Business Development Strategy of SMEs to Improve Welfare of Craftsmen

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Abstract—The Small and Medium Enterprises (SMEs) industry had a huge potential to accelerate equitable economic growth and improve the welfare of the community. SMEs should have ability to develop its growth strategy based on internal and external constraints as an alternative creative industry. The purpose of this study were (1) to identify weaknesses and advantages, as well as the opportunities and threats as factors that become obstacles and challenges of growing SMEs, (2) to determine the appropriate strategic alternatives for the development of SMEs as efforts acceleration to increase public welfare. The research method was designed based on a survey conducted in SMEs calligraphy craftsman of goat leather. The findings revealed that SMEs goat-leather calligraphy craft had good prospects as an alternative farm enterprise development. The SMEs could be developed with the use of local resources synergized with the creative industry as a new source of income through the community empowerment.

Index Terms—Business strategy, SMEs, welfare of craftsmen, SWOT analysis.

I. INTRODUCTION

During 1997 to 2000, the contribution of Small and Medium Enterprises (SMEs) reached more than 46% of Indonesia's GDP [1].

This condition proved that SMEs had an important role in moving the Indonesian economy. SMEs targeted to be the main support gross domestic product (GDP) in 2025. In addition, SMEs were the largest contributors to employment in Indonesia because most SMEs were labor-intensive businesses, in contrast to large businesses which were typically capital-intensive [2]. The number of SMEs continued to rise and was expected to contribute at least 50% to nation's GDP. According [1], the number of SMEs in Indonesia in 2010 reached 3.8 million units, with the contribution of SMEs to GDP of about 10% was able to provide vacancy for 9.2 million people. Indonesian Government considered the importance of creativity-basedindustries to be the future industrial development key factor, as it stated in the creative industry development blue print 200—2025. This condition was supported by data that until 2011 the contribution of the creative industries in the GDP (Gross Domestic Product) was about 6.8% [3]. According to [4], this trend gave a positive result and the creative industries played strategic role in releasing Indonesia from

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the global crisis. This was supported by the opinion of [5] which stated that the development of the Creative Economy Indonesia 2025 was a manifestation of a surge of optimism and aspiration to support and realize the vision of Indonesia to becoming an advanced country. Creative economy that include the creative industries, that had been proven that in many countries in the world today, was believed to contribute significantly to the economy of the nation [3].

Indonesia began to see that the various sub-sectors in the creative industries had the potential to be developed, because the Indonesian people had a creative human resources and rich cultural heritage. Creative industries by the Indonesian government classified in several sub-sectors, such as crafts Industry. Based on this, the Work Program designed for Small and Medium Industry Directorate General in 2012 included the development of one village one product (OVOP), creative industries, cluster entrepreneurship and new initiatives. One-commodity creative industries were developed craft industry [6].

This research was conducted at Sukoharjo district, Central Java Province as one of the Regional Innovation System Development (RISD) which with the development of integrated livestock farming clusters based on local resources. Thus Sukoharjo developed it by involving creative industries subsector, especially the development of calligraphy craft made on goat leather as one of the district's prominent crafts. This calligraphy SMEs already had a broad market in domestic and foreign markets. In accordance with the specificity of this product in the form of the art of Arabic writing, this then was a famous product for consumers in Muslim countries such as Malaysia, Iraq, Iran, Turkey and Syria. Therefore, SMEs had a high potential to develop its business strategy to expand the market of its products.

Small industry or also called as SMEs needed to implement a strategy to financially survive and grow supported by a good competency and resource pooling ability, in addition to a suitable, fast and reliable marketing process to achieve upper position and better business performance [7]. Therefore, refered to [8], wether the business chosen could be categorized to have a wide or limited growth potential, the development should be focused on prominent sectors and subsectors. [9] defined prominent sector potential as a dominant potential from the sector without considering the competitiveness of the sector in the economy, while the sub-sector prominent potential was the competitiveness potential (competitive advantage). [10] classified the business strategy into three types, they were prospector, defender and analyzer. SMEs of the prospector strategic type were focused on developing new products and new markets. They frequently changed

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their product line and competed primarily by seizing new market opportunities. Investing in research and development, these firms continuously innovated and regularly launched new products/services [11]. Defenders were organisations that concentrated their effort into relatively secure niches within their industry. They usually engaged in little or no development of new products, services and markets. Analyzers shared some common characteristics with defenders and prospectors, being oriented toward operational effectiveness and increased production in stable markets (like defenders) but also, to some extent, in more turbulent environments (like prospectors) [12].

