weak public-private partnerships (ADB, 2024). The global digital economy is changing quickly. Thus, Indonesia needs flexible and forward-thinking strategies that not only help the country traverse through crises like COVID-19 but also use its cultural and creative resources to promote long-term growth (Wibowo et al., 2024; Hosseini & Meybodi, 2023).

In line with this, this paper proposes a strategy for the advancement of Indonesia's digital creative sector. This framework focuses on four main areas: education and digital literacy, infrastructure and ecosystem support, innovation and firm strategy, and governance and legal protection. Its goal is to systematically address current problems and make businesses more competitive in the long run. The paper contributes to the existing literature by synthesizing fragmented discussions on creative economy governance, MSME competitiveness, and digital transformation. It shows where Indonesia fits into the global digital creative economy. The novelty of study's integrated strategic model combines structural problems, institutional gaps, and firm-level skills into a single, useful framework, which is different from earlier research. This in-depth, cross-domain study gives us a new way to think about how Indonesia could improve its digital creative industry in the quickly changing global digital economy.

2. Literature Review

The Digital Creative Industry in Context

The digital creative economy has been recognized as a crucial catalyst for growth, innovation, and cultural impact on a global scale (UNCTAD, 2013). According to the Kalfas et al. (2024), the creative industries are significant not only for employment but also for soft power and competitiveness in international trade. The sector has grown quickly in Asia, and creative exports have made a big difference in GDP and job creation (ADB, 2021). Indonesia is a very important example because its digital economy is now the largest in Southeast Asia, making up about 42% of the region's market value in 2021 (ERIA, 2022). Even though the industry is growing quickly, problems with education, infrastructure, and governance hold it back from reaching its full potential (Judijanto et al., 2025). Porter's Diamond Model of

National Competitive Advantage (1990) is a strong way to look at what makes some new industries competitive. The model delineates four interrelated determinants: factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry, while also acknowledging the influence of government and chance. Using this framework to study Indonesia's digital creative industry helps us systematically look at what makes it competitive and what holds it back.

Factor Conditions: Human Capital, Infrastructure, and IP Protection

Factor conditions, according to Porter (1990), refer to the nation's position in factors of production, such as skilled labor, infrastructure, and technological capabilities. In Indonesia, the availability of qualified human capital remains a challenge. Wibowo et al., (2024) emphasize that educational and training systems remain poorly aligned with the competencies demanded by creative industries, resulting in skill mismatches that undermine productivity. Digital literacy and professional expertise are unevenly distributed across the archipelago, with urban centers such as Jakarta and Bandung attracting most of the talent while peripheral regions lag (ADB, 2021). Infrastructure is another critical factor. While Indonesia has made substantial investments in broadband and telecommunications, the digital divide persists between Java and outer islands, creating unequal opportunities for participation (ERIA, 2022). Intellectual property (IP) protection also remains weak, with piracy and enforcement gaps discouraging creators from investing in originality (Dellyana et al., 2023). These deficiencies in factor conditions limit the industry's ability to sustain innovation and global competitiveness.

Demand Conditions and Domestic Market Sophistication

Porter (1990) emphasizes the value of demand conditions, where a sophisticated domestic market pushes firms to innovate and maintain high standards. Indonesia benefits from a young, digitally native consumer base that actively engages in online platforms, gaming, and streaming services (UNCTAD, 2013). However, studies show that willingness to pay for original content remains inconsistent, with piracy and preference for free content undermining incentives for quality production (Wibowo et al., 2024). Judijanto et al. (2025) highlight that while domestic demand is expanding, this sector is often fragmented and lacks strong institutional mechanisms to ensure creators are adequately compensated. In this sense, demand for sophistication in Indonesia is evolving but has not yet reached the level required to push local creative firms toward sustained global competitiveness. Nonetheless, the rapid digitalization of consumption behaviors provides a significant opportunity for future industry upgrading.

