

Creative Industries: Strategy and Challenges in the Craft Sub-sector

Mohammad Benny Alexandri
Universitas Padjadjaran

Zeis Zultaqawa
Universitas Padjadjaran

Muhammad Donie Aulia
SAPPK ITB

— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

ASEAN Economic Community (AEC) brings both positive and negative consequences for the countries in Southeast Asia. There are several benefits for ASEAN countries: decreased transportation costs, reduced telecommunication costs, increased number of Internet users, more easily and quickly obtained information, and increased investment and employment. Sukamulya is the center of the doll manufacturing industry in Bandung. Sukamulya also has an impact on AEC. The research method used is a systematic mapping study and SWOT analysis. Sukamulya Doll Village has great potential to contribute greatly to the growth of the creative economy in Bandung City.

Keyword: Competitive Advantage, Creative Industry, Method Systematic Mapping Study, SWOT Analysis, Craft, Sukamulya Doll Village.

1. INTRODUCTION

Competitive advantage is the advantage over competitors that can be obtained by offering consumers greater value, either by lowering prices or by providing greater benefits and services (Porter (2001)). According to Barney and Clark (1991) in the *Resource-Based Theory: Creating and Sustaining Competitive Advantage*: Sources of competitive advantage include resources that cannot be imitated and have no substitutes. The resource includes all assets, capabilities, organizational processes, company characteristics, information, knowledge and so on that are in the control of the company to implement strategies so as to achieve goals effectively and efficiently (Barney, 1986; 1988; 1991; 1996; 2001)

To understand from the competitive advantage perspective, researchers conducted a systematic mapping study. This study is a literature review that uses systematic mapping study (SMS) on competitive advantage. Although there are several literature reviews related to the competitive advantages carried out in Indonesia (Handayani et al., 2013; Napitupulu et al., 2013; Susanti et al., 2015 ; Ginting, 2015; Roostika et al., 2015; Widodo, 2015; Tjahjaningsih et al., 2016; Rufaidah, 2016; Ismail, 2016; Sulistyono et al., 2016; Samsir et al., 2017; Budiarto et al., 2017; Mustofa et al., 2017; Lukiastuti et al., 2017; Ardyan et al., 2017), only a few discussed specific systematic mapping studies (SMS) regarding competitive advantage (Kahkonen & Smolander, 2013). Thus, the aim of this study is to provide

existing literature maps to achieve results that are useful for practical use and also for academics to identify future research gaps (Akkermans, Bogerd, & van Wassenhove, 2003).

In Indonesia, creative economy has the potential of providing a significant economic contribution because it creates a positive business climate, builds the image and identity of the nation, increase competitive advantage, and provides positive social impact (Creative Economy Agency (BEKRAF) Report of 5 Provincial Development in 2010-2016 According to the Business Field).

Free trade between countries in the Southeast Asia region or ASEAN Economic Community (AEC) 2015 brings positive and negative things for the Countries in Southeast Asia. As Director of the Trade Service Agreement (Ministry of Trade) Sondang Anggraini, there are several benefits that ASEAN countries can obtain, they are: (1) decreased transportation costs, (2) reduced telecommunication costs rapidly, (3) increased number of internet users, (4) more easily and quickly obtained information, (5) increased investment and employment. But to deal with the negative effects of competition, there are a number of things that need to be done, both by the government and the private sector, they are : (1) developing educational curriculum that are in line with the AEC, (2) increasing socialization activities (focus on supply and production side) , (3) improving consumer protection, (4) providing business space for micro, small and medium enterprises (MSMEs), (5) encouraging the private sector to take advantage of open markets, (6) creating conditions that provide opportunities for domestic service suppliers to compete with foreign service suppliers (<http://bisnis.liputan6.com/>).

This study focuses on the SME creative industry, especially the craft sub-sector. The craft sub-sector studied is the doll industries. Sukamulya Doll Village was founded in the 1990s. The main pioneer of the formation of the Sukamulya doll industry center was Haji Atang. But as the global market changes, according to the data, the Sukamulya Doll Village production always decrease. The number of business units remains the same which are 17 business units. In the beginning, around the 1990s, Haji Atang became a pioneer in making dolls in the village of Sukamulya. This effort made his neighbors interested because orders always existed at all times. When other businesses decreased, this handmade doll business increased. Residents were involved in this business, so Sukamulya Doll Village became a center of handmade cloth doll industry. While this year the most popular merchandise dolls. (<http://panduanwisata.id>).