The strategic orientation of the firm might be considered as a key element with important implications for the management and efficiency of SMEs [13]. Depending on the strategic orientation adopted, the firm might emphasize more or less aspects such as technological position, innovation, organizational design, and personnel management [14]. These aspects of management could largely determine firm performance and business efficiency [12].

Flexibility might be one of the most remarkable features that distinguish SMEs from large firms and the source of many of their principal advantages, such as speed of response, ability to innovate, and capacity to adapt [15]. Compared with large firms, SMEs implement a greater number of management practices that promote flexibility, for example, subcontracting, hiring temporary or part-time employees, and making employment regulation [16].

The perspective of Small and Medium Enterprises (SMEs), building relationships with foreign importers was strategically significant in counteracting the challenges of international expansion [17]. Small businesses operated independently, the lack of resources limited competitiveness and results in a major barrier to internationalisation. A working relationship with foreign importers helped SMEs overcome these barriers by allowing resource transfers. In addition, relationships with foreign firms assisted in opportunity recognition [18] which, in turn, enhanced an exporter's ability to compete successfully in the marketplace [19]. Export strategies were most attractive for SMEs [20] because of the relative ease and swiftness of access to the foreign market [21].

There were various frameworks and approaches used in the analysis of a company's strategic position. One of the most straightforward was the SWOT analysis, SWOT was an acronym for "Strengths, Weaknesses, Opportunities and Threats". Many companies were conducting a SWOT analysis as part of the strategic planning process to identify the organisations' strengths, weaknesses, opportunities and threats before proceeding to the formulation of a corporate strategy [22]. The SWOT analysis approach sought to address the question of strategy formation from a two-fold perspective: from an external appraisal (of threats and opportunities in an environment) and from an internal appraisal (of strengths and weaknesses in an organisation). The two perspectives could be differentiated by the different degree of control attainable within each. The dynamic and unrestricted nature of the external environment could seriously hamper the process of detailed strategic planning, whilst internal factors were more easily manageable for the organisational entity in question [23].

Identification of SWOTs was important because they could inform later steps in planning to achieve the objective. First, decision makers should consider whether the objective was attainable, to be given the SWOTs. If the objective is not attainable, they had to select a different objective and repeat the process [24]. Users of SWOT analysis had to ask and answer questions that generated meaningful information for each category (strengths, weaknesses, opportunities, and threats) to make the analysis useful and find their competitive advantage. Analysis might view the internal factors as strengths or as weaknesses depending upon their effect on the organization's objectives. What might represent strengths with respect to one objective might be weaknesses (distractions, competition) for another objective.

The internal factors might include personnel, finance, manufacturing capabilities, and so on. The external factors might include macroeconomic matters, technological change, legislation, and sociocultural changes, as well as changes in the marketplace or in competitive position [25]. The results were often presented in the form of a matrix. SWOT analysis was just one method of categorization and had its own weaknesses. For example, it might tend to persuade its users to compile lists rather than to think about actual important factors in achieving objectives. It also presented the resulting lists uncritically and without clear prioritization so that, for example, weak opportunities may appear to balance strong threats.

Based on the above reasoning, the goat leather calligraphy SMEs in Sukoharjo District should be developed with the right strategy, thus it became the focus of the study. The purpose of this study was to (1) identify weaknesses and advantages, as well as the opportunities and threats as factors that become obstacles and challenges of growing SMEs calligraphy goat leather, (2) determine the appropriate strategic alternatives for the development of SMEs as a goat leather calligraphy acceleration improving people's welfare.

II. METHODOLOGY

The research method was designed based on the survey on craftsman or SMEs calligraphy goat leather. The area of research was carried out by purposive sampling in the village Sonorejo, Sukoharjo Sub-district, Central Java Province. Determination of census respondents as the number of SMEs calligraphy craftsman was only about 30 units. The data used were primary data, secondary data was used as supporting data. Data were collected through interview based on the questionnaire that had been prepared and previously made observations. Data analysis techniques used SWOT analysis and QSPM (Quantitative Strategic Planning Matrix), previously conducted an evaluation of internal factors (matrix Internal Factor Evaluation / IFE) and external factors (matrix External Factor Evaluation / EFE).

