The Pattern of Development Strategies for Small and Medium Enterprises in Sleman Regency, Special Region of Yogyakarta

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Abstract: Small and Medium Enterprises (SMEs) are potential sectors which need to be developed. The objects of this research are a number of Small and Medium Enterprises (SMEs) in Sleman Regency. As for the objectives are as follows: 1) analizing superior sectors of SMEs which are the most potential to be developed; 2) identifying the competitive advantage of SMEs; 3) formulating development strategies for superior sectors of SMEs. The research problem is how to develop strategies of SMEs in Sleman Regency. This research tries to make a development strategy of SMEs which integrates superiority or local potency of SMEs with its existing external opportunities. On a macro basis, the strategy formulated in this research is begun with conducting analysis of potency and problem towards every sector of the existing SMEs, in order to be able to identify which SMEs sectors are more potential and appropriate to be developed, then it is formulated its development strategy based on qualitative and quantitative approach. The development strategies of SMEs is based on integration of two methods, namely location quotient and diamond cluster model. The calculation result of LQ is obtained that the business sector or scope of SMEs that is superior in Sleman Regency is business service sector (coefisien of LQ value is 1.6). Next, it is conducted identification of the advantages of SMEs of business service which refers to Diamond Cluster Model. The result is that several superiority instruments of SMEs of business service have potency to be developed in the form of input factors, demand conditions, supporting and related industries, and company strategies and competitors.

1   INTRODUCTION

Development of SMEs becomes a crucial thing in view of that SMEs have such an important roles for the economic growth of a country, including Indonesia (Husband, 1999; Tambunan, 2005). As an illustration, SMEs in Indonesia have given contribution towards employment absorption as many as 99.74% from total of national absorption and given contribution towards GDP as much as 1.013,5 trillion rupiah or 56.73%. This big contribution refers that SMEs have ability to strenghten the structure of national economy (Tambunan, 2005). Although SMEs economically have significant contribution towards economic growth, however, in their development, they face up many problems. Based on this research (Winarni, 2006) and (Situmorang, 2008), the problems which are faced by SMEs are extracted as follows: (a) lack of capital, (b) difficulty in

marketing, (c) simple organizational structure with non-standard divison of labor, (d) low management quality, (e) limited Human Resources and their low quality, (g) Most of them do not have financial reports, (h) weak legality aspects, and (j) low quality of technology. These problems conduce weak business network, limited in market penetration ability and market diversification, economical scale is too small so that it is difficult to reduce cost, profit margin is very small, and even farther, SMEs do not have competitive advantages. Recognizing several problems faced in developing SMEs, therefore, it is needed a development strategy for SMEs in order that development of SMEs in Indonesia is able to run quickly, problems faced by SMEs are able to be reduced, and SMEs have more competitive advantages (Hafsah, 2004). Thus, all problems faced by SMEs had better to be made as input or consideration in formulating development strategy so that it becomes comprehensive strategy and can work

effectively and efficiently. Various kinds of research about development strategy of SMEs in Indonesia have been conducted, among them by (Winarni, 2006; Situmorang, 2008; Hafsah, 2004). Basically, strategies of SMEs development that are proposed by the researchers are not based on its advantages or local potencies (SMEs potencies) and external opportunities, as well as the development strategies proposed are still based on qualitative approach.

Although there are many in number, SMEs encounter the main problem, namely additional value of their products is relatively small. It is because of their small capital so that the opportunity to expand is limited. Secondly, human resources are relatively low, thus, level of creativity and product innovation is low as well. The third, marketing network that they have is limited. The fourth, the system of organization management has not work well yet. Therefore, the process of development and coaching of small and medium enterprisesis is a must to be carried out by local government in the era of regional outonomy if it does not want to be left behind and knocked out from economic development in the period of upcoming free market. The objectives of this research are 1) Analyzing sectors of superior SMEs that are the most potential to be developed; 2) Identifying competitive superiority of SMEs; 3) Formulating development strategies for superior sector of SMEs.

2 RESEARCH METHOD

Types and Data Sources
Data used in this research were subject data, namely the data that were in formed of opinion, attitude, experience or character of person or group who became research subjects (respondents) (Hasanah, 2018). Data sources in this research were primary data, that was the research data which were obtained directly from the data sources that were particularly collected and directly related with the problems observed. The primary data in this research were obtained through dividing or distributing questionnaires that were given to the respondents who in this case were businessmen in category of micro small business. Besides that, the data sources in this research were secondary data, that was, the data that were generally collected by institution of data collector and published for data user community (Kuncoro, 2005). The data collections that were going to be conducted by using *multiple source of evidence,* were interview, archive study and direct observation. Interview was used as main data sources. The *stakeholders* who became respondents in order to gain the research data were representatives of

Disperindagkop in Sleman Regency, owners, managers and employees of SMEs.

Population and Sampling
Population in this research were businessmen who were grouped entreprenuers in the category of SMEs. The detail in Sleman Regency for the total number of SMEs were as many as 112 businesses and the total number of small business were as many as 90 businesses (Disperindagkop, 2014). Determining the sampling in this research was based on formulation of Slovin namely $n=N/1+Ne^2$ in which n is the number of sampling; N is the number of population and e is fault tolerence which is set. The smaller fault tolerance set, the more accurate the sampling describes the population. By using level of the fault tolerence as much as 10 percent thus it was obtained the number of sampling of micro business in Sleman Regency as many as 52.8 business (rounded to 53). For the sampling number of Small Business, by using the same formulation thus it was obtained the sampling number for small business as many as 47.3 (rounded to 48).

Methodology of Data Collection
Data used in this research were primary data that were collected by open and closed questionnaires, with the purposes for getting data about dimension of developed construction in this research.