Related and Supporting Industries: Cross-Sector Collaboration

Porter (1990) argues that the presence of related and supporting industries is essential for competitiveness, as they provide spillovers, synergies, and innovation ecosystems. In Indonesia, telecommunications, fintech, and e-commerce sectors have provided critical support to creative enterprises by offering digital payment systems, online distribution channels, and cross-sector collaboration (ERIA, 2022). At the same time, Dellyana et al. (2023) note that governance fragmentation hampers the development of cohesive industry networks, while MSMEs dominate the sector with limited access to financing, technology, and international markets. Hosseini and Meybodi (2023) further suggest that collaboration between creative industries and sectors like tourism and education could accelerate

innovation diffusion, but such collaborations remain underdeveloped. The weakness of these supporting industries reduces Indonesia's ability to create a synergistic ecosystem comparable to global leaders such as South Korea.

Firm Strategy, Structure, and Rivalry: Innovation and Competitiveness

Firm-level strategy, structure, and rivalry determine how industries compete and sustain their position in global markets (Porter, 1990). Indonesian creative firms are characterized by heterogeneity, ranging from highly innovative startups to MSMEs with limited digital capability (Judijanto et al., 2025). While rivalry among domestic firms has increased, it often focuses on price competition rather than innovation and quality differentiation. A persistent challenge is the inconsistency of content quality, which weakens competitiveness in international markets (Wibowo et al., 2024). According to ERIA (2022), Indonesian creative firms remain positioned at lower levels of the value chain, often serving as subcontractors rather than originators of intellectual property. Without deliberate strategies for innovation, differentiation, and Global branding, the industry risks being locked into low-value activities, unable to achieve meaningful upgrading.

Governance: From Fragmentation to Quadruple Helix Coordination

Although not part of the original four determinants, Porter (1990) acknowledged that government and chance play important roles in shaping national competitiveness. In Indonesia, government involvement has been visible through institutions such as the Creative Economy Agency and various national roadmaps (Dellyana et al., 2023). However, policy fragmentation and inconsistent regulations have limited effectiveness. Digital governance in Indonesia often suffers from overlapping mandates and a lack of coordinated vision across ministries (Dellyana et al., 2023). Chance factors, such as global digitalization trends accelerated by the COVID-19 pandemic, have created both challenges and opportunities. On the one hand, restrictions accelerated the adoption of online content and remote work, opening new markets for digital creatives. On the other hand, they exposed weaknesses in infrastructure and uneven access to digital tools (ADB, 2021). Government actions, therefore, remain pivotal in turning these chance conditions into long-term opportunities by addressing systemic barriers in education, infrastructure, and IP enforcement.

3. Research Method

This research utilizes a concept design informed by Porter's (1990) Diamond Model of National Competitive Advantage. The diamond framework, which focuses on the four factors that affect competitiveness, is the main tool for analysis. Porter views government and chance as exogenous yet influential variables; these are also included as contextual factors that affect how industries grow. This methodology has been effectively utilized in prior Indonesian research, notably Firman and Wang (2013) on medical tourism, thereby validating its efficacy for evaluating nascent industries. This research exclusively utilizes secondary sources to operationalize and assess the diamond determinants within the framework of Indonesia's digital creative industry, in contrast to studies that depend on primary data collection. The decision to utilize secondary data is based on two factors. First, many groups in the US and around the world keep a close eye on the creative economy, which gives us a lot of policy and statistical data. Second, using these well-known data sources makes sure that the results can be compared with previous studies and makes cross-country benchmarking more reliable.

The study utilizes various secondary sources. These include national and regional reports like the ones ERIA (2022) published on Indonesia's digital economy, the Asian Development Bank (2021) published on creative industry ecosystems, and UNCTAD (2013) published on global creative trade flows. Academic research also gives us information about specific sectors, like Wibowo et al. (2024) on human capital and digital literacy, and Dellyana et al. (2023) on the fragmentation of governance in Indonesia's creative economy. Judijanto et al. (2025) write about competitiveness and strategies at the firm level, and Hosseini and Meybodi (2023) write about supporting industries.