III. RESULTS AND DISCUSSIONS

A. Characteristics of Craftmens Calligraphy Goat Leather

The business activities of SMEs calligraphy would be

heavily influenced by the characteristics of the manager [26]. Based on the results of the study, the characteristics of respondents as a manifestation of SMEs business operators' calligraphy picture goat leather as a whole would affect the success of their business. The characteristic demographic of the respondents could be seen from the gender, age, level education, amount of family member, and craftmen experience. The characteristic dempographic was presented in the Table I.

TABLE I: CHARACTERISTICS DEMOGRAPHIC OF CRAFTMENS CALLIGRAPHY GOAT LEATHER

Characteristic	es Demographic	Frequency	Percent
Gender	Man	22	73
	Woman	8	27
Age (Years)	20-30	3	10
	30-40	6	20
	40-50	11	36
	>50	10	34
Education	Elementary	10	34
	J High School	7	28
	S High School	12	38
	Universtiy	None	0
Amount of family	2-3	3	10
member (Persons)	4	11	36
	5	10	34
	6	6	20
Craftman's	0-10	14	46
Experience (Years)	11-20	6	20
	21-30	9	30
	31-40	1	4

Data Sources: Primary data analysis, 2016

In this study, the gender distribution shows that 73 percent of the respondents were male. Age of the respondents was dominated by the age group of 40-50 and above 50 years old (36%). Educational level of craftsmen calligraphy was dominated by high school, so that the level of knowledge and mindset was relatively good compared to the level of education. Formal education indicated duration of farmer education in schools. Education was very important for everyone, both in daily life and in relation to the ability of craftsmen receive new technology and information. In practice, craftsmen became more open to the advances in technology that could help ease the technical conduct of business in the field of calligraphy. The level of education of craftsmen in the above table influenced on the management of the business, this would affect the insight knowledge, ways of thinking and acting in the business management of calligraphy. The higher of education causes the higher ability in managing the business, the higher probability of success craftsmen in business [27].

The number of family members would affect the level of family burden or household consumption level. The more members in the family the more workers could assist in the production activities of calligraphy so that productivity would be higher, and vice versa. The number of family members would also affect the number of family or household consumption levels. The number of family members was the number of people in every family of craftsman calligraphy, productive age and at non-productive age. The number of non-earning family members was also a factor that could affect the family burden. In total, respondents have the family members of three to six people, on average, a family member respondent 4.63 or about 5 people per family.

Experience as a craftsman would determine the level of mastery of the business and determine the scope of its business success. Craftsmen's experience was between 5 to 35 years, the average experience was 16 years, ones with long experience would affect the quality of products and better understand the market demand for the products produced craft, which would affect the sale value and the quantity sold. Sonorejo village as a goat leather caligraphy craft center had a group of 25 people who acted as committee and members. Among craftsmen in the village there were only 9 people who specified in making calligraphy craft, the others made various crafts beside calligraphy like leather puppets wall hanging crafts and so on.

Training related to the craft of calligraphy has been widely held, only the respondent has never participated in any training relating to his routine as a craftsman of calligraphy, while 21 other respondents had attended training, there were even a few respondents have followed some kind of training. Trainings which had been followed by calligraphy craftsmen were leather tanning, marketing, accounting, management, communication, quality control, craft and industry trainings. Result of this study was presented in the Graph 1.

Graph 1: Training which have been followed craftsmen calligraphy



Data Sources: Primary data analysis, 2016

B. Analysis of Marketing Distribution
Crafts calligraphy was divided into three according to the

size smaller calligraphy, medium calligraphy and large calligraphy. Most production was the product of smaller calligraphy in a month average of 1,308 pieces of calligraphy respondents making small size, medium calligraphy was on average per month producing as many as 1,113 respondents and a large calligraphy per month sat on an average of 990. Total production output was affected by the selling price, the greater size of calligraphy the more expensive it was, so that calligraphy with a small size was more desirable.

Marketing techniques was still largely conventional, it meant that buyers from abroad come directly every month to select the products to be purchased to be able to directly view and select the condition and type of product to be ordered. The selling price of the product varied depending on the size (large/small) and the kind of the writing (long or short verse/chapter), started from IDR 15,000 per package consisting of two pieces of crafts. Domestic marketing area could be seen inte Graph 2.