Technique of Data Analysis
Location Quotient
Formula of LQ with basic value of GRDP is as follow:

$$LQ = \frac{V_x^R/V^R}{V_x^N/V^N} \qquad (1)$$

In which:
V_x^R = sum of GRDP on a sector x in region R V^R = sum of GRDP on all sectors in region R
V_x^N = sum of GRDP on a sector x in refernce region N V^N = sum of GRDP on all sectors in reference region N

Diamond Cluster Model
Cluster is interpreted as "geographic concentrations of firms, suppliers, related industries, and specialized institutions that occur in a particular field in a nation, state or city." Another definition about clusters is "geographical concentration of industries that gain performance advantages through co-location". Cluster show the relationship among companies which provide complementary service, including consulting service, education service provider and training,

financial institutions, professional associations and goverment institutions (Porter, 1990).

3 RESULT AND DISCUSSION

Data Analysis

The approaches developed in this study are: (a) identifying the leading sectors in SMEs with the LQ index; (b) identifying competitive advantages for SMEs using the Diamond Cluster model. The competitive advantages are going to include input factor, demand condition, supporting and related industry, and strategy company and competitor (c) classification of competitive advantages of SMEs becomes internal and external factors. (d) formulating strategy based on the combination of strength, weakness, opportunity, and threats, and (e) Determining development strategy of SMEs, and (f) implementing strategy chosen (Hasanah, 2018).

Identification of Superior Sector of SMEs

Based on information from the Sleman Regency Gross Regional Domestic Product (GRDP) as a basis for determining the leading sectors for SMEs, there are some changes in the GRDP calculation carried out by the Central Bureau of Statistics (CBS) which originally used 2000 base years to be eliminated starting in February 2015 and as instead, it uses the 2010 base year, so that the classification of sectors or business fields that were originally 9 sectors becomes 17 sectors or business area.

The following is the identification of the superior sectors of SMEs consisting of 17 sectors or business area that are possible to potentially be developed in Sleman Regency. As for these sectors are (1) Agriculture, Forestry, and Fishery; 2) Mining and Excavation 3) Processing Industry; 4) Procurement of Electricity and Gas; 5) Procurement of Water, Processing Waste and Recycling Waste; 6) Construction; 7) Large and Retail Trade, Car and Motorcycle Repair; 8) Transportation and Warehousing; 9) Provision of accommodation and food beverage; 10) Information and communication; 11) Financial Service and Insurance; 12) Real Estate; 13) Business Service; 14) Government Administration, Defense and Social Security; 15) Education Service; 16) Health Service and Social Activity; 17) Other Services. To calculate the superior or potential SMEs sector from the 17 sectors, the LQ Index is used. LQ calculations and analysis basically by comparing the GRDP data of each SMEs sector with the accumulation of GRDP data in all sectors in Sleman Regency then compared with the

reference areas, namely the GRDP of Special Region of Yogyakarta. The GRDP value which is the basis of the calculation is used by the GDP value with a constant price of 2010. The results of the calculation of the LQ value in the form of index values are presented in table 1.

Table 1: Value LQ of Sector/Business Area of GRDP Sleman Regency in 2013-2014

No	Sector/Business Area	LQ Value	
		2013	2014
1	Agriculture, Forestry and Fishery	0.8033	0.7800
2	Mining and Excavation	0.7383	0.7282
3	Processing Industry	1.0180	0.9983
4	Procurement of Electricity and Gas	0.8336	0.8142
5	Procurement of Water, Processing Waste and Recycling Waste	0.4692	0.4686
6	Construction	1.1816	1.1845
7	Large and Retail Trade Car and Motorcycle Repair	0.9071	0.0243
8	Transportation and Warehousing	1.1461	1.1582
9	Provision of Accomodation And Food Beverage	1.0458	1.0360
10	Information and communication	0.9619	0.9699
11	Financial Service and Insurance	0.8120	0.8263
12	Real Estate	1.1315	1.1353
13	Business Service	1.6413	1.6471
14	Government Administration, Defense and Social Security	0.8025	0.8061
15	Education Service	0.0305	1.1065
16	Health Service and Social Activity	0.9242	0.9253
17	Other Services	0.8660	0.8684

Data processed

4 CONCLUSIONS

The results of the 2014 LQ index calculation (table 1.) that the SMEs sectors that can be developed are the Corporate Services sector of 1.6471. The SMEs Services Company LQ index value is the largest index value compared to other sectors. Furthermore, the SMEs sector that has the potential to be developed is the Transportation and Warehousing sector at 1.15 and then the Education Services sector with the LQ index of 1.1065.

Competitiveness Identification of SMEs

The core of Diamond Cluster Model is to effort in grouping core industries which are related each others, whether supporting industries, related industries, supporting service, economic infrastructure, research, training, education and others. The cluster is also intended to arrange

several activities of economic development. This cluster is able to be formed in city, regional distric and even country.

Before doing identification, it is going to be explained the intended context of business service. A business service is a company that does not produce goods or products, yet it produces output in the form of service. The business service characters are as follows:

1. Do not sell goods or products but sell in form of service.
2. Do not have inventory of goods
3. The purpose is to obtain profit set.
4. Do not determine the cost of goods
5. Do not need in making a report on the cost of production

Sub-sectors of this business service include service of lawyer, service of accountant, architectural bureau, service of data processing, service of advertisement and others. Identifying competitive advantages in SMEs area of business service is in four Diamond Model clusters, namely input factor, demand condition, supporting and related industry, company stategy and competitor. The next stage, the competitive advantage of SMEs is classified to be internal factors which consist of its strength and weakness, as well as external factors including opportunity and threat factors. The result is that SMEs of business service are potentially developed.

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