The problems formulations in this study are :

1. How can the condition of Sukamulya Dolls Village?
2. What Is the Problem faced by Sukamulya Dolls Village?
3. What is the competitive advantage that can be applied in Sukamulya Dolls Village in facing of the existing problems?

2. LITERATURE REVIEW

According to UNCTAD (2010) in **Booyens (2012)**, creative industries are the main drivers of job creation, innovation, and social inclusion. The creative industry also has an important influence on the wealth of a region (**Molina et al., 2012**). According to

UNESCO in **Dong & Haruna (2012)**, the creative industry through culture has become a milestone in modern post-industrial based economic history.

Cravens (1999) mentions that the source of competitive advantage is superior skills, resources, and control. Superior skills allow organizations to choose and implement strategies that will differentiate between organization and competition. Skills include technical, managerial and operational skills. Elements of competitive advantage according to Cravens (1999) can be seen in Figure 1.

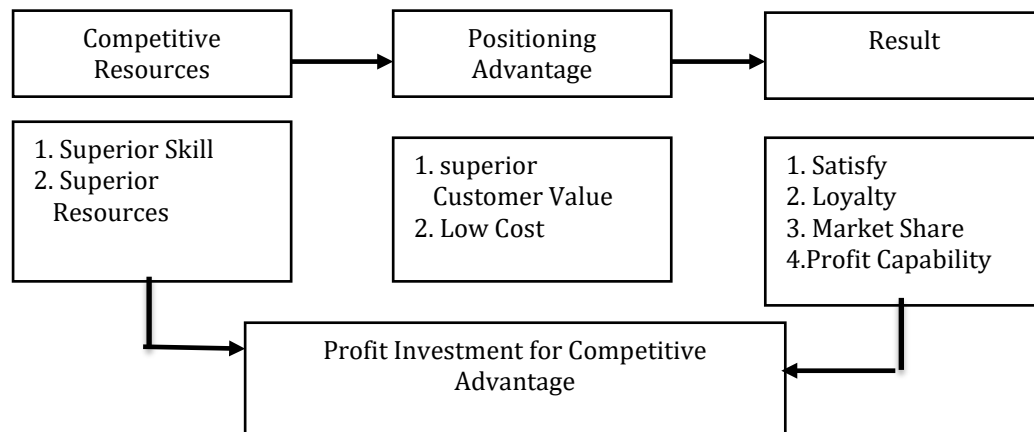


Figure 1 Elements of Competitive Advantages

Source: Cravens (1999)

According to Phil (2011: 103), the advantage for an organization is about differentiating from the Six P's, people, policies, processes, products, practices, and performance. According to Phil, excellence must be viewed in an integrated and interactive manner, with a view to continuous improvement, and the end result achieved is performance excellence, where Phil believes that performance excellence can only be obtained if the organization support of all other components of excellence. Based on a national survey from the Creative Economy Agency (BEKRAF) on 2015 GDP, the Creative Industry contributed IDR 852.24 trillion. This number increased from the previous year of IDR 784.82 Trillion. This shows that the Creative Industry has a large share of increasing state revenue. Based on survey data from BEKRAF, Craft Subsector contributed 15.70% of the total GDP from Creative Economy (IDR. 852.4 Trillion) in 2015. The craft also became the third largest sub-sector in contributing to Indonesia GDP. The biggest contribution are Culinary sub-sector (41.69%), Fashion (18.15%). It determined that the Creative Industry has become one of the largest suppliers in the Indonesian economy because it contributes more than 7% of Gross Domestic Income (GDI).