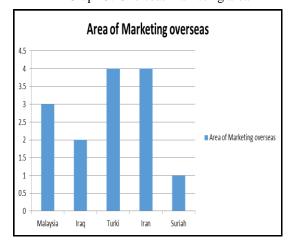
Graph 2: Domestic marketing area



Data Sources: Primary data analysis, 2016

Result of the study of calligraphy marketing reach abroad was presented in the Graph 3.

Graph 3: Overseas marketing area



Data Sources: Primary data analysis, 2016

C. Analysis of the SMEs -IFE EFE Calligraphy Goat Leather

Problems identification derived from SWOT analysis in goat leather calligraphy craft led to a suitable strategy to apply, because by identifying internal and external factors, a strategic position for goat leather calligraphy craft SME would be figured out and the applied strategy would be made based on the quadrant. IFE evaluation of analysis results and calligraphy SMEs EFE goat leather obtained a total score that could be seen in Table II and Table III.

TABLE II: INTERNAL FACTOR EVALUATION OF SMES CALLIGRAPHY GOAT

No	Internal Factors	Weight	Rating	Weigh
				t value
	Strength (S)			
1.	Raw material resources goat leather	0,114	3	0,343
2.	HR has the expertise crafts	0,119	3	0,358
3.	Craft capable of absorbing labor	0,071	3	0,213
4.	Craftsmen group that is strong enough	0,068	3	0,205
5.	Quality products	0,128	3	0,383
	Weakness (W)			
1.	Availability of capital craftsmen limited calligraphy	0,106	3	0,318
2.	The availability of facilities and infrastructure are limited	0,103	3	0,310
3.	Mastery of technology limited craftsmen	0,075	3	0,225
4.	Calligraphy craft business management limited	0,096	3	0,288
5.	The quality of products depends weather	0,120	3	0,360
	Total	1		3,000

The results of internal factors weighting, the highest score of Strength Factor was product quality (0,383) followed by craftsmen skill (0,358) and raw material resources (0,343). The weakness was the highest score of the climate / weather, followed by capital (0.318) and limited production infrastructure (0.310). Values obtained described the state of goat leather calligraphy craft industry in accordance with the facts on the ground, while the value scores for EFE matrix are presented in the Table III.

TABLE III: EXTERNAL FACTOR EVALUATION OF SMES CALLIGRAPHY
GOAT LEATHER

	External Factors	Weight	Rating	Weight
No.				value
	Opportunity (O)			
1.	Cooperation / Partnerships	0,113	4	0,453
2.	Government Policy on Capital for SMEs	0,103	3	0,308

3.	Support local communities	0,080	3	0,240
4.	Product demand is still quite high	0,118	3	0,353
5.	International trade opportunities	0,087	3	0,260
	Threat (T)			
1.	Export demand is declining	0,073	2	0,147
2.	Environmental issues (climate change)			
		0,080	2	0,160
3.	Changes in the orientation of public income			
		0,113	2	0,225
4.	Regional economic conditions	0,110	3	0,330
5.	Reduced availability of raw materials	0,124	3	0,373
	Total	1		2,848

It can be seen in the Table II. that the highest scores for the opportunities (O) was a partnership (0.453) followed by high demand (0.353) and the policy of capital (0,308), while for threat (T) value of the highest scores was availability of raw materials (0.373), followed by economic conditions (0.225) and climate change (0.160).

This analysis was used for the analysis of internalexternal matrix which saw the position of SMEs calligraphy goat leather. Results of the analysis could be seen in the Graph 4.

Graph 4. Graph matrix internal-external

		IFE Total Weighted Score		
		High	Middle	low
		3.00-	2,00-2,99	1,00-1,99
		4,00		
	Strong	I	II	III
EFE	3,00-	Growth	Growth	Maintain
Total	4,00			
Weighted	Averag	IV	V	VI
., ., .,	e	Growth	Maintain	Divest
Score	2,00-			
	2,99			
	Weak	VII	VIII	IX
	1,00-	Maintain	Divest	Divest
	1,99			

