

# The Strategy for Increasing the Competitiveness of Craft Products in the City of Palu, Central Sulawesi, Indonesia

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## ABSTRACT

This study aims to establish a strategy to improve the competitiveness of Palu handicraft products. The prospect of handicraft industry of Palu is quite good considering that there are various and abundant resources. However, handicraft industry in Palu has currently not the host of its own country. The dominance of other regional craft products is still high in urban handicraft market. Local government should strengthen the competitiveness of Palu's handicraft products through systematic and integrated planning. This study uses SWOT analysis based on the four-quadrant strategies. The data was collected through interviews and FGDs involving business actors and local government elements. The results of the weighting and scoring show that the opportunities of Palu's handicraft industry are more than its threats, but its weakness is greater than its strengths. The intersection of internal and external factors in the SWOT quadrant shows that Palu's handicraft industry is in Quadrant II, or in stability strategy. The implementation of activities is still carried out following the existing rules. Turnaround strategy is necessary while making internal improvements and looking for opportunities (guerilla strategy). It allows the advancement of internal weaknesses in maintaining the existing and aggressive roles. The industry must also selectively carry out their programs whenever possible.

**Keywords:** *handicraft, competitiveness, SWOT*

## 1. INTRODUCTION

The concept of holistic development is directed at the creation of not only industrial added value but also community base and local source [1, 2]. Abundant local resources in various places are one of the strengths to build industrial competitiveness through the identification of Valuable, Rare, Inimitable, and Non-Substitutable resources [3].

For this reason, identification of strategic value resources is very much needed [4, 3] because not all available resources have leverage that affects competitiveness [5].

Resource identification does not guarantee industrial competitiveness [6]. Creative activity is needed to ignite the added value of commodities so that the value of the product is not only based on the excellence of local resources but also based on collaborative strategic and technical endeavors [7]. In this context, creative industry has a decisive role, and a cluster is needed [8].

The development of information technology has accelerated the growth of this industry. Therefore, creative sector is one of the pillars in building the national economy since it is able to create competitive human resources in the era of globalization, as well as the welfare of the community, which makes it considered as a very strategic sector [9].

One of the local resource-based creative industries is handicraft industry. Craft, conceptually, is a creative activity, which starts from the initial design to the process of product completion, related to the creation, production, and distribution of products made by craftsman [10]. The added value of crafts is not on their material used but, in the creativity, reflected in the product.

The added value of this sector reached IDR 641.8 trillion nationwide, or 7 percent of the national GDP, absorbing 10.7 percent of the national workforce, with the number of business units reaching 9.7 percent [11].

The currently developing craft industry is precious stones, natural or artificial fibers, leather, rattan, bamboo, wood, metal (gold, silver, copper, bronze, iron) wood, glass, porcelain, cloth, marble, clay, and lime. Craft products are generally produced in relatively small quantities (no mass production). [12].

The prospect of Palu handicraft industry is quite good considering that the resources are various and abundant. The availability of natural resources allows long-term development. Various superior commodities such as rattan and coconut support the development of the handicraft industry in the city. Moreover, Central Sulawesi Province contributes 60 percent of Indonesian rattan production [12]. This reality illustrates that the local potential is strong enough to support the industry, with rattan as the basis. Other resources such as coconut, ebony, cloves, and wood are potentials to develop. The right design of the strategy

will determine the success of the development of this commodity, which naturally has a strong carrying capacity, and this is the essence of this study. The design of the strategy will be appropriate if it is based on the fundamental characteristics of the industry and its external environment [13, 10, 14].

## 2. RESEARCH METHODS

The data of this qualitative research was gathered through interviews and Focus Group Discussion (FGD) involving three key informants consisting of 3 business actors and the Head of Export Office and the head of industry office in Palu. This study uses SWOT analysis based on four quadrants of strategy, namely identifying the company's external and internal environment and establishing policies using strengths and reducing weaknesses to seize opportunities and avoid threats. The process of identifying strengths, weaknesses, opportunities, and threats was done through interviews and FGDs, and strategies were set based on the four elements.

## 3. FINDING

Based on the results of interviews and Focus Group Discussion to identify strengths, weaknesses, opportunities, and threats, the strategy for developing the export of Palu handicraft products is as follows:

Table 1. Internal Factor Analysis: Strengths

No	Strengths	Weight	Score	Total Score
1	Cheap raw materials	0,07	4	0,28
2	Raw materials are easily obtained	0,1	4	0,4
3	The handicraft products produced are unique to the region	0,08	4	0,32
4	Supported by Rattan Innovation Center	0,15	5	0,75
5	Government support for international trade	0,1	4	0,4
	<b>TOTAL</b>	<b>0,5</b>		<b>2,15</b>

Table 2. Internal Factor Analysis: weakness

No	Weaknesses	Weight	Score	Total Score
1	insufficient access to export markets for handicraft entrepreneurs	0,07	5	0,35

2	The variation of handicraft products is still limited	0,08	5	0,4
3	Limited production capacity is less able to meet export market quotas	0,07	4	0,28
4	Weak marketing management and less promotional intensity	0,06	4	0,24
5	Lack of coordination between institutions among handicraft business actors	0,07	5	0,35
6	Number of handicraft business players in Palu	0,06	4	0,24
7	The quality of HR for creative design products is still lacking	0,09	5	0,45
	<b>TOTAL</b>	<b>0,5</b>		<b>2,31</b>