The development of the creative industry in Bandung is of high potential because of its location for the synergy and collaboration of universities, businesspeople, society, government, and media. The development of the creative economy in Bandung has indicated satisfactory improvement. To date, the leading sub-sectors of the creative industry in Bandung are as follows: (1) music, (2) fashion, (3) art, (4) design, (5) architecture, (6) IT and (7) food. (Herawaty and Raharja (2018), Zultaqawa et al (2018))

3. METHODOLOGY

Researchers applied methods is systematic mapping study (Kitchenham, 2004; Petersen et al, 2008; Banaeianjahromi and Smolander, 2016). It determines the focus of what was studied in research. This study also used SWOT analysis to see a competitive advantage in the creative industry in Bandung City. Data sources also come from interviews with the Head of Bandung Creative Economy, Tris Avianti (March-August 2018). The interview was conducted in the context of Bandung's creative industry.

4. DISCUSSIONS

1. How the current condition of Sukamulya Doll Village?

Nb	Potential	Unit	Year			
			2012	2013	2014	2015
1	Number of Business Units	Units	17	17	17	17
2	Investment	IDR. Billion	2691	2801	2960	3256
3	Labor	People	212	195	179	212
4	Turnover per year	IDR.Miliar	7358	6478	7776	7776

Table 1. Industry Conditions of Sukamulya Doll Village

Based on the industry data center's website of Bandung, Sukamulya Doll Village recorded 17 companies with 212 workers whose annual production capacity reaches nearly 800,000 pieces of dolls. The Investment value equivalent to IDR. 2,691 billion. The quality of doll production in Sukamulya Doll Village is global, not only accepting orders from Indonesia but also export to other countries, such as China, Saudi Arabia, New Zealand, Germany, Japan, and Thailand. Exports are an added value for the industry (Yudi Fernando et al. (2017), Zultaqawa et al (2018)).

2. What is the main problem faced by Sukamulya Doll Village?

The number of entrepreneurs of Sukamulya Doll Village dropped from 10 entrepreneurs to 4 entrepreneurs in 2017. This drastic decline in the number of Sukamulya Doll Village caused by competition in the ASEAN Economic Community in 2015. The ASEAN Economic Community also influenced the creative industry and SMEs (Ismail T. (2016), Ginting G. (2015), Mustofa et al. (2017), Sudayanto et al (2011), Dwi Budi Santosa (2018), Zultaqawa et al (2018). Sukamulya Doll Village have marketing problems. It still relies on word of mouth marketing and minimal support from the government. This indicates that the government has not sided with SME (Phil 2011), according to Porter (1980) big industry has not been included in one of the strategies of competitive advantage, which is focused on cost efficiency. In addition, the target market has not been carried out by entrepreneurs, for example for teenagers and strong positioning as a superior product of Bandung City (Barkah and Raharja (2018), Hedrawan and Nugroho (2018)). Indonesian National Standard (SNI) must be paid every 6 months for IDR 5 million and must be regularly extended. It resulted in the deterioration of Sukamulya Doll Village's entrepreneurs because it was quite expensive. It was contradicted to Cravens's (1999) competitive advantage model which requires superior and efficient resources as superior sources.

3. What is competitive advantage that can be applied in Sukamulya Doll Village on facing the existing problems?

The City of Bandung's Trade and Industry Office only socialize the importance of participating in the program without capital assistance by the Bandung City Trade and Industry Department.

The doll's craftsmen must afford the SNI for their business. It because without having the Indonesian National Standard (SNI), it could not be sold in national or in global markets.

This research uses SWOT analysis method, where through this method we can see the advantages and disadvantages of Sukamulya Doll Village.

Internal	Strength <ul style="list-style-type: none"> • It is one of the seven centers in the Bandung industry Low prices, starting from IDR. 14000.00 • There are four types of dolls and one type of mattress • products have invaded international markets 	Weakness <ul style="list-style-type: none"> • Sukamulya Doll Village still using simple production techniques of production equipment that is still simple and still take advantage of human power or lack of ability entrepreneurial long-term business of the owner of the business units
External	Opportunity <ul style="list-style-type: none"> • The annual production capacity is 768,940 units with an investment value of IDR. 2,691 billion • There are technologies and IT Start-Up Incubator companies that can work together to market products directly without passing through the pest. So I will have a bigger profit, for example, the company is KUDO. ID 	Threat <ul style="list-style-type: none"> • The Price of raw materials for making dolls increase • Competitors from the same field (Kopo Sayati Doll Village) • Market changes so fast that the industry cannot keep up with the changing market demand for the product itself.

