

## Industrial Strategy, Embeddedness and Performance of Canting Seal Industry in Pekalongan, Indonesia

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### ABSTRACT

Canting seal industry is a supporting of batik industry. From the number of quantity of canting cap industry is little bit and concentrated in the area of large batik industry such as pekalongan, Indonesia. This article analyzes the competitiveness of industry in Pekalongan canting seal using SWOT analysis. SWOT analysis is an acronym for strengths, weaknesses, opportunities and threats and is a structured planning method that evaluates reviews those elements of an organization, project or business venture. The results showed that the strength of the industry is relatively large canting seal. Their cheap labor costs and high quality raw materials provide their own advantages in this industry also. Thus the results of the resulting product quality is also good. The sale price is competitive also provides its own strength in this industry cluster. Currently canting seal craftsmen are in one cluster to facilitate the supply of raw materials.

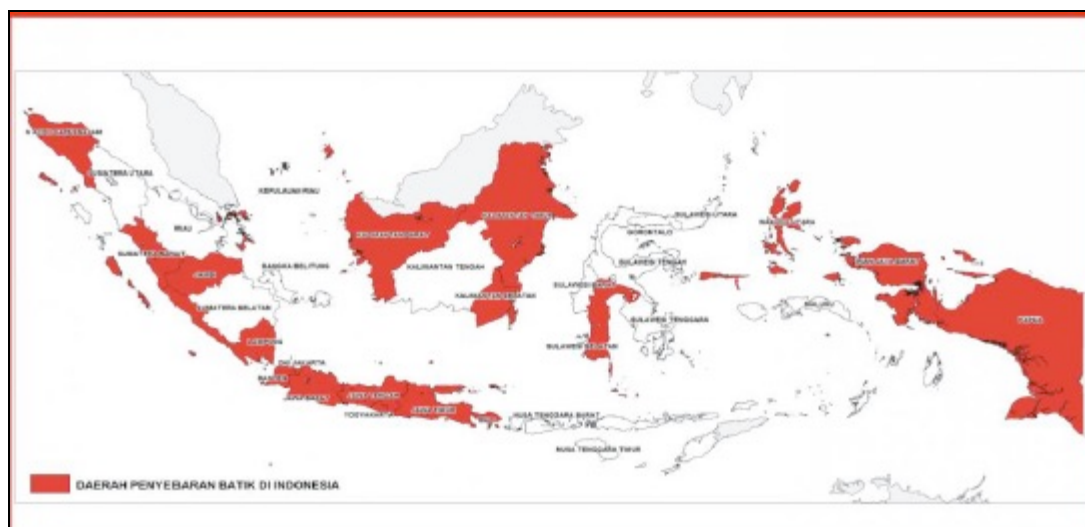
**Keyword** : strategy, canting seal, industry, SWOT analysis

### INTRODUCTION

Batik is Indonesia repertoire of cultural heritage to be proud of. Through batik, Indonesia became better known in the world and its existence is recognized by the world. This of course can't be separated in the presence of their own batik industry. The development of batik in Indonesian industries has increased rapidly every year, especially since batik designated as intangible cultural heritage by UNESCO. In general, the batik industry in Indonesia is the industry's micro, small and medium enterprises (SMEs), which became the livelihood of the population. Before the crisis in 1997, small and medium industries had a chance to progress rapidly. Some of the batik entrepreneurs had experienced a heyday. Especially in the 1980s batik is a formal dress to wear on state occasions or any other formal event, so as to introduce and improve the image of batik internationally at that time (Nurainun and Rasyimah, 2008).

Batik industry in Indonesia are scattered in several areas as shown in Figure 1. Some areas later became the name of the types such as batik Pekalongan, batik Surakarta, batik Yogyakarta, batik Lasem, Batik Cirebon and batik Sragen. Each batik from the region has a specific characteristic motif. Types of batik produced three namely batik, printed batik and

batik printing. Industrial development of batik in Indonesia is strongly associated with the development of batik that began hundreds of years ago.



Source : Depkop, 2017

Figure 1. Distribution Map of Batik Indonesia

Batik industry are currently found in many cities are positioning themselves into the town batik. From various cities in Indonesia, which became the icon of batik, Pekalongan city is known to have a large batik industry. This can be evidenced by the number of batik industry and the number of people working in the sector. From the four districts located in Pekalongan, the District of North Pekalongan, Pekalongan West, East and South Pekalongan, can easily be encountered a number of batik artisans in every village in the district. One village which is famous as the village of batik is batik Kauman village and Pesindon.

