

## Conference Paper

# Competitiveness of Creative Industries of Small and Medium Entrepreneurs of Handicraft Products

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**ORCID:**Rodhiah: <http://orcid.org/0000-0001-8387-5715>**Abstract**

This study aimed to design an implementation strategy for evaluating the competitive advantage assessment of the APP model (asset/performance, potential, and process) in creative industries in the South Tangerang area of Indonesia. There were 20 respondents of small and medium industries who have handicraft businesses, such as batik, plait, accessories, midrib, and others. Participants were recruited by purposive sampling. Data were collected through observations, interviews, and focus group discussions. This research was qualitative in nature, and data were analyzed to assess competitive advantage based on the 3 P's (potential, process, and performance). The research results can be used to develop the creative industry of the handicraft sector in South Tangerang, to increase the competitive advantage, preserve business activity and develop regional creative industrial centers in the potential handicraft sector.

**Keywords:** creative industry in the handicraft sector, small and medium industry, potential excellence, performance process

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## 1. Introduction

The Creative Industry is one of the most influential economic sources and plays a role in increasing economic growth. In practice, it is highly dependent on the role of human resources and other economic sources in creating creative and innovative ideas. According to the OECD [1], innovation is a core growth driver in a knowledge-based economy and a subject for broad policy efforts. Willem [2] argues that the creative industry is an industry where the value of the product or activity produced is more determined by its creator's creativity. Larassaty [3] states that the creative economy has a significant role in society's welfare, opens new jobs, and reduces unemployment [4] reveals that financial and capital factors, human resources, copyright, and marketing are obstacles to developing the creative economy is facing competition. In principle,

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creativity and innovation affect competitive advantage. Innovation is indispensable as an effort for entrepreneurs and entrepreneurs to take advantage of change as a business opportunity for a different product or service. Yuan Hung [5], entrepreneurs need to deliberately look for sources of innovation, change, and symptoms that indicate an opportunity to succeed.

For this reason, small and medium industries need to develop in order to compete, as Michael Porter [6] stated that “competition is the essence of the success or failure of a company. This implies that failure depends on the company’s courage to compete, success is not possible”. Competition determines the appropriateness of a company’s activities to support its performance, such as innovation, a cohesive culture, or good practice. Competitive strategy is the search for a favorable competitive position in an industry, the entire area in which competition occurs. The competitive strategy aims to uphold a favorable and defensible position against the forces that determine industry competition. The importance of creative and innovative development in increasing competitiveness for creative businesses in the industrial sector, it is necessary to conduct a controlled study on how to design a competitive advantage for small and medium industries in South Tangerang, which identified through 3 interrelated indicators, namely: competitive performance, competitive potential & management process. To know the strategies that must carry out through potential advantages, performance, and processes in South Tangerang’s handicraft industry.

## 2. Literature Review

UK DCMS Task Force [7] defined creative industries as follows: “Creative industries as those industries which have their origin in individual creativity, skill & talent, and which have a potential for wealth and job creation through the generation and explanation of intellectual property and content.”

UNDP & UNCTAD [8] defined creativity as an act of creative ideas to produce a product based on three stages: idea generation, idea promotion, and idea implementation, with sub- dimensions including personality, rewards, the role of co-workers, leadership, and configuration of work settings.

The definition of creativity is so abstract, immeasurable, and incalculable, but creativity is becoming increasingly important to develop from an early age, especially for excellence in competition. Wang [9] competitive advantage is obtained when an organization develops or acquires a set of attributes that allow it to outperform competitors. The development of the concept of excellence continues to be studied, as Buckley

[10] examines competitive advantage from three interrelated dimensions (competitiveness measures), namely competitive performance, potential, and process. Ajitabh and Momaya [11] focus on the primary sources of competitiveness at the company level and classify the literature related to competitiveness. The APP model (asset/performance, potential, process) helps companies identify and accurately identify the factors that determine competitiveness. Competitiveness for the business. For this reason, sustainable competitive advantage adopts the model in Figure 1.

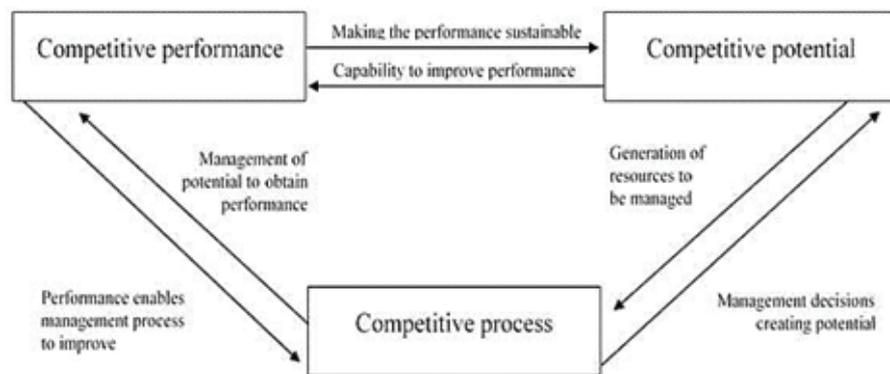


Figure 1: APP model

Further identification of the 3Ps synchronized with the world competitiveness formula, developed by the Institute of Management Development & World Economic Forum; 1993 was adopted by Man, Lau & Chan [12] for the concept of the small-medium enterprise (SME). The modification adjusted to the case of IKM in Indonesia. The identification of the Like 2 model describes in Figure 3.



