

Exploratory research: Problems and Solutions Competitive Advantage SMEs Leather Craft in Yogyakarta, Indonesia

Oleh:

Dyah Sugandini

Universitas Pembangunan Nasional “Veteran” Yogyakarta

Email: diah_sugandini@yahoo.com

Istiana Rahatmawati

Universitas Pembangunan Nasional “Veteran” Yogyakarta

Email: istianarahatmawati@gmail.com

Rahajeng Arundati

Universitas Pembangunan Nasional “Veteran” Yogyakarta

Email: ajeng.arundaty@gmail.com

ABSTRACT

This study aims to find and analyze the problems that exist in SMEs. Furthermore, this study aims to provide solutions and guidance to SMEs leather craft in Yogyakarta to improve performance in order to gain competitive advantage. Exploratory studies are used as a stage towards building models developed and research settings. Data obtained from 92 SMEs active leather craft in the Yogyakarta, Indonesia. The results of an exploratory study conducted by in depth interviews and focus group discussions provide a better understanding to Researchers about the problems that exist in SMEs leather craft in Yogyakarta. The main problem facing SMEs leather craft in Yogyakarta have not been able to optimize SMEs leather craft in Yogyakarta to be able to compete on a global level. The problems facing SMEs in Yogyakarta Leather craft related issue of raw materials, technology and production processes, products, marketing and distribution, human resources, infrastructure and finance.

Keywords: Competitive advantage, SMEs and leather crafts

1.1. Introduction

Global competition and competitive advantage is a condition that must be faced by the company if it can still compete in the global marketplace (Porter, 2006). Solutions that can be done by the company is adopting and implementing the company's operating management practices the best. This will help companies identify and respond proactively change (Gavrea, *et al*, 2011). Small and Medium Enterprises strive to improve productivity, efficiency, service and proactive. SMEs are expected to improve external and internal to remain competitive in the market with the emergence of competitors. (Wortzel dan Wortzel, 1981).

The existence of SMEs as the main pillar of the development of a democratic economic system represents a manifestation of the people's economy. SMEs have a strong resistance to the crisis and more capable of making economic development including employment opportunities more evenly. Yogyakarta is a city that has a lot of SMEs craft and artistry. Some areas in Yogyakarta inaugurated as the hometown of leather craft industry in 2006. The leather craft in Yogyakarta last few years have fetched the achievements to the national level in various events and potential global competition. Handicraft products made from leather has been able to penetrate international markets such as America, Japan, Germany and Korea. Small industry is growing rapidly in Yogyakarta. There are no less than 92 units of the craft business that is dominated by leather. Local market leather Yogyakarta and surrounding areas reached about 60%. national markets such as Jakarta, Bogor, Depok, Tangerang, Bekasi, Jawa Timur, Palembang and Sulawesi at 35%, and 5% successfully penetrate the international market.

1.2. Objective

This study aimed to analyze the problems SMEs leather craft in Yogyakarta. Furthermore, this study aims to provide solutions and guidance to SMEs leather craft in Yogyakarta to improve performance in order to gain competitive advantage. Exploratory studies are used as the building stage model developed in this study. This study was conducted to determine new areas in order to gain a further understanding of the phenomenon that occurs (Neuman, 2000). This exploratory study is used as a preliminary study using qualitative analysis which aims to get a clear understanding of the characteristics of the subjects and objects of research and is also used to get a good understanding of the concepts in the research model. Exploratory studies provide space and extensive studies for researchers. This flexibility can raise the risk of error direction data interpretation so as to form a conclusion or use a false theory (Cooper dan Schindler, 2003). The possibility of errors in data interpretation qualitative exploratory study was reduced by using content analysis. Content analysis is a study that is in-depth discussion of the content of the information.