Based on the SWOT analysis table above, it viewed from its own internal field (Strength and Weakness), Sukamulya Doll Village has more advantages in the field of strength, seen from the determination as one of the seven Bandung industrial centers, affordable prices, various types of products, and production made by the surrounding community. It was consistent with one of the indicators of Cravens (1999) in the model, which are the superiority of cheap resources (the advantages of positioning) and satisfaction, loyalty and market share (work).

In terms of Weaknesses, Sukamulya Doll Village itself is still based on simple manufacturing methods and generally still uses human power. In other words, the production of puppets in the Sukamulya Doll Village still has not used modern equipment as in today's modern factories. In the Cravens model (1999) superior

resources have not yet emerged. The external field shows the Sukamulya Dolls Village, it has a threat that must be anticipated, which starting from a competitor who is a doll's production industry that is still in one area and fluctuations in the price of raw materials for making the doll itself. Phil (2011: 103) excellence for an organization is about differentiating itself with the Six P's, which are people, policies, processes, products, practices, and performance. Sukamulya Doll Village still has difficulties in policy and performance. However, Sukamulya Doll Village has a large investment potential from a very large production capacity. So that it can be an attraction for investors who want to get profits from investing in this craft production.

5. SWOT STRATEGIES

Sukamulya Doll Village has a huge opportunity to open new opportunities or new markets in other regions with very efficient capital. It because of helped by the development of technology applications. This environmentally friendly innovation (green innovation) will increase the competitive advantage of the industry (Ardyan et al., 2017). Variants of new products that can compete in new markets, Conduct counseling and training as well as assistance to this creative industry because of the creation of a Creative Economic Agency President Jokowi so that the craft creative industry can have long-term sustainability with a professional workforce later. Sukamulya Doll Village has a relatively cheap price from competitors in making a production unit, so it can have the capability to become a "Top of Mind" industrial center. Sustainable competitive advantage will improve marketing performance (Ardyan et al., 2017). Sukamulya Doll Village can maintain the quality of the product by creating a quality control system that is standardized together in the Sukamulya Doll Village Industry Center to ensure price stability. (Barkah and Raharja (2018)). It orders of raw materials by cooperating between units in Sukamulya Doll Village which can get a discount by making a joint agreement with the raw material provider or the so-called cooperation. In this way, it can be ascertained that the raw material purchased will be guaranteed quality and price cut. Having a channel that has reached the international market, the owners of doll's company not only supply items that are desired by international and domestic consumers but also question the current trends so as not to be left behind by changes in consumer demand which are very quickly saturated and changing to a product. Sukamulya Doll Village can introduce technology with counseling from the government, especially from West Java. Conduct events such as SME Seminar or SME. Incubation with Start-Up Technology Information to introduce products to be able to sell quickly and increase sales capability of the central actors themselves or the business unit itself. Sukamulya Doll Village can make standard operational procedures clear and easily understood by workers if complicated futures training is made which is also mentored by the Creative Economy Agency. Introducing to the Puppet Industry Center about the use of machines or applications that can help production and marketing. Third, instilling enthusiasm for cooperation despite competition, where there is communication between industry centers to maintain price stability regardless of existing competition so as not to reduce the value or brand of each center. Human resources become a weakness of SME which in business development decision- making remains dominated by the crafters themselves, and the principle of professional business management is not used and also most of the craftsmen possess elementary and junior high school education (Maulina and Raharja (2018))

6. CONCLUSION

The Sukamulya puppet industry is an industrial center that is not a 100% creative industry. According to Tris Avianti, the production of Sukamulya based on consumers' orders is a product innovation. In order to improve competitiveness in micro, small and medium enterprises (MSMEs), it is necessary to apply the concept of competitive advantage. There are millions of competitors under threat that business closure. The impact is on the economic growth rooted in business sustainability. The role of academics, practitioners, research institutions and the government is to conduct studies related to the competitive advantage of a business. The linkages between academics, practitioners, research institutions and the government with business actors, companies, industries, and businesses are the development of concepts, and ideas about competitive advantage. Sukamulya Doll Village has great potential in the development of the creative industry, especially in the craft sub-sector. This potential can contribute greatly to creating economic growth and employment. Sukamulya Doll Village itself still has obstacles that must be overcome in terms of raw materials and competitors. The craft industry relies heavily on the availability of raw materials. Changes in raw material supply and prices will have an impact on several important aspects including production capacity and prices. Changes in the supply of labor in the Sukamulya doll village can be overcome through training of employees so that they are able to become trained, professional, and efficient human resources.