As the development of the batik industry, the impact also on the development of other sectors that support the industry, including the demand for canting seal used as a tool in the process of making batik. Canting seal used in the process of attachment of the night (candle) on top of the fabric when making batik. Generally canting seal is made of copper because of the nature of the copper heat-resistant and durable but for other craftsmen who have choose capital constraints contained in the canting seal made of wood, despite having a shorter durability level.

In one village in Pekalongan City there is also a village which is famous as one of the artisans village is the village canting canting seal Landungsari. In this village almost in every corner of the alley we can find a craftsman who makes canting seal, in general expertise that they get to make a canting seal comes from the hereditary. Due to the large number of artisans canting seal in this district, the government set Landungsari canting this village as an industrial cluster (Jatengprov, 2016). From the data collected by the Department of Industry, Trade Cooperatives and SMEs Pekalongan known that the number of artisans canting seal in the Municipality of Pekalongan more than 40 people.



**Figure 2. Results Canting Cap Industries in the Municipality of Pekalongan**

From various studies conducted by both the local government or academia, there are a lot of problems that hamper the growth of SMEs including industrial canting seal so that their competitiveness reduced. These factors, among others, limited access to capital, low level of education of human resources working in the industry cluster, form a strategy and marketing system products are still sober, and the support of the Government of Pekalongan City is still considered low. Based on this background, this article will analyze the factors supporting canting seal performance of the industry in the city of Pekalongan.

### **SMES IN PERSPECTIVES THEORY**

Statistical Central Agency defines SMEs based on the quantity of labor. For micro enterprises are business entities with total employment of 1-5 people. As for small business is a business entity with the number of workers between 6-19 people as well as for medium-sized businesses is a business entity with the number of workers 20-99 people. As for big business is a business entity with the number of workers at least 100 people (Lestari, 2017).

The World Bank defines SMEs based on the number of workers they have. For small micro enterprises are business entities whose employees not exceeding 20 persons. While medium businesses are businesses that have workers between 20 to 150 people as well as the amount of assets owned outside of the value of land and buildings amounting to USD 500,000. For definitions of SMEs have still generally accepted definition of SMEs is in conformity with Act No. 20 of 2008 on micro, small and medium enterprises, which is based on net asset value and the value of the proceeds.

**Table 1. Definition of Micro, Small and Medium**

<b>Scale Business</b>	<b>Criteria</b>
<b>Small Business</b>	<ul style="list-style-type: none"> <li>• in net worth up to Rp 50 million not including land and buildings</li> <li>• Having a maximum annual sales Rp 300,000,000 (300 million)</li> </ul>
<b>Small Business</b>	<ul style="list-style-type: none"> <li>• Have net worth of more than Rp 50 million (50 million) to Rp 500 million, excluding land and buildings</li> <li>• Having annual sales revenue of more than USD 300 million to Rp 2.5 billion</li> </ul>
<b>Medium Enterprises</b>	<ul style="list-style-type: none"> <li>• in net worth more than Rp 500 million to Rp 10 billion</li> <li>• have annual sales of more than US \$ 2.5 billion to Rp 10 billion</li> </ul>

**Source: Lestari, 2013**

In terms of its characteristics show that micro, small and medium business enterprises have different characteristics so it is need grouping of the three types of business. In general, small and medium enterprises have a better ability when compared to micro-enterprises, especially in expanding employment. In addition, small and medium businesses likely had a big hand in the growth of labor as can potentially expand its business still relies on a fairly large and medium-sized enterprises is seen to be an embryo or a forerunner of big business. Meanwhile, micro-enterprises in general have a growth rate is relatively limited and the journey is very little that can develop into small and medium enterprises.

### **TRANSFORMATION SMES**

SMEs are believed to have a role in the national economy especilaly contribution to employment and its contribution to GDP in Indonesia. Therefore, the government should empower SME and perform various forms of efforts to develop SMEs. SMEs is one of the strengths that potential to be developed in Indonesia. In general, SMEs in the journey can also be transformed into a big business. If the various stakeholders both public and private as well as banking institutions take part as well as empowering the SME.

The stages of the journey of a transformed SMEs before they become big businesses can categorized as follows (Rangone, 1999):

- a) *Livehood nactivity*, is a small and medium businesses that is used as a job opportunity to earn a living, or much known as the informal sector. Examples are street vendors.
- b) *Micro enterprise*, the small and medium businesses that are as craftsmen but do not yet have an entrepreneurial spirit.
- c) *Dynamic small enterprise*, the small and medium businesses that already have an entrepreneurial spirit and able to accept other forms of subcontracting and export.
- d) *Fast moving enterprise*, the small and medium businesses that already have an entrepreneurial spirit and furthermore again turned into a big business.