	NALYSIS LEATHER CRAFTS	
Internal Factors	Strength (S)	Weakness (W)
	1. The resources of	1. Availability of
	raw materials goat	capital craftsmen
	leather	limited calligraphy
	2. HR has the	2. The availability of
	expertise crafts	facilities and
	3. The ability to	infrastructure are
	absorb labor	limited
	4. The group of	3. Mastery of
External factors	craftsmen who are	technology is limited
	strong enough	craftsmen
	5. Qualified	4. Management
	products	Limited calligraphy
		craft business
		5. Product quality
		depends weather
Opportunity (O)	Strategy S-O	Strategy W-O
1. Cooperation /	1. Improving the	1. Enhance
Partnerships	quality and quantity of	relationships with
2. Government	products to improve	various parties,
policy on capital	the skills of existing	especially with
for SMEs	human resources	partner companies and
3. Support local	through guidance and	governments to meet
communities	training so as to meet	the capital needs of
4. Request	market demand (S2,	craftsmen and
product is still	S4, O1, O4)	infrastructure (W1,
quite high	2. Improve the	W2, O1, O2)
5. The	relationship between	2. Improve the craft
international trade	the group of craftsmen	business management
opportunities	with partner companies	with coaching on an
	in order to expand the	ongoing basis (W3,
	market (S4, O4, O5)	W4, O1, O4)
Threats (T)	Strategy S-T	Strategy W-T
1. Export demand	1. Diversification	1. Taking into account
is declining	international market	the time to do a craft
2. Environmental	by optimizing product	production (W5, T2)
issues (climate	quality (S5, T1)	2. Training of
change)	2. Hold regular	technology,
3. Change the	meetings in groups of	management,
orientation of	artisans in order to	Controlling and
public revenue	anticipate climate	evaluation on a
4. Condition of the	change (S4, T2)	regular basis
regional economy		whenever production
5. Reduced		in anticipation of
availability of raw		climate change
materials		(W3.W4, T2)
		3. Set up capital used
		in the craft business
		by taking into account
		local economic
		conditions by way of
		business management
1	i	i

	training craft from
	partner companies
	(W1, W4, T4)

Data Sources: Primary data analysis, 2016

The above analysis obtained position calligraphy goat leather SMEs were in quadrant IV in a position of growth (Growth). Observations in the field happened to goat leather product diversification, among others craft puppets, puppet show art equipment, souvenir, and others. It was used as a basic condition for the SWOT analysis are shown in the Table IV.

Based on the analysis, the goat leather calligraphy craft SMEs were in quadrant IV (Growth), which mean it had SBU (Strategic Building Unit) implication. Therefore the suitable strategy for this quadrant was intensive strategies; such market penetration, market development, product development; or integrated strategies, such as backward integration, forward integration and horizontal integration [28]. According to [10] the strategic in quadrant IV similar with the prospector strategic type. SMEs of the Prospector strategic type were focused on developing new products and new markets. They frequently change their product line and compete primarily by seizing new market opportunities [13]. Investing in research and development, these firms innovate and regularly launch continuously products/services [11]. Their strategic priority would be the technologies that would improve their innovation capacity but also those that increased their flexibility and reduced their new products' time-to-market [29]. Ass these firms benefit from collaborating with partners in the design of new products and services [30]. Referring to the conditions described above, the results of the SWOT analysis led to the development of SMEs calligraphy goat leather condition. Judging from the analysis values obtained QSPM TAS (Total Attractiveness Score) 4.4465, it meant that SMEs would go well with the focus on improving product quality by improving the quality of human resources craftsmen. Improving the quality of human resources can be done by coaching, mentoring and training delivery according to the needs of SMEs calligraphy goat leather.

IV. CONCLUSION AND SUGGESTIONS

SMEs goat-leather calligraphy craft in the Sonorejo village had good prospects as an alternative farm enterprise development and improvement of people's income, so that SMEs calligraphy craft was an alternative over the profession of the agricultural sector to the industrial sector. SWOT analysis indicated that the SMEs business calligraphy goat leather that were in quadrant IV Growth areas so that they could grow and flourish. SMEs calligraphy goat leather would develop optimal utilization of local resources of the livestock sector synergized with the creative economy as a new source of income for the community through empowerment. The potential of human resources, local resources goat leather and desires of consumers (consumer satisfaction) were the main components that are integrated and combined in the development of SMEs craft calligraphy.

The present study gave some suggestions in the practical implications as follows: Supply of raw materials goat leather as the main factor should be prioritized, needed to strengthen institutional and goat leather calligraphy craftsmen capital, improved performance of SMEs calligraphy goat leather through partnerships, increase knowledge, skills through training and actual information in ensuring business continuity.

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