REFERENCES

- [1] Ardyan E., Nurtantiono A., Istiyanto B., Rahmawan G. (2017). Green innovation capability as a driver of sustainable competitive advantages and marketing performance. *International Journal of Civil Engineering and Technology*.
- [2] Banaeianjahromi., N & Smolander., K. (2016). "What do we know about the role of enterprise architecture in enterprise integration? A systematic mapping study", *Journal of Enterprise Information Management*, Vol. 29 Iss 1 pp. 140 – 164.
- [3] Barney., JB (1986). Organizational culture: can it be a source of sustained competitive advantage? *Academy of Management Review*. 1986, Vol. 11. No. 3. 656-665.
- [4] Barney., JB (1988). Returns To Bidding Firms In Mergers And Acquisitions: Reconsidering The Relatedness Hypothesis. *Strategic Management Journal*, Vol. 9, 71-78 (1988).
- [5] Barney., JB (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management* 1991 17: 99.
- [6] Barney., JB (1996). Information Technology and Sustained Competitive Advantage: A Resource-Based Analysis. *Executive Overview*. Page 487
- [7] Barney., JB (2001). The resource-based view of the firm: Ten years after 1991. *Journal of Management* 27 (2001) 625-641.
- [8] Barney., JB & Clark., Delwyn N. (2001). *Resource-Based Theory: Creating and Sustaining Competitive Advantage*. Oxford University Press Inc., New York.
- [9] Booyens, I. (2012). Creative industries, quality, and social development: Developments, impacts and challenges in Cape Town. *Urban Forum*, 23, 43 - 60.
- [10] Budiarto DS, Prabowo MA, Herawan T. (2017). An integrated information system to support supply chain management & Performance in SMEs. *Journal of Industrial Engineering and Management*.
- [11] Cecep Safa'atul et al (2018) Analysis of two marketing strategies and competitive advantages of producers of special foods in Garut, *International Journal of Trade and Global Markets*, Volume 11, Issue 1-2.