1.3. Literature review

1. Competitive advantage

Competitive advantage is a benefit that exceeds competitors by giving consumers greater value, lower prices, better service and provide greater benefits to consumers. Competitive advantage is the ability of a company to achieve the economic benefits in the income it can be

achieved by competitors in the market in the same industry. Companies that have a competitive advantage has always had the ability to understand the market structure changes and able to choose effective marketing strategies according to Porter (2006). Competitive advantage is defined as "the ability of an organization to make a defensive position against competitors," consisting of capabilities that enable organizations to differentiate itself from its competitors is the result of a critical management decisions (Li et al. 2006).

Competitive strategy is the search for a favorable competitive position in an industry and a fundamental area where competition occurs. Competitive strategy aims to uphold a favorable position and can be defended against kerkuatan-forces that determine industry competition. According to Goyal, (2001) competitiveness is the ability of a company to achieve the economic benefits in the income it can be achieved by competitors in the market in the same industry. Companies that have a competitive advantage has always had the ability to understand the changing market structure and being able to choose an effective marketing strategy. Competitive strategy intended to maintain profitability and lasting position in the face of competition.

2. The company's Performance

The company's performance is the level that indicates how far the implementation of the tasks can be executed in real-time and mission accomplished (Steers, 2003). The company's performance refers to how well a company achieve a market-oriented and financial (Yamin et al., 1999). To improve the distribution of goods and services, as well as sharing information and financial from upstream to downstream in the SME, it would require a comprehensive management. In addition to the results of the performance and efficiency needs to be improved, the company must also understand and know what is needed by consumers. Li et al, (2006) using the dimension measurements using the strategy to compete with price, quality, delivery dependability, product innovation and time to market as a benchmark in managing and implementing competitive strategy intended to maintain profitability and a strong position in the face of competition. Sustainable competitive advantage is the company's strategic direction which is not the final goal, but a means to achieve its goals, the performance of companies that generate relatively high profits (Ferdinand, 2003).

The company's performance is a display state of the intact condition of the company for a certain period of time and is an achievement that is affected by the operations of the company in

utilizing its resources. Performance is a term generally used for part or all actions or activities of an organization in a period with reference to the number of standards such as: the cost of past or projected on the basis of efficiency and management accountability (Yamin *et al.*, 1999). The company's performance is something that is produced by a company in a given period with reference to the prescribed standards. The company's performance should be a measurable outcome and describe the empirical condition of an enterprise of a wide range of agreed standards. Business performance refers to how well a company oriented to the market as well as the destination financialnya. The performance assessment contains tasks to measure a wide range of activity levels of the organization so as to produce feedback information to make improvements.

Management improvements include: (a) improved planning, (b) improvement of the process, and (c) improving the evaluation. Assessment of corporate performance can be measured by the size of the financial and non-financial. Financial measures to find out the results of actions taken in the past and is equipped with a financial measure non-financial measure of customer satisfaction and cost effectiveness of business processes and productivity. business performance is expected to improve after the business management

1.4. Research Methods

Research was conducted on SMEs Leather Crafts in Yogyakarta Indonesia which is SMEs that produce handicrafts of leather raw materials cattle and sheep. The population in this study include ukm crafts that exist in some areas of the Yogyakarta Special Region, namely: Patang dozens, Keparak, Sleman, Umbulharjo and Manding. the number of active SMEs leather industry as much as 92. The sample unit is the individual in this study. Unit sample was taken by purposive sampling method. This study using purposive sampling because the respondent must meet criteria established researchers. criteria were: individuals involved in the decision-making process of SMEs strategy. Respondents may act as initiators, influencers or decision makers in SMEs. Respondents have characteristics as determined as SMEs have been operating for more than three years, has employees at least 2 people and owner and manager of the SMEs responsible directly in the production process.

1. Method of collecting data

This research is a qualitative descriptive study using primary data. Data obtained through

direct observation, in-depth personal interviews and focus group discussions. Direct observation is used to identify the behavior and physical environmental conditions of SMEs leather. Direct observation has advantages in capturing phenomena that are not revealed through interviews and questionnaires. The method used is the in-depth interviews and focus group discussion.