These sources enable a thorough mapping of Indonesia's creative industry within the Porter framework. The implementation of Porter's determinants adhered to established interpretations tailored to the creative industry. Secondary indicators of education quality, digital infrastructure penetration, and intellectual property enforcement were used to measure factor conditions. We looked at demand conditions by looking at consumer market data on how quickly people are adopting digital technology, how much they are willing to pay for creative content, and how cultural demand patterns work. Fintech, telecommunications, and tourism links, as well as access to financing, were used to look at related and supporting industries. Competitiveness reports, export performance data, and case studies of innovation and competition among Indonesian creative businesses were used to look at firm strategy, structure, and competition. Lastly, the role of government and chance was included by looking at policy papers, institutional arrangements, and global shocks like the COVID-19 pandemic.

The analysis was done in two parts. Initially, a descriptive content analysis of the secondary data was performed to identify strengths and weaknesses within the Diamond determinants. Second, these results were arranged into a comparative evaluation that looked at how Indonesia's digital creative industry stacks up against regional and global standards. This process is like earlier studies in Indonesia that used secondary data to find strategic gaps (Firman & Wang, 2013). Using both content analysis and comparative benchmarking makes sure that the determinants are not looked at on their own, but rather in terms of how they affect overall competitiveness, inclusivity, and sustainability. This methodology offers a thorough, organized, and reproducible evaluation of the Indonesian digital creative industry, relying exclusively on secondary sources and organized according to Porter's Diamond Model. The model makes sure that the results are based on real data and are consistent with what the literature says about national competitive advantage.

4. Results and Discussion

4.1. Results

The analysis of Indonesia's digital creative industry through porter's diamond model reveals that despite the nation's significant potential, several fundamental weaknesses are hindering its full advancement. Strategic Analysis of Indonesia's Digital Creative Industry summarizes the key strengths and weaknesses identified across each of the diamond's determinants.

Strategic Analysis of Indonesia's Digital Creative Industry

This Table 1 shows the strategic analysis of Indonesia's digital creative industry by mapping the five determinants of porter diamond conditions.

Table 1. The Determination of Porter Diamond Conditions in Digital Creative Industry of Indonesia

s	Strengths	Weaknesses
Factor Conditions	- Large, young, and digitally savvy population - High rate of technology adoption	- Significant skills gap between education and industry needs - Uneven digital infrastructure and slow internet speed - Weak IPR protection and enforcement
Demand Conditions	- Massive domestic market - High consumer activity on social media	- Widespread preference for free content - Low consumer willingness to pay for digital products and services
Related and Supporting Industries	- Strong growth of supporting sectors like fintech - Increased collaboration opportunities with the telecommunications sector	- Fragmented industry ecosystem - Lack of strong, integrated collaboration between academia industry
Firm Strategy, Structure, and Rivalry	- Growing number of new startups - Diverse and innovative business models emerging	- Competition often based on price, not innovation - Most firms are small and lack access to international markets
The Role of Government and Chance	- Government commitment through the "Creative Economy" policy - COVID-19 pandemic accelerated digitalization and created new opportunities	- Fragmented policies across different ministries - Insufficient legal and financial support for small creators

Porter's Diamond Analysis

The analysis of factor conditions highlights Indonesia’s demographic advantage, with a large, young, and digitally savvy population driving high rates of technology adoption. However, this potential is undercut by a significant skills gap, particularly in specialized digital fields. Furthermore, digital infrastructure remains uneven, and intellectual property rights (IPR) protection is notably weak, creating an unfavorable environment for long-term growth.

TOWS Matrix Analysis and Strategic Implications

Based on the findings above, a TOWS analysis was conducted to identify strategic pathways for the industry as seen in Figure 1.

Figure 1. TOWS matrix results

This comprehensive analysis confirms that while Indonesia's digital creative industry has a strong demographic foundation, its future success is contingent upon addressing fundamental weaknesses in its ecosystem through strategic, collaborative, and data-driven policies.