- [12] Cravens, DW (1999), Strategic Marketing, 6th ed., Irwin / McGraw-Hill, Homewood, IL.
- [13] Dimas Hendrawan, Dian Ari Nugroho (2018) Influence of personality on impulsive buying behavior among Indonesian young consumers, International Journal of Trade and Global Markets, Volume 11, Issue 1-2.
- [14] Dong, L., & Haruna, M. (2012). The practice of urban renewal based on creative industries: Experience from the Huangjueping creative industries in Chongqing China. Journal of Sustainable Development, 5, 101-110.
- [15] Dwi Budi Santosa (2018) Does export promotion policy benefit for ASEAN economic development? International Journal of Trade and Global Markets, Volume 11, Issue 1-2.
- [16] Maulina, Erna and Raharja ,Sam'un Jaja (2018) SWOT Analysis for Business Strategies: A Case of Virage Awi in the Bamboo Craft Industries, Bandung, Indonesia, Review of Integrative Business and Economics Research, Vol. 7, Supplementary Issue 2.
- [17] Ginting G. (2015). Network resources as a key determinant of small medium enterprises / SMEs export performance (Case: Creative industry in Indonesia). International Journal of Applied Business and Economic Research <http://panduanwisata.id>.
- [18] Ismail T. (2016). Culture control, capability, and performance: Evidence from creative industries in Indonesia. The Asian Review of Accounting
- [19] Juniarti (2017) The negative impact of family ownership structure on firm value in the context of Indonesia, International Journal of Business and Globalization, Volume 11, Issue 1
- [20] Kahkonen, T., & Smolander, K. (2013). ERP Integration: A Systematic Mapping Study. Proceedings of the 15th International Conference on Enterprise Information Systems ISBN 978-989-8565-59-4, Angers, France, 23-35.
- [21] Kahkonen, T., & Smolander, K. (2013). ERP Integration: A Systematic Mapping Study. Proceedings of the 15th International Conference on Enterprise Information Systems ISBN 978-989-8565-59-4, Angers, France, 23-35.
- [22] Kitchenham, B. (2004). Procedures for performing systematic reviews. Keele University, Keele.
- [23] Kitchenham, B. (2007). Systematic Literature Reviews in Software Engineering Guidelines for performing. EBSE Technical Report, School of Computer Science and Mathematics, Keele University, UK, 1-57.
- [24] Creative Economy GRDP Preparation Report5 Province 87 2010-2016 According to business Field.
- [25] Mustofa MS, Ngabiyanto, Santoso AB 2017. Innovation and social capital in the development of embroidery industry in Nalum sari sub-district of Jepara regency, central Java (a study in Nalum sari and Daren Villages). International Journal of Applied Business and Economic Research.
- [26] Napitupulu'sTA, Ika LR (2013). B2B website's model of satisfaction and benefit: A case of SME in Indonesia. International Business Management
- [27] Petersen, KF (2008). Systematic mapping studies in software engineering. 12th International Conference on Evaluation and Assessment in software engineering, p.1.
- [28] Porter, ME (1980). Competitive strategy: techniques for analyzing industries and competitors: with a new introduction1 Michael E. Porter. New York, United States of America: The Free Press; First Free Press Edition 1980; ISBN 0-684-84148-7.

- [29] Roostika R., Wahyuningsih T., Haryono S. (2015). The impact of external competitiveness factors in the handicrafts industry. *Polish Journal of Management Studies*.
- [30] Rufaidah P. (2016). Dynamic capability in branding strategy development. *International Journal of Economics and Management*.
- [31] Rukmawati, R. (2009). *Creative Industry in Indonesia*. Jakarta: MPKP FEUI.
- [32] Samsir, Nursanti A., Zulfadil. (2017). The effect of product innovation as mediation in the relationship between knowledge management to competitive advantage (case study in SME of typical food products of Riau Indonesia). *International Journal of Economic Research*.
- [33] Sudaryanto, Ragimun. 2011. *UMKM Empowerment Strategy Facing the Market*. Asean free. Yogyakarta: People's Sovereignty.
- [34] Sulisty H., Siyamtinah. (2016). Innovation capability of SMEs through entrepreneurship, marketing capability, relational capital, and empowerment. *Asia Pacific Management Review*.
- [35] Susanti AA, Arief M. (2015). The effect of dynamic capability for the formation of competitive advantage to achieve the firm's performance (Empirical study on Indonesian credit co-operatives). *Advanced Science Letters*.
- [36] Tjahjaningsih E., Rozak HA, Handayani D., Utomo AP (2016). Development and empowerment of Semarang batik craftsmen based on the assistance strategy of fractal batik in the effort to build sustainable competitive advantage. *International Journal of Applied Business and Economic Research*.
- [37] Herawaty Tetty, Raharja, Sam'un Jaja (2018) *Creative Industry Development Strategy in Bandung, Indonesia*, *Review of Integrative Business and Economics Research*, Vol. 7, Supplementary Issue 2.
- [38] Widodo, Shahab MA (2015). The model of human capital and knowledge sharing towards sustainable competitive advantages. *Problems and Perspectives in Management*.
- [39] Yudi Fernando, Agustina Fitrianingrum, Christopher Richardson (2017) *Organizational determinants of export performance: evidence from exporting firms in Batam, Indonesia*, *International Journal of Business Excellence* Volume 11, Issue 1
- [40] Zultaqawa Zeis, Alexandri, Mohammad Benny, Aulia, Muhammad Donie (2018) *The Collaboration of Communities and Governments in Bandung City*, *Review of Integrative Business and Economics Research*, Vol. 8, Supplementary Issue 1.
- [41] <http://panduanwisata.id>