2. Data types and methods of data analysis

This research resulted in qualitative data. Qualitative data, obtained through personal interviews and observations. Qualitative data were analyzed mainly using content analysis. Interviews and observations were recorded (record sound and images) then conducted content analysis and codification. Codification of the data can then be used to understand the phenomenon and the linkages between the phenomenon.

1.5. Results

Questionnaires were distributed to the respondents amounted to 92 questionnaires, ie all SMEs in Yogyakarta were still active in the leather craft center in the village of the Patangpuluhan Wirobrajan, Keparakan, Sleman, Umbulharjo and Manding, which has the characteristics as specified.

Tabel 1
Descriptive characteristics of the respondents

Descriptions	Category	Number	Percent
Gender	Male	73	79.3%
	Female	19	20.7%
Age (years)	< 25 years	0	0.0%
	25 - 30 years	11	12.0%
	31 - 35 years	20	21.7%
	36 - 40 years	18	19.6%
	> 40 years	43	46.7%
Education	Junior high school	9	9.8%
	Senior high school	41	44.6%
	Diploma	26	28.3%
	Bachelor degree	16	17.4%
Position respondents	The owner	87	94.6%
	Manager	5	5.4%
The duration of the business	<5 years	1	1.1%
	5 – 10 years	20	21.7%
	11 - 15 years	44	47.8%
	16 - 20 years	27	29.3%
	> 20 years	0	0.0%
Number of employees	2-3 people	22	23.9%
	4 - 6 people	64	69.6%
	> 6 people	6	6.5%

Exploratory research produced findings that illustrate the phenomena and problems faced by SMEs leather craft in Yogyakarta. Problems in SMEs Leather craft is as follows:

- Raw materials (supply, quality, alternative sources).

Leather raw materials with good quality usually obtained from Magetan. Magetan has a leather tanning process that has been relatively good and export quality. The raw material is easy to obtain and timely delivery. Leather tanning industry in Jogja is a source of other raw materials. Providers of leather raw material obtained from leather tanning factory in the area Prawirodirjan and Kota Gede. Yogyakarta tannery plant can not produce leather soft and nice. Raw materials vinel and Yogyakarta batik available at an affordable price and good quality.

- Technology and production processes

Equipment used by leather artisans still very simple. The main engine is used by every craftsman is a sewing machine. Artisans use a sewing machine to produce various kinds of craft products, such as the manufacture of bags (flatbed). Leather bag artisans can also use hand sewing machines for fabrics with slight modifications. Flatbed modified require additional spring in the mechanical structure to strengthen the power press machine needles able to penetrate the leather relatively stronger. Other machines used are: skiving machine used for diluting the parts of the leather which will be connected to one another, sewing machines postbed used to sew the parts that are difficult such as the corners of the bag, as well as the stamping machine is used as a printer of the brand in the process finishing. The equipment used was a knife leather, skiving knives, scissors, pencils, rulers, hand needle, punching, and hammer. While the other main tools are a cutting table and a drawing table. All these facilities are provided by the employer. Production facilities in the form of press tools slippers, cutting machines of various types of products, juki sewing machines, sewing machines usual, storefronts, a map of the location of the craftsman, signposts, signboard effort and Engineering Hembos (for the tasting brand). The capacity to be generated from the manufacture of flip flops on average 100 per day, the bag can be terseleaikan within 2 days per bag. yout in SMEs leather Leather Craft Yogyakarta almost all irregular. The artisans in SMEs is not concerned with the layout. Even the space where production is still more work to join the room. There also are joined with households owners. Product quality assurance,

usually only assessed by the customer. Artisans in SMEs is yet to receive an understanding of the standardization of products. It's what makes leather products and other SMEs is often lost in the international market. How employers control the artisans and the use of raw materials is by comparing the quantity of raw materials used by the amount of product produced.