CAoN Table (Porter's Diamond Analysis)

The Competitive Advantage of Nations (CAoN) is an ideal framework for analyzing industry competitiveness, as demonstrated in Table 2.

Table 2. CaoN of Digital Creative Industry of Indonesia.

CaoN Analysis	Strengths	Weakness
Factor Conditions	Large and Digitally Savvy Population: Indonesia benefits from a large, young, and digitally native population. This demographic, which is expected to become more dominant in the coming years, is a key driver of the digital economy. The high pace of internet penetration and high technology adoption rates are also significant advantages	Significant Skills Gap: There is a persistent and significant gap between industry demands and available talent. Educational and training systems are often poorly aligned with the competencies required by the creative industries, leading to skill mismatches that undermine productivity
	Talent Pool: While facing challenges, the country has a dynamic workforce with a growing number of new startups and diverse business models. The commitment to developing a creative economy agenda is reflected across various ministries, including Trade, Foreign Affairs, Education and Culture, and Industry	Uneven Digital Infrastructure: Despite substantial investments in telecommunications, a digital divide persists between Java and the outer islands. This reinforces spatial inequalities in access and productivity, creating unequal opportunities for participation
		Weak Intellectual Property Protection (IPR): The legal framework for IPR protection remains weak, with piracy and enforcement gaps that discourage creators from investing in originality. This deficiency limits the industry's ability to sustain innovation and global competitiveness.
Related and Supporting Industries	Growth of Supporting Digital Sectors: Indonesia's digital economy is the largest in Southeast Asia. Sectors like fintech, e-commerce, and telecommunications are experiencing rapid growth and provide essential support to creative enterprises. For example, these sectors offer digital payment systems and online distribution channels that are critical for creative businesses	Fragmented Industry Ecosystem: Despite the growth of some supporting sectors, the overall industry ecosystem remains fragmented. There is a lack of integrated collaboration between key stakeholders like academia, the private sector, and the government
	Technological Synergies and Innovation: There is a growing interconnectedness between creative industries and technology, leading to new opportunities. Game engines, originally developed for gaming, are now being used for virtual production in film and television, improving	Dependence on External Factors: The creative sector's growth is often dependent on external factors that can pose risks. For example, the fluctuating prices of equipment and an over-reliance on technology can affect business stability.

	efficiency and saving up to 70% of rendering time. This technological transfer shows a strong, mutually beneficial relationship between these industries.	
	Potential for Cross-Sectoral Collaboration: The digital creative industry has positive spillover effects on other sectors, such as tourism and manufacturing. For instance, a TripAdvisor survey found that 20% of global travelers visit a destination because they saw it in a TV show or movie, showcasing the strong link between creative content and tourism.	Competition from Similar Industries: Creative businesses face competition not only from direct rivals but also from other related industries that offer similar services. For example, daycare centers compete with early childhood education institutions (PAUD) and kindergartens that also provide childcare services
Firm Strategy, Structure, and Rivalry	Growing Number of Innovative Startups: The digital creative industry is characterized by a growing number of new startups that are introducing diverse and innovative business models. This demonstrates a vibrant entrepreneurial spirit and the industry's capacity for new ideas and growth	Competition Focused on Price, Not Innovation: A significant challenge is that competition often revolves around price rather than innovation and quality differentiation. This "race to the bottom" undermines long-term competitiveness and prevents firms from moving up the value chain
	Increased Domestic Rivalry: Competition among Indonesian creative firms have increased, which can be a powerful stimulus for innovation and improvement. Domestic rivalry pushes companies to enhance their quality and services, creating more sustainable advantages over time	Limited Capacity for International Markets: Most of these firms are small-scale and lack the capacity to effectively penetrate international markets. Without deliberate strategies for global branding and differentiation, the industry risks being confined to low-value activities
	Heterogeneous Business Models**:** The industry is composed of a mix of business models, ranging from highly innovative startups to established MSMEs. This diversity can lead to a variety of approaches to competition, fostering a dynamic environment	Inconsistent Content Quality and Weak Management: Content quality remains inconsistent, which weakens the ability of Indonesian firms to compete with international standards. Many small-scale operations also suffer from weak management structures, leading to inconsistent services and a lack of long-term strategic planning