In line with the development of SMEs, it can be transformed into big business. Various forms of pro-government policies of SMEs are expected to be implemented in order to improve the performance of SMEs. In respect of the role of government related to the development of SMEs or also often called the empowerment of SMEs. Eugene and Morse (1965) to categorize, various types of policies implemented by the government that directly influence SMEs into four (4) types, which are as follows:

1. Policies *do nothing policy*. The point in this case the government does not need to determine the policies of any kind, SMEs are left as they are and take care of itself.

2. Policies provide protection (*protection policy*) to SMEs. In this case the government policies aimed to protect SMEs in the face of competition and provide a subsidy.
3. Policies based on ideology of development (developmentalist). The government is prioritizing the industrial sector which was considered potentially (*picking the winner*)but in this policy there is no provision of subsidies.
4. The most famous policy is the policy of *market friendly* policy. Through this policy, the government only emphasizes and focuses on SMEs that are *brood based*, without which there is subsidization and competition.

### SWOT ANALYSIS OF INDUSTRY CANTING SEAL

SWOT Analysis (*Strengths, Weaknesses, Opportunities, Threats*) is typically used to evaluate the opportunities and challenges in the business environment or the company's internal environment (Kuncoro, 2014). SWOT can also be used to view the performance canting seal industry to see how the power in the era of globalization. To facilitate the conduct SWOT analysis is needed so that the SWOT matrix can be formulated various strategies needed each element. SWOT matrix can be seen in Table 2.

**Table 2. Matrix SWOT Analysis**

	<b>STRENGTH (S)</b> List all the strength of	<b>WEAKNESS (W)</b> List of all the weaknesses
<b>OPPORTUNITIES (O)</b> List all the opportunities that can be identified	<b>Strategy SO</b> Use all the power that for take advantage of existing opportunities	<b>strategy WO</b> A list of all the power
<b>THREATS (T)</b> List all the threats that can be identified	<b>strategy ST</b> Use all the power to avoid all threats	<b>strategy WT</b> Press all the weaknesses and prevent all threats

**Source: Kuncoro (2004)**

Basically strategic alternatives taken should be directed at efforts to use touch ups strengths and weaknesses, take advantage of economic opportunities and anticipate threats. From the SWOT matrix will be obtained four groups of strategies, namely SO strategy, WO strategy, ST strategy and WT strategy. Through the SWOT matrix strategy, then do the positioning, to measure the performance of SMEs. Considering the internal and external aspects of the performance of SMEs then carried weightings of the most influential to the least influential. SWOT results analysis are shown in Table 3.

**Table 3. The Result of SWOT Analysis**

	<b>STRENGTH (S)</b>	<b>Weakness (W)</b>
	<ol style="list-style-type: none"> <li>1. Cheap labor cost</li> <li>2. Results products produced good quality</li> <li>3. raw material quality used.</li> <li>4. The raw material is wasted little</li> <li>5. oriented to the customer / buyer</li> <li>6. Human resources have a high skill</li> <li>7. Selling price relatively equal between each other</li> <li>8. wide marketing reach (inside and outside)</li> <li>9. There are entities which facilitate the existence of the craftsmen</li> </ol>	<ol style="list-style-type: none"> <li>1. technology used is still simple</li> <li>2. variation of production is relatively small</li> <li>3. small working capital</li> <li>4. the advantage of the turnover is relatively little</li> <li>5. lack of active promotion</li> <li>6. Association of craftsmen lesser role in improving the performance of craftsmen</li> </ol>
<b>OPPORTUNITIES (O)</b>	<b>SO strategies</b>	<b>WO Strategies</b>
<ol style="list-style-type: none"> <li>1. Goods substitute products relatively little</li> <li>2. presence of industries that complement the main buyers of products</li> <li>3. Support of the local government were quite good.</li> <li>4. Good service government officials</li> <li>5. stable political conditions.</li> </ol>	<ol style="list-style-type: none"> <li>1. wage cheap labor will lower production costs, which in turn will increase market demand.</li> <li>2. Expand the cooperation network with industry substitution or industry complements</li> <li>3. With the association can be used to coordinate with the government to develop an industrial cluster performance canting seal.</li> </ol>	<ol style="list-style-type: none"> <li>1. Need training assistance from the government to improve the technological capabilities of workers.</li> <li>2. It takes a soft loan scheme to improve the economic scale</li> <li>3. Keeping its cooperation with other industry with lucrative schemes</li> </ol>
<b>THREATS (T)</b>	<b>Strategies ST</b>	<b>WT Strategies</b>
<ol style="list-style-type: none"> <li>1. Raw materials readily available but bring it from outside the region.</li> <li>2. Prices of raw materials are not stable</li> <li>3. business competition among craftsmen tight</li> <li>4. Ease entered the market</li> <li>5. buyer's bargaining power is relatively strong</li> <li>6. The difficulty of getting workers with high skill</li> <li>7. High laboratory turnover rate</li> </ol>	<ol style="list-style-type: none"> <li>1. Collecting craftsmen into a cluster of industry to save production costs.</li> <li>2. Improving the ability of management to associations</li> <li>3. create a network of joint marketing of other craftsmen</li> <li>4. Designing a comfortable working environment to reduce labor turnover</li> </ol>	<ol style="list-style-type: none"> <li>1. Conduct improvement canting craftsmen association.</li> <li>2. uniform price of raw materials</li> <li>3. Creating an a single cluster artisans</li> <li>4. Improving workforce skills</li> <li>5. Increasing the promotion, in collaboration with local governments</li> </ol>