- Product (type, quantity, specification, quality).

Yogyakarta leather artisans produce a variety of leather products in the form of leather handbags, briefcases, belts, wallets, shoes, jackets, and keychains. The products were produced without separation of production. SMEs also produce leather sandals are a combination of leather and batik. All kinds of products are produced by artisans they display in their showroom. In addition to its various forms, the price of each product can also be varied. The amount of raw material and the level of difficulty in finishing the product, causing a difference in the selling price. The more the leather material used and the more complicated the process will make the products become more expensive. Brand of leather products in Yogyakarta was varied. Some products can be sold without a brand, using its own brand, and can consist of a variety of brands, both domestic and foreign brands, depending on consumers. Every week each craftsman capable of producing 100 slippers. Sandal finished will be sold to Beringharjo market, sent to Semarang, Solo, Surabaya, Bekasi, Jakarta, Kalimantan and other major cities. Leather products are also sold to Japan, although the amount is not much and depending on the order. Decision Indonesian National Standards regarding leather products make quality produced is very diverse. Unfortunately the artisans still difficult to follow the standards set by the government.

- Marketing and distribution of products to the consumer.

The price of cow leather bags for women and men of production starting price of USD 250 thousand. Leather belt which is sold at Rp 80 thousand to Rp 200 thousand, as well as leather wallets for Rp 12S thousand. Leather sandals valued at Rp. 15,000 / pair. Shoes and slippers works of artisans from Kampung Leather Craft Yogyakarta was interested communities abroad. To create opportunities for new markets, the artisans often organized event aimed to introduce their products to the consumer, in the form of direct promotion using brochure or via the Internet, held a joint exhibition with the ministry in charge of small and medium enterprises. Marketing leather products are generally divided into two forms. First: direct sales through shops, counter or through agents of the company. Both through the order. For direct

sales turned out to be less profitable because it does not sell quickly. Largest turnover in the can from the order. The process begins marketing of consumer choice. Consumers who in this case is a buyer choose one product or design can also have their own designs and then order the product at the same artisans with designs that consumers want. If you order in large quantities, then the craftsman will make the model first and then given to the customer to see the results. If a suitable buyer, it will be made a contract to complete the entire order. In choosing a brand, the buyer can also choose to use a brand of artisans (some artisans have their own brands and patented), with no brand, or can also use the buyer's own brand. The finished product can be taken by the buyer or can also be delivered by the artisans. Postage can be borne by the buyer, or charged to cost of production.

- Human resources (qualification and number, training opportunities).

Labor in leather craft business is divided into two, namely: artisans and management (including the entrepreneur artisans). Workers are artisans who assist in the production process. The workers or artisans were paid by product that can be produced. These workers make the learning process from previous artisans and artisans pass on knowledge to the next generation. Status of the artisans is tied to one employer. The artisans produce based targets. Employers who receive large orders, offers to the artisans the quantity that can be produced in a predetermined time period. Then, the employer will provide all the necessary ingredients in accordance with the amount of product that can be produced. employers will also provide simple training to artisans.

- Facilities and infrastructure

Leather craft SMEs have administrative space, work space and a showroom in one. Due to the lack of land they own, causing SMEs placing production machinery, raw materials and final products in one place. SMEs' access to the highway is relatively close.

- Financial

SMEs financing leather craft are usually financed by banks. Bank financing for working capital, while the capital itself is used for investment. This happens because there is still difficulty in obtaining loans for investment purposes. Leather craft entrepreneurs who obtain credit generally has been running the business for a long time, so the bank to obtain sufficient information about the character and capacity of the employer. Financial Statements of each SME has not been made, so that each of these SMEs can not reveal the financial statements.