The Role of Government and Chance	Government Commitment through Policy: The Indonesian government has shown a clear commitment to fostering the digital creative economy. This is evident in initiatives like the establishment of the Creative Economy Agency (Bekraf) and the development of national roadmaps designed to stimulate the sector. The government's support through policies and programs helps to provide a structured environment for growth	Fragmented Governance and Inconsistent Policies: The effectiveness of government efforts is significantly limited by fragmented policies and a lack of coordination across different ministries. This "siloed governance framework" can lead to duplicated efforts or a failure to grasp a holistic view of the sector. In Indonesia, multiple ministries oversee the creative industries, which sometimes results in a lack of a clear, unified strategy
	Acceleration from Global Shocks: Unforeseen global events, referred to as "chance" factors, have acted as a catalyst for the industry. For instance, the COVID-19 pandemic accelerated the adoption of online content and remote work, creating new market opportunities for digital creatives	Weak Legal and Financial Support: Despite general commitment, there is often inadequate legal and financial support for small creators and micro, small, and medium enterprises (MSMEs). The government's actions often fail to provide robust legal protections for intellectual property and sufficient funding, leaving many small players vulnerable. This forces many entrepreneurs to rely on self-financing, which can increase the risk of business failure
	National Brand and Soft Power: The government's recognition and promotion of the creative economy as a strategic sector can strengthen the nation's "soft power" and global brand. By investing in and promoting creative products, a country can enhance its international image and influence, which in turn can lead to increased cultural affinity and tourism	Ineffective Dialogue and Bureaucracy: Communication between government agencies and the private sector is often fragmented, with a lack of formal and structured platforms for engagement. This makes it difficult for policymakers to design effective, tailored policies and for industry players to advocate for their common interests. Additionally, navigating bureaucracy and complex procedures can be challenging and time-consuming for creative businesses, which may deter investment and hinder growth

SWOT Analysis

The SWOT analysis is a strategic planning framework that evaluates an organization's or industry's competitive position by identifying its Strengths, Weaknesses, Opportunities, and Threats. It serves as a tool to help formulate strategies by matching internal factors (Strengths and Weaknesses) with external factors (Opportunities and Threats). By systematically analyzing these four components, a SWOT analysis provides a comprehensive overview of the industry's strategic position. It helps in formulating strategies that leverage strengths to

seize opportunities, address weaknesses to overcome threats, and ultimately guide the industry toward sustainable growth. The Table 3 results the TOWS matrix of digital creative industry in Indonesia.