Table 3. External Factor Analysis: Opportunities

No	Opportunities	Weight	Score	Total Score
1	The growth of the tourism industry is driving increased demand for creative industries, especially the handicraft industry.	0,12	4	0,48
2	The opening of free markets in several countries that are bound in free trade	0,1	3	0,3
3	The absence of export tariffs for handicraft products	0,08	3	0,24
4	Indonesian government policy support in the development of creative industries	0,07	4	0,28
5	The development of information technology as a marketing tool is increasing	0,13	5	0,65
	<b>TOTAL</b>	<b>0,5</b>		<b>1,95</b>

Table 4. External Factor Analysis: Threats

No	Threats	Weight	Score	Total Score
1	The growth of the rattan handicraft creative industry in Cirebon, coconut wood in Bali which has long dominated the export oration craft market	0,15	4	0,6
2	Foreign consumers demand high-quality crafts, especially the originality of handicraft products	0,15	4	0,6
3	Transportation costs are increasing	0,1	3	0,3
4	The issue of environmentally friendly products requires that handicraft export products can guarantee the sustainability of nature	0,1	3	0,3
	<b>TOTAL</b>	<b>0,5</b>		<b>1,8</b>

Based on the calculation of internal analysis through comparison between strengths and weaknesses, strength is lower than weaknesses. The external factor analysis in the development of handicraft export market in Palu shows that opportunities for export market are greater than the threats. Furthermore, based on the results of calculations as shown by the table, the values on X and Y axis to describe the quadrant development strategy can be determined. The following is the estimation of X and Y axis.

**Internal Factor Analysis**

Strengths = 2,15  
 Opportunities = 1,95

**External Factor Analysis**

Weaknesses = 2,31  
 Threats = 1,80

**X = Strengths – Weaknesses**  
 = 2,15 – 2,31  
 = - 0,16

**Y = Opportunities - Threats**  
 = 1,95 – 1,8  
 = 0,15

The model of SWOT Quadrant can be seen below.

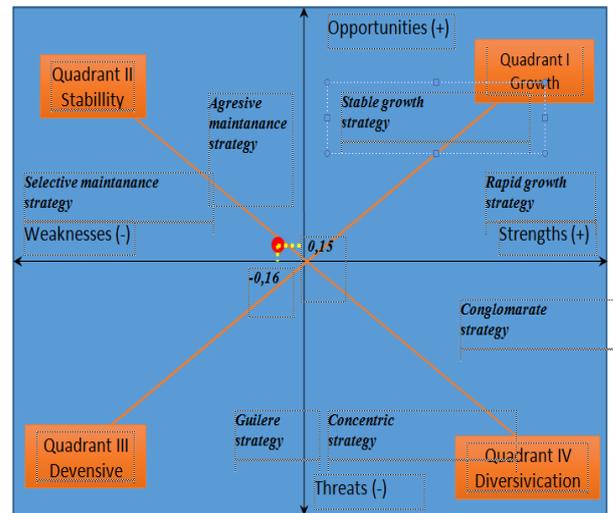


Figure 1. SWOT Quadrant

The intersection of internal and external factors is in Quadrant II, i.e. the stability strategy. In this situation, it is better to implement a stabilization strategy for selective maintenance strategy, which means that, during the process of improving and rediscovering company’s excellence, management only serves the previously selected markets.

Quadrant II indicates that the external factors are positive, but the internal factors are negative. This position shows that the opportunities are still higher than the existing threats. Meanwhile, in the internal area, the strengths or advantages are relatively smaller than the weaknesses. Hence, the policy must be directed to the negative internal factor, which means that the position is weak, where internal weakness tends to be higher.

In this condition, it is necessary to implement policies directed to maintain the stability of current and ongoing activities, in the sense that the activities are still carried out by obeying the existing rules and by trying to avoid themselves (turnaround strategy) while making internal improvements and looking for opportunities (guerilla strategy) that allows internal weaknesses reduction to maintain the existing roles as well as aggressively or selectively carrying out possible work programs.

The strategy for developing the export market of Palu handicraft products which is based on the stability strategy, particularly in the selection of internal policy, is as follows.

1. Developing handicraft industry export markets. In this pattern, the existing products are sold in new markets, and markets are developed to attract new customers.
2. Market segmentation. The purpose of segmentation is to focus on the company's marketing program by following the selected market segments, since following the characteristics of the target market is more effective and efficient.
3. Building a foreign trade information system. To provide information related to both domestic and international trade, local government needs to provide businesspeople in Palu with access to importers.
4. Improving the marketing communication (Promotion) of export-oriented handicraft products. This can be

done by participating in handicraft product events or exhibitions and making catalogues of Palu handicraft products.

5. Increasing the number of creative business actors. Improving the growth of craft businesses is possible by creating a good craft business climate, building a handicraft market, strengthening entrepreneurial spirit, and increasing the innovation of business actors.
6. Diversifying Craft Products. The diversification is directed to two purposes: creating new products to aim at new markets and creating new products for the existing markets.

#### 4. CONCLUSION

Based on the results of the SWOT analysis above, it can be concluded as follows:

1. The external review of Palu's handicraft industry has a higher chance than the threat that will occur.
2. Internal analysis of Palu Handicraft Industry shows that the weakness of Palu handicraft industry is more significant than the strengths owned
3. The intersection of internal and external factors included in Quadrant II or the stability strategy.
4. There are at least six alternative strategies from the main stability strategies that can be developed to build a competitive handicraft industry in the city of Palu in the future

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