From the results of the SWOT analysis is known that the strength of the industry is relatively larger canting seal. Their cheap labor costs and high quality raw materials provide advantages relative itself in this industry also. Thus the results of the resulting product quality is also good. The sale price is competitive also provides its own strength in this industry cluster. Currently canting seal craftsmen are in one cluster to facilitate the supply of raw materials. A large

number of business units in one location will reduce the cost of delivery, which in turn will lower the cost of production (see Raymond, 1993; Gunasekaran, *et al*, 1996, Kristiyanti, 2012). While the fundamental weaknesses that are owned by SMEs including canting seal industry is the technology used is simple, the production variation is relatively small and a little working capital. The classic reason commonly found in the sectors of SMEs. Technology is very important because it can boost production capacity. If the company's technology is less then its production capacity is litle.

The study, conducted by Gunasekaran, *et al* (1996), Raymond (1993) and Hyejin (2017) stated that during the last years the development of small and large-scale industry has undergone many changes, especially production. The goal is to align concepts and technology business strategy, productivity and improvement of their quality. They can play an active role in integrating the various SMEs and work together in a network to improve productivity and the quality of SMEs. Efforts to improve the productivity and quality of SMEs carried out by considering the concept and advanced technology of the various forms of strategic alliances. Industrial strategy canting seal-shaped clusters have also been better. But the patterns are still traditional production make their production capacity is not maximized. The extended hand of the government in creating a conducive environment is necessary for canting seal industry has high competitiveness.

### **INDUSTRIAL DEVELOPMENT POLICY CANTING SEAL**

Efforts to enhance industrial competitiveness canting seal cannot be separated from government assistance. Some policies that can be used to help improve the competitiveness of industry canting seal include:

#### **Small Business Loan Policy Persuasive.**

Implementation Bank Indonesia policy is no longer set the amount of the value of small business loans (KUK) to banks, but rather to advice on commercial banks to distribute KUK value in selecting the policies and capabilities of each of the banks. KUK policy persuasive in particular greater emphasis on discretion of each bank in organizing and providing credit. Currently access owned by canting seal industry very little. They prefer to borrow on middlemen who process is fast compared to the bank that suggests the existence of collateral and the process is complicated. The existence of small business loans that have low interest rates are expected to be accessed by the business owner's canting seal.

#### **Empowerment of cooperatives and SMEs policies.**

Policies at the level of this include the increase of business support system that includes the institution or system that provides support for cooperatives and SMEs increased access to productive resources in order to expand business and improved performance. Productive resources include raw materials, capital, skilled labor, information and technology. Expansion efforts include improving the institutional governance, capacity building and expansion of market reach. While the empowerment of cooperatives and SMEs policies at the micro level include institutional quality improvement cooperatives and SMEs as well as improving the capacity and quality of human resources (HR), both from the aspect of entrepreneurship, as well as technical skills, management and marketing. The government needs to give a helping aid training to improve the skills of workers and also to expand the reach of market access.

#### **The improvement of the capacity and productivity of the business.**

Policy is conducted through the strengthening of assets, skills and connectedness with business networks and marketing in an established business system. Increasing the capacity of micro-businesses are also expected to increase revenue in the general public that will further

contribute to the reduction of poverty. The role of small and medium enterprises also need to be improved to strengthen the production base in the country, and participation in export markets and investment. A helping hand from large employers and government is necessary for the sustainability of this industry continues to continuous canting seal (Hyejin, 2017).

### CONCLUSION

Existence canting seal industry in Pekalongan as one of the small industries supporting the batik industry is indispensable. The amount is very small and the use of traditional technologies still lead this industry can not develop on a large scale. Various attempts have been made by the owner of canting seal industry to increase production capacity, but there are still many constraints faced by the owners of the industry so there is no added value in production. The local government of Pekalongan helps create a conducive environment that encourages the progress of the canting cap industry. Their training, its cooperation with the upstream industry is necessary for the sustainability of industrial production canting seal can be improved which in turn will increase local revenue.

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