Table 3. SWOT of Indonesia's Digital Creative Industry

	Internal Factors	**External Factors**
Favorable	Strengths (S)	Opportunities (O)
	S1: Large and Digitally Savvy Population: Indonesia benefits from a large, young, and digitally native population that drives high rates of technology adoption. This demographic is a key enabler of the digital economy. S2: Massive Domestic Market: Indonesia has a vast domestic market, which is the largest digital economy in Southeast Asia, accounting for approximately 42% of the regional market in 2021. S3: Growth of Supporting Sectors: There is promising growth in supporting industries like fintech and telecommunications, which provide critical support to creative enterprises through digital payment systems and online distribution channels. S4. Government Commitment: The government has shown a clear commitment to fostering the creative economy through various initiatives and policies.	O1: Accelerated Global Digitalization: The global trend towards digitalization, hastened by the COVID 19 pandemic, has created new opportunities for digital content and remote work. This allows creators to reach a wider user base without physical barriers. O2: Potential for Cross-Sectoral Partnerships: There is an opportunity for cross-sector collaboration to build a more synergistic ecosystem, such as between creative industries, tourism, and education. O3: International Market Potential: Increasing global interest in Asian content, inspired by successes like the "Korean Wave," offers a significant opportunity for Indonesian creative content to gain international recognition and access new markets.
Unfavorable	Weaknesses (W)	Threats (T)
	W1: Significant Skills Gap: A persistent and significant gap exists between the skills demanded by the industry and those of the available workforce. Educational systems are often poorly aligned with the creative sector's needs. W2: Uneven Digital Infrastructure: Digital infrastructure is unevenly distributed across the archipelago, reinforcing spatial inequalities in access and productivity. W3: Weak Intellectual Property (IP) Protection: The legal framework for IP protection is weak, with piracy and enforcement gaps that discourage creators from investing in originality. W4: Price-Based Competition: Competition often focuses on price rather than innovation and quality differentiation, which can lead to a "race to the bottom" that undermines long-term competitiveness. W5: Fragmented Governance: Government policies and initiatives are often fragmented	T1: Culture of Free Content: A widespread consumer preference for free content poses a major challenge to the monetization models of creators and businesses. This culture, fueled by piracy, undermines the value of original, high-quality content. T2: Competition from Low-Cost Providers: Formal businesses face intense competition from informal providers who offer similar services at significantly lower prices, often without adhering to clear standards. T3: Risk of Low Value Position: The Indonesian creative industry often finds itself at lower levels of the global value chain, frequently serving as subcontractors rather than originating its own intellectual property. This limits its potential for upgrading and achieving global market influence. T4: Technological Disruption: While

	and lack coordination across different ministries and agencies. This weak collaboration limits the overall effectiveness of development programs.	technology presents opportunities, it also poses a threat. The rapid evolution of technology and tools like AI can lead to job displacement or require constant upskilling, which can be challenging for the workforce to keep up with.

Correspondence Analysis and TOWS Matrix

The correspondence analysis using the TOWS matrix is a crucial step that builds on your paper's SWOT findings, turning them into a practical strategic roadmap for the Indonesian digital creative industry. This framework systematically correlates the key internal factors the industry's strengths and weaknesses with external factors, which include opportunities and threats. By doing this, the analysis helps to translate a static overview of the industry into a dynamic guide for decision-making. The goal isn't just to identify what exists, but to formulate specific, actionable strategies that leverage the industry's advantages, exploit market opportunities, and proactively address challenges. This process provides a comprehensive framework to guide the industry's long-term advancement and ensure its strategies are directly tied to the unique context identified in the research.

SWOT Correlation and TOWS Matrix Analysis

This Table 4 shows the analysis results of SWOT correlation and TOWS matrix in Indonesia' digital creative industry.

Table 4. SWOT Correlation and TOWS Matrix

	Strengths (S)	Weaknesses (W)
Opportunities (O)	SO1: (S1 – S2– S4 & O4)	WO1: (W1 & O2 – O1)
	Leverage Demographic and Market Size to Pioneer Business Models	***Bridge the Skills Gap through Collaboration***
	SO2: (S5 – S3 & O2 – O5)	WO2: (W2 & O2 – O1)
	Form Strategic Partnerships to Globalize Content.	***Improve Infrastructure to Attract Investment***
	SO3: (S4 & O4 – O5)	WO3: (W3 & O2)
	Use Technology and Innovation to Enhance Quality	***Use Technology to Overcome Fragmentation***
Threats (T)	ST1: (S2 – S4 & T1)	WT1: (W5 – W3 & T1 – T3)
	Counter Piracy with High Quality, Differentiated Content	***Reform Governance and IPR Enforcement***
	ST2: (S2 & T2)	WT2: (W4)
	Use Local Market Power to Compete on Quality	***Improve Management and Quality to Overcome Price Wars***
	ST3: (S5 & T3) ***Strengthen the Value Chain with Government Support***	WT3: (T4 – T3) ***Create a Supportive Ecosystem to Retain Talent***