1.6. Discussion and Alternative Solutions

Competitive advantage has an important role in the competitive strategy of SME business. Competitive advantage necessary to obtain a favorable result. To gain competitive advantage in SMEs leather craft, other factors besides craftsmen who could influential factor is the supplier. So, the company always to involve suppliers in making the design strategy. in terms of relations with customers, usually leather artisans will require a high contact with certain customers. This contact is needed to set standards (product quality, delivery, response to customer complaints).

The results of data collection and analysis conducted by researchers associated conditions facing SMEs leather craft can be seen in Table 2.

Table. 2
Matrix Problems and Solutions and strategies of competitive advantage
Leather Craft SMEs

Study	SMEs a priority issue	Problem solving solution			Competitive advantage strategy
		step 1	Step 2	Step 3	
Raw materials	<ul style="list-style-type: none"> - Availability of raw materials smooth leather - The availability of support - Availability of accessories 	<ul style="list-style-type: none"> - Purchases via the Internet - Guarantee payments - Guarantee regular reservations 	<ul style="list-style-type: none"> - Search closest source of raw materials and the lowest for SMEs leather - The main raw materials, supporting materials and accessories strived easier to obtain 	<ul style="list-style-type: none"> - Production schedule already exists, so that the availability of raw materials can be planned well and the scarcity of raw materials can be minimized. 	<ul style="list-style-type: none"> - Create a link SMEs with raw material suppliers - Making the suppliers of raw materials as a partner - Improved ability to manage product development and partner networks
Technology and production processes	<ul style="list-style-type: none"> - Lack of design technology - Layout - Production machine - The limitations of the equipment - Still manually and not using modern technology 	<ul style="list-style-type: none"> - Link with actors in the field of art craft design. - Layout changes that simplify the production process 	<ul style="list-style-type: none"> - Striving for a more modern production processes - create a production schedule - Providing scheme needs raw materials - Conduct studies conformity with the tools and products 	<ul style="list-style-type: none"> - Procurement of modern tools to improve the quality and quantity of production - The availability of the necessary equipment - Completeness of the production machine - seeking international standards of 	<ul style="list-style-type: none"> - SMEs independence in designing products that are not easily imitated, and have aesthetic value and high selling price. The production process is directed to use the technology. - Handling of the finished product less

			produced SMEs	product produced.	
Product	<ul style="list-style-type: none"> - There are no material planning (MRP) - The products are still produced manually 	<ul style="list-style-type: none"> - Striving marketable product design - Product quality supervision - Improvement of product quality 	<ul style="list-style-type: none"> - Improvement of product quality - Doing characteristics and classification of products 	<ul style="list-style-type: none"> - seeking patents on products produced - Striving Standardize products - Products get ISO 	<ul style="list-style-type: none"> - Planning material begins to be applied, production demands began to be made and there is continuous improvement for products - The products have been awarded a patent - Product certification and quality standards have been recognized internationally
Marketing and Distribution	<ul style="list-style-type: none"> - Reduced public interest in the leather products - A high price - Do not have a showroom - Brands of the buyer - Lack of promotion - Do not understand the use of on line shopping. 	<ul style="list-style-type: none"> - Repair segmentation - Improvement target market - Improvement ways of promotion and advertising of products - Training Export-import - Improved management and business development through the website 	<ul style="list-style-type: none"> - Building a partnership with the Ministry of SMEs to participate in promoting leather products - Build links with agents of promotion of the region - Build relationships with travel agents 	<ul style="list-style-type: none"> - Doing positioning products - Pursuing a strategy of packaging, labeling, guarantee and warranty - Create a blog - Creating websites - Making the product discount - Make scheduling exhibition - Creating a product trial - Refinements and revisions of brochures, catalogs, structuring showrom, - following the existing exhibition 	<ul style="list-style-type: none"> - Community interest in using products made from the leather increases - Prices can compete - Promotion has been done continuously - SMEs are already regularly involved in events exhibitions, both nationally and internationally. - Branding for SMEs is already good product - SMEs are already selling products through online shopping. - SME products can be extended to the International consistently.
Human resources	The lack of compensation and insurance programs	Survey employee compensation and program needs the right insurance	Training on product knowledge	Labor force registered with the health insurance and other employment insurance.	HR program eligibility standards can already be applied
	HR still in the process of production based on experience	Training on product knowledge		The artisan labored to get certified artisan internationally recognized	Existing employee insurance Certification artisan already owned by all artisan
	Do not have the entrepreneurial spirit	Training and mentoring Entrepreneurship	Training and mentoring Entrepreneurship		Product and product design are in accordance with international quality and existing exporters and assistance from the government's readiness tbsp toward global competition.
	Lack of innovation	Training HR innovation	Training HR keinovasian	Training on product knowledge	Increased ability to develop