Figure 2: The World Competitiveness Formula

Relatedness the two models, with the following explanation:

1. It is identified based on the competitive assets possessed by small and medium industries such as infrastructure, financial condition, the technology used, and human resource capacity/skills to explain the competitive potential. One of the essential factors related to the development of small and medium industries which lies in the problem of finance/sources of small and medium industry funds,

2. The management process is identified based on the competitive process owned by small and medium industries such as product quality, speed of service delivery to consumers, quality of delivery, and quality of service.
3. To explain competitive performance identified from world competitiveness in a small and medium industry such as market share, profit growth, duration. Given the potential in a small and medium industry supported by good process management, it will undoubtedly produce a good performance.

### 3. Research Methods

This research was conducted on the creative industry in the handicraft sector in South Tangerang, Banten Province, Indonesia. Covers several areas such as Pamulang, Ciputat, Serpong, Bintaro have several innovative products produced, namely batik, woven pandanus handicrafts, accessories, banana stalks, and others. This research examined as many as 20 small and medium industries by taking samples with a purposive sampling technique. Data were collected through observation, online and offline interviews. Meanwhile, for the development of the model and its application design, secondary data techniques were used, focus group discussions through related parties such as the industry agency. This research analysis used an interactive model. Competitive advantage analysis focuses on the industry level's primary competitiveness and classifies literature related to competitiveness in the APP model (asset / competitive performance, competitive potential & management process (Figure1). It can help the industry creative in identifying and accurately identifying the factors that determine the competitiveness of the business to carry out. For this reason, sustainable competitive advantage adopts the model.

### 4. Research Result

#### 4.1. Respondents' profiles

This study examined respondents on 20 small and medium industries that produce handicraft products, of which 70% are female, and 30% are male. The education level of small and medium industry respondents is 50 at the high school level, 20% undergraduate level, and the remaining 30% at the primary school level with fewer respondents than junior high school level. This type of business is engaged in creative handicraft products. The average small and medium industry has been running a business for 5 to

10 years. The turnover of each craftsman varies, which is between 30 million and 300 million per year. The scale of the small and medium industry category still classifies as small and medium enterprises. Below were some sample pictures of small and medium industries that produce a product.



Figure 3: of South Tangerang Creative Handicraft Product

## 4.2. Development of Competitive Advantages for Small and Medium Industries

They are related to competitive advantage in a small and medium industry with 3P, Performance, Potential & Process. These three indicators are interrelated, as shown in the Buckley et al. Model. [13] in Chart 2 below.

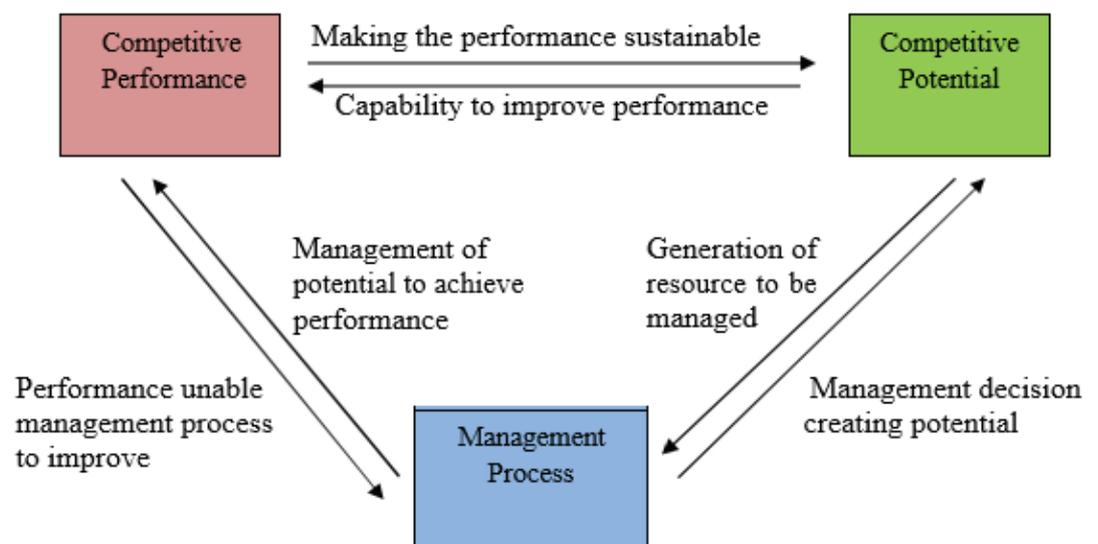


Figure 4: The Excellence Measurement Model Source: Buckley et al. (2008)

This study uses a sample of small and medium-sized industries for competitive development with the following approach:

### 4.2.1. Competitive Potential

It transforms by the competitive assets owned by small and medium industries such as infrastructure and human resource capabilities/skills to explain the competitive potential. The study focused on this section, and there will likely be problems around the finance/funding sources for SMIs, markets, and marketing. However, it does not rule out other complex problems.

TABLE 1: Competitive Potential

No	Condition	Description
1	Infrastructure	The main road is in good condition, but most craftsmen still live in remote areas to get to the craftsmen. Other facilities such as electricity, telephone, internet, clean water are relatively good.
2	Financial Condition	The majority of small and medium industries make products with private funds, but some also use loans. Funding is still an obstacle for small and medium industries that do not have guarantees to get funding from the bank. Besides that, they also constrain by loan interest. Therefore, the small and medium industries hope that the craftsmen can receive grants or grants from the Corporate Social Responsibility (CSR) in the future.
3	Technology	Most of the production tools for small and medium industries use manual and traditional tools. The results obtained are still limited. However, there are some well-established craftsmen from small and medium industries capable of producing using technology.
4	Workforce skills	In small and medium industries, the workforce is relatively young, but some are old. The younger generation prefers to find work in factories rather than home industries. Most workers are housewives who fill their spare time to be creative and seek additional support for the family economy.
Problem		To get access to bank capital, many banks require collateral, and this condition makes it difficult for craftsmen. Due to difficulties in obtaining bank credit, the craftsmen wanted to get a grand. Another problem is the market and marketing. Products made have to wait when there is an exhibition, so product continuity is not guaranteed.
Solution		The expansion of business capital obtains through banks and the government with relatively little interest. The government needs to build a place to accommodate innovative products in one place known as the craftsman's house. So that the products produced can be sold at any time, not just waiting for the exhibition. <b>Conclusion:</b> Support from banks and government institutions, as well as Corporate Social Responsibility, can provide additional business capital and innovative market products.

### 4.2.2. Management Process

The management process transforms into the competitive process owned by small and medium industries such as quality of material use, the accuracy of production, the accuracy of delivery, and innovation ability.

TABLE 2: Management Process

No	Condition	Description
1	Quality the use of materials	Materials for production classifies as having adequate quality standards, neat and have a matching coloration. Traditional handcraft. Even some of the small and medium industries already have selected products for export buyers.
2	Production accuracy	It can fulfill consumer orders with various product variations, including product types, designs, shapes, and sizes.
3	Delivery accuracy	The goods arrive on time to consumers, whether goods are taken directly or delivered to the customer's place, such as ordering batik uniforms for government activities.
4	Innovation capabilities.	Small and medium industries participate in continuous training and coaching, either by community groups or from the local government.
Problem		<b>Production Management:</b> Products processed from recycled materials. The new marketing area has penetrated the national market, and only a few craftsmen have not been able to penetrate the international market. It is due to limited knowledge about international marketing
Solution		The government is working with manufacturers of production machines/equipment in order to create more products. Besides, the government must actively partner with companies to carry out Corporate Social Responsibility. The government is working with universities and Corporate Social Responsibility companies to assist in applying information technology in the development of the small and medium industrial market.

### 4.2.3. Competitive Performance

To explain competitive performance transformed by world competitiveness in Small and Medium Industries such as market share, profit growth, duration. With the potential in the small and medium industry, which is supported by good process management, it can produce a good performance.

TABLE 3: Competitive Performance

No	Condition	Description
1	Market share	Several craftsmen in the market can meet local and international markets.
2	Profit growth	They are relatively views from the factors: business location, asset ownership (bank guarantee), financial capacity, limited business equipment.
3	Community group	It has formed, but it must be optimized and maintained to keep developing.
Problem		The production process is inefficient because it uses manual tools
Solution		To support the sustainability & efficiency of production, in the long run, we use production machines.

## 5. Discussion

Based on the competitive advantage model, what must be improved from the craftsmen in South Tangerang based on knowledge/information for resource empowerment. They are very good at production techniques, but it still depends on exhibition activities and conditions of buyers for the broader market. Utilization of information technology in marketing, namely by utilizing internet media for media promotion for small and medium industries, needs to be improved. The Industrial Small and Medium Enterprises creates innovative products for small and medium industries in South Tangerang. It still needs a long process, where the level of business sustainability must also consider.

## 6. Conclusion

The results of competitive development carried out with the following approaches:

1. Competitive potential explains that competitive potential transforms by small and medium industries such as infrastructure and human resource capabilities/skills.
2. The management process transforms by the competitive process owned by small and medium industries such as quality of material use, the accuracy of production, the accuracy of delivery, and innovation's ability.
3. Competitive performance is transformed by world competitiveness in small and medium industries such as market share, profit growth, duration.

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