4.2. Discussion

Porter's Diamond Model shows that Indonesia's digital creative industry has some major strengths, but its growth is limited by several long-term, systemic weaknesses. The results show a very important difference: Indonesia has the building blocks for a successful digital economy: a huge, young, and tech-savvy population, as well as the largest digital market in Southeast Asia. But it has a hard time turning this potential into long-term, high-value competitiveness. One of the main things we found is that there is a big gap between the skills taught in formal education and what the digital creative industry needs. Even though there are a lot of people, the talent pool doesn't have the specialized skills needed to come up with new ideas and make content that meets international standards. This is made worse by the fact that the digital infrastructure is not the same everywhere and the internet speeds are slow. This keeps the digital divide going and makes it harder for creators on outer islands to get involved. These problems with "Factor Conditions" make it harder for the industry to grow and compete on a global scale.

Furthermore, the demand conditions in Indonesia are strange. The domestic market is big, and people use social media and digital platforms a lot, but a strong culture of free content and a lack of willingness to pay for digital goods make it hard for creators to make money. The idea that companies are in a "race to the bottom" on price instead of focusing on quality and innovation is a common theme in the study of company strategy, structure, and competition. The paper's results show that even though new businesses are starting up, many of them are small and can't get into international markets, so they often get stuck at the bottom of the global value chain. Also, the role of related and supporting industries is not clear. Fintech and e-commerce are important parts of the digital infrastructure, but the lack of collaboration between important groups like the government, the private sector, and academia makes it hard to build a synergistic ecosystem. The same thing happens with government: policies that are meant to help often have overlapping mandates and a lack of a clear vision.

The analysis shows that a proactive, coordinated approach by the government is necessary to fix systemic problems, especially when it comes to strengthening the enforcement of intellectual property (IP) rights and encouraging public-private partnerships. Based on the TOWS analysis, the strategic framework suggested in this paper gives a clear path forward. It stresses using Indonesia's demographic strengths to develop and test new business models and using the country's large domestic market as a testing ground for new ideas before going global. It also stresses the urgent need to fix weaknesses by making education more relevant to the needs of businesses, upgrading digital infrastructure, and making IP protection stronger to encourage a culture that values original content. The results show that Indonesia's digital creative industry will only reach its full potential if it stops depending on a large market and instead focuses on building a strong, high-quality, and well-governed ecosystem.

5. Conclusion

The digital creative industry in Indonesia is a key part of the country's economic future. It is based on a large domestic market and a strong demographic advantage. This paper's strategic analysis, based on Porter's Diamond Model, shows that systemic weaknesses greatly limit this potential. The main problems are a skills gap that won't go away, uneven digital infrastructure, weak protection of intellectual property, and a fragmented industry ecosystem. Furthermore, the industry's ability to be sustainable in the long term and compete globally is hurt by a cultural preference for free content and a focus on price-based competition instead

of innovation. To realize its full potential, Indonesia must implement a comprehensive and integrated strategic framework that directly addresses these deficiencies.

The proposed framework is built on four main pillars: Improving Productive and Demand Factors: This means closing the skills gap through changes to the education system, putting money into fair digital infrastructure, and encouraging a culture that values and pays for original content. Strengthening Related and Supporting Industries: To achieve this, we need to encourage collaboration between different sectors to create an ecosystem where academia, government, and the private sector all work together to help creative businesses. We should encourage companies to shift their focus from price competition to innovation and quality competition. Companies can leverage Indonesia's distinctive cultural legacy to produce globally competitive content. Optimizing the Role of Government: The government needs to move from having many different policies to having a single, clear vision for the future of the industry. It needs to ensure that creators have stable, clear rules and strong legal protections. Indonesia can build a more competitive, open, and long-lasting digital creative ecosystem by putting these integrated strategies into action in a planned way. This will not only keep it a major player in the global digital economy, but it will also ensure that its enormous pool of creative talent stays prosperous and innovative for a long time.

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