	The lack of ability of the product design	Training and assistance with the design team of the complete production scheduling	Training and assistance with the design team of universities, businesses and exporters.	Training and assistance on entrepreneurship	innovative products export orientation directly. Increased self-reliance in doing business with partners Abroad
	work schedule is not right	Making signs location		Training and assistance with the design team of universities	
Infrastructure	- A place of business not yet widely known - The lack of facilities that facilitate SMEs to participate in various exhibitions.	Making signs location	Making signposts location Plan manufacture of integrated showroom. Ease of access to the production site and showroom	Making signposts location Ease of access to the production site and showroom The availability of showrooms and specialty stores handicraft made of batik	Availability of board directions to SMEs leather. Workshop space is available and facilitated by the government opportunity to follow national and international exhibitions increasingly assured. SMEs handicraft products can go into shops
Finance	The calculation of production costs is not available The financial statements have not been there (balance sheet and cloth R / L). Feasibility analysis is not available	Training and mentoring, financial accounting Comparative studies of companies that have successfully export import	The comparative study to benchmark on the facilities needed, capital, financial statements, etc.	Improved management of accounting records Mentoring accountable financial reporting and recognized by the public akuntant Purchase accounting software and training	Improved management of accounting records The availability of financial reports accountable and transparent Profit and Loss Statement and can be seen clearly Their feasibility report to facilitate the SMEs obtain credit facilities from banks and get help from investors, either from the government or from the private sector.

1.7. Conclusions, Limitations And Recommendations

1. Conclusion

The results of an exploratory study conducted by in depth interviews and focus group discussions provide a better understanding to researchers about the problems that exist in SMEs leather craft in Yogyakarta. The problem faced by SMEs leather Craft Yogyakarta Special Region of SMEs have not been able to optimize leathercraft Special Region of Yogyakarta to be able to compete on a global level. The problems facing SMEs Yogyakarta Leather craft-related issues of raw materials, technology and production processes, products, marketing and distribution, human resources, infrastructure and finance. Some solutions related to resolution of this issue is done, among others, making SMEs links with providers of raw materials, making the

suppliers of raw materials as a partner, improvement in the ability to manage product development and partner networks. The products have received patents. Product certification and quality standards can be recognized internationally. Increase public interest using products made from leather. Competitive pricing, promotion has been done continuously and routinely engaged in exhibition events, both national and international, make branding for SMEs products, selling products through online shopping.

2. Limitations and recommendations

This study only analyzes the various problems that arise in the SME leather craft Special Region of Yogyakarta using exploratory study. This study has not continued in the quantitative study to find the causes and consequences of any problems arising in craft SMEs leather that cause poor performance of SMEs that have an effect on decreasing competitive advantage. Quantitative research should be done to strengthen these findings to be able to provide stronger justification for the results of this research. Quantitative research has the power to explain the causality and influence between a construct with the application of probability theory are reflected in the statistical analysis. However, the weakness of the quantitative approach is to provide an explanation or social significance associated with the statistics. The quantitative study is more appropriately used to identify the covariance of variable research is not based on the sequence of